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Report to Congressional Requesters

February 2002

DRUG CONTROL

Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles

G A O

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Abbreviations

ADP	Alternative Development Program
GAO	General Accounting Office
PEAH	Special Project for the Alta (or Upper) Huallaga
PNDA	Plan Nacional De Desarrollo Alternativo or the National Plan for Alternative Development
UHAD	Upper Huallaga Area Development
USAID	U.S. Agency for International Development

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United States General Accounting Office
Washington, DC 20548

February 8, 2002

The Honorable Jesse A. Helms
Ranking Minority Member, Committee on Foreign Relations
The Honorable Charles E. Grassley
Co-Chairman, Caucus on International Narcotics Control
The Honorable Mike DeWine
United States Senate

The United States has been providing counternarcotics assistance to countries in the Andean region since the early 1970s to help curb the supply of illicit drugs—primarily cocaine—entering the United States. As part of these efforts, the U.S. Agency for International Development (USAID) has provided assistance to help Bolivian and Peruvian growers of illicit crops find legal means of earning a living. In recent years, these activities—termed alternative development[1]—together with U.S.-supported interdiction and eradication programs have greatly reduced the amount of coca[2] grown in Bolivia and Peru. Meanwhile, coca cultivation and cocaine production have increased substantially in Colombia, making it the world's leader in both.

Recognizing the seriousness of illegal drug activities in Colombia, the Colombian government, in October 1999, announced a $7.5 billion counternarcotics plan known as Plan Colombia.[3] Among other things, Plan Colombia proposed to reduce the cultivation of coca and the processing and distribution of narcotics by 50 percent over 6 years. To assist in this effort, in July 2000, the United States committed to providing about $1.3 billion to Colombia, other Andean countries, and U.S. agencies involved in drug interdiction and law enforcement, part of which was

[1]Alternative development entails a broad range of development initiatives to generate legal employment alternatives, alleviate poverty, and spur investment and economic growth. Such efforts often involve substituting licit crops for illicit ones. However, they may also entail creating other employment opportunities, such as those provided by various types of agro-industry. Complementary measures may include improving infrastructure, providing social services, strengthening local governments, offering access to credit, and giving marketing and distribution assistance.

[2]The leaves of the coca plant are used to produce cocaine.

[3]Colombia has pledged to provide $4 billion to support the plan and called on the international community, including the United States, to provide the remaining $3.5 billion.

intended for alternative development.[4] More recently, in January 2002, the Andean Counterdrug Initiative was passed, which provides $625 million for counternarcotics programs, including alternative development, in Andean countries.[5]

Although coca cultivation in Bolivia and Peru has been reduced in recent years,[6] you expressed concern about whether the alternative development program in Colombia will achieve its objectives and contribute to reducing the production of illicit drugs there. Specifically, you asked that we determine (1) what lessons have been learned in providing alternative development assistance to Bolivia and Peru, especially any that may apply to Colombia; (2) what progress USAID has made with alternative development in Colombia; and (3) what obstacles must be overcome to facilitate alternative development in Colombia. To review the programs in Bolivia and Peru and the status of efforts and challenges in Colombia, we analyzed program documentation and met with cognizant U.S., host government, contractor, and nongovernmental organization officials in Washington, D.C.; Bolivia; Colombia; and Peru. To gain a firsthand view of program activities in Bolivia and Peru, we visited selected project sites and met with project beneficiaries in both countries.

Results in Brief

Taken together, the lessons learned in Bolivia and Peru indicate that effective alternative development demands a strong host government commitment to a comprehensive array of counternarcotics measures and years of sustained U.S. assistance to support them. Chief among the specific lessons for Colombia are that progress requires host government control of drug-growing areas and an enduring political will to interdict drug trafficking and forcibly eradicate illicit crops as well as a carefully coordinated approach to executing these efforts. A lack of government control of project sites hampers access to beneficiaries; prevents monitoring for compliance with eradication agreements; and discourages commercial activity, investment, and public support. Without effective

[4]Title III, chapter 2, of the Emergency Supplemental Act, fiscal year 2000, as enacted in the Military Construction Appropriations Act (P.L. 106-246, 114 Stat. 571).

[5]Title II of the fiscal year 2002 Foreign Operations appropriation bill (P.L. 107-115).

[6]According to the Department of State, between 1996 and 2000, the net hectares (2.47 acres) under coca cultivation in Colombia increased by 69,000—from 67,200 hectares in 1996 to 136,200 hectares in 2000—while the number of hectares under coca cultivation in Bolivia and Peru declined by 93,700—from 142,500 to 48,800—over the same period.

interdiction and eradication, illicit drug producers do not have the incentive to engage in legal economic activities. Poor coordination of alternative development, interdiction, and eradication activities limits the mutually reinforcing benefits of these actions.

Alternative development efforts are at an early stage in Colombia. USAID began targeting Colombia's poppy-growing areas in 2000 and expanded its program to include coca-growing areas in 2001. Project activities in both areas have been limited to date, and most will not begin in earnest until 2002. As of September 30, 2001, USAID had spent only $5.6 million on alternative development programs in Colombia out of the $52.5 million provided for this purpose through fiscal year 2001. By September 30, 2002, USAID expects cumulative expenditures on alternative development activities in Colombia to total about $31.8 million, or about 61 percent of the funds currently available. Additional funds are provided for in the fiscal year 2002 Foreign Operations appropriation bill.

USAID faces serious obstacles to achieving progress in Colombia, and the experiences in Bolivia and Peru strongly suggest that alternative development in Colombia will not succeed unless the obstacles are overcome. Among them, the Colombian government does not control many coca-growing areas, it has limited capacity to carry out sustained interdiction operations, and its ability to effectively coordinate eradication and alternative development activities remains uncertain.

Because of these serious obstacles, we are recommending that the USAID administrator update USAID's alternative development project plans and spending proposals for Colombia to take into account extreme difficulty in gaining access to the coca-growing regions. We also suggest that the Congress consider requiring that USAID demonstrate measurable progress in its current efforts to reduce coca cultivation in Colombia before any additional funding is provided for alternative development.

In commenting on a draft of this report, USAID and State generally concurred with the report's observations and conclusions regarding the obstacles facing alternative development efforts in Colombia. USAID also generally concurred with our recommendation to the administrator and noted that it has initiated such a review.

Background

Historically, Bolivia, Colombia, and Peru have been major drug-producing countries. Together, they account for most of the coca cultivated

worldwide and for the opium poppy used to produce most of the heroin seized on the east coast of the United States. Figure 1 shows the areas in Bolivia, Colombia, and Peru where illicit drug crops are grown.

Figure 1: Illicit Drug Crop Areas in Bolivia, Colombia, and Peru

Source: Latin American Narcotics Cultivation and Production Estimates 2000, U.S. government, p. 4.

The United States has supported counternarcotics efforts in Bolivia and Peru for nearly 30 years. USAID has implemented a series of alternative development projects in the coca-producing regions of these countries,[7]

[7]Since 1997, USAID has financed its alternative development programs—including those in Bolivia, Colombia, and Peru—with funds transferred from State's Bureau for International Narcotics and Law Enforcement. USAID previously funded its alternative development programs from its own agency budget for economic support.

while the U.S. Drug Enforcement Administration and State's Bureau for International Narcotics and Law Enforcement have supported interdiction and voluntary and forced coca eradication programs. Due at least in part to these efforts, substantial reductions in coca cultivation were achieved in Bolivia and Peru during the mid-to-late 1990s. However, over the same period, coca cultivation in Colombia increased substantially, offsetting much of the decreases in Bolivia and Peru (see table 1).

Table 1: Net Hectares of Coca Under Cultivation in Bolivia, Colombia, and Peru (Calendar Years 1996-2000)

Country	1996	1997	1998	1999	2000	Percentage change
Bolivia	48,100	45,800	38,000	21,800	14,600	(70%)
Colombia	67,200	79,500	101,800	122,500	136,200	103%
Peru	94,400	68,800	51,000	38,700	34,200	(64%)
Total	**209,700**	**194,100**	**190,800**	**183,000**	**185,000**	(12%)

Source: Latin American Narcotics Cultivation and Production Estimates 2000, U.S. government, p. 5.

Progress Requires Strong Host Government Commitment and Sustained U.S. Assistance

Alternative development progress in Bolivia and Peru has required a lasting host government commitment to a broader set of counternarcotics measures and years of sustained U.S. assistance to support these efforts. More specifically, our analysis of project documentation, site visits, and discussions with U.S. and host government officials and project staff indicated that government control of drug-growing areas and project sites is essential for providing access to the targeted beneficiaries as well as security for project-related trade, commercial activity, and investment. It also enables the monitoring of compliance with voluntary eradication agreements. To promote and sustain coca cultivation reductions, the host government must have a strong commitment to carry out effective interdiction and eradication policies.[8] Without interdiction and eradication as disincentives, growers are unlikely to abandon more lucrative and easily cultivated coca crops in favor of less profitable and harder to grow licit crops or to pursue legal employment. Further, alternative

[8]We have reported on the importance of host country support in interdicting and eradicating illicit drugs and in exerting government control over narcotics-producing regions. See *Drug Policy and Agriculture: U.S. Trade Impacts of Alternative Crops to Andean Coca* (GAO/NSIAD-92-12, Oct. 28, 1991); *Drug Control: U.S.-Supported Efforts in Colombia and Bolivia* (GAO/NSIAD-89-24, Nov. 1, 1988); *Drug Control: U.S. International Narcotics Control Activities* (GAO/NSIAD-88-114, Mar. 1, 1988); and *Drug Control: International Narcotics Control Activities of the United States* (GAO/NSIAD-87-72BR, Jan. 30, 1987).

development, interdiction, and eradication efforts must be carefully coordinated to achieve mutually reinforcing benefits.

Table 2 summarizes several of the key lessons learned in Bolivia and Peru. Descriptions of the programs in Bolivia and Peru and more detailed discussions of the lessons learned from them are in appendixes I and II, respectively.

Table 2: Lessons Learned in Bolivia and Peru

Lesson	Bolivia	Peru
Government needs to control project sites.	USAID's Chapare Regional Development Project achieved little when the Bolivian government lost control of the project area to narcotics traffickers in 1983. After the government reestablished its presence in 1986, progress improved.	USAID's Upper Huallaga Area Development Project had very limited impact in the mid-1980s because terrorist violence from groups such as the Shining Path caused program staff and local residents to flee the project site. Successful Peruvian government anti-insurgency efforts enabled project activities to resume in the early 1990s.
Strong government commitment facilitates alternative development.	Coca producer participation in USAID's Counternarcotics Consolidation of Alternative Development Efforts Project increased substantially as a result of the Bolivian government's forced manual eradication of nearly all the coca from Bolivia's Chapare region in 1998 and 1999.	Coca grower participation in USAID's Alternative Development Project greatly increased in the mid-1990s due to the Peruvian government's policy of shooting down airplanes thought to be involved in narcotics trafficking.
Alternative development, interdiction, and eradication need to be coordinated.	Poor coordination between U.S.-supported eradication efforts and USAID's Counternarcotics Consolidation of Alternative Development Efforts Project in 1998 and 1999 created assistance gaps in Bolivia—the eradication outpaced the assistance, leaving peasant farmers with bare fields and no immediate source of income. In 2000, USAID accelerated its alternative development activities to help close the gap and began making available emergency food assistance to cushion the loss of income resulting from eradication.	Poor coordination between U.S.-supported eradication efforts and USAID's Upper Huallaga Area Development Project led farmers to seek terrorists' "protection." In 2000, poor coordination between eradication and USAID's Alternative Development Project provoked farmers to resent the project, which they associated with eradication. In 2000, USAID designed a "safety net" assistance program and began closely coordinating with U.S. embassy staff to ensure that emergency food and other assistance would be provided to growers whose crops are eradicated.
Monitoring compliance with voluntary eradication agreements is necessary.	Community self-policing of compliance with eradication agreements in the Chapare region was not effective. In 1999, the Bolivian government determined that 65 percent of the communities participating in the voluntary eradication program had broken their agreements and were disqualified from receiving assistance.	In 2001, State's inspector general found that monitoring efforts in Peru were not specific enough to adequately link investments in alternative development with coca reductions. U.S. embassy officials are currently designing a system to better monitor eradication in specific areas.

Lesson	Bolivia	Peru
Markets are needed.	Since 1991, USAID's Cochabamba Regional Development and Counternarcotics Consolidation of Alternative Development Efforts Project helped expand export markets and cultivate an adequate volume of export-quality produce, substantially increasing the volume and value of legal crops produced in the Chapare.	Cultivating commercially viable crops under USAID's current Alternative Development Project benefited Peruvian farmers after an early project failed to fully consider marketability. Further diversification is intended to improve food security for beneficiaries and stabilize their incomes, helping offset historically low prices for project-supported crops in recent years.
Public support is helpful.	U.S. and Bolivian public relations efforts throughout the 1990s helped build a public consensus in Bolivia that the production of coca and cocaine—once thought to be an American problem—was a matter of Bolivian national and economic interest, facilitating public support for forced eradication and alternative development efforts.	Terrorism and violence in Peru in the 1990s helped convince many Peruvians that coca cultivation and narcotics trafficking were linked with the violence, helping create public support for eradication, interdiction, and alternative development efforts.

Source: GAO analysis.

Alternative development progress in Bolivia and Peru has required years of sustained U.S. assistance. The United States has supported alternative development projects in these countries for two decades. Together with current and planned alternative projects in Bolivia and Peru, U.S. contributions to these programs total about $455 million. Other U.S. agencies have supported interdiction and eradication efforts in Bolivia and Peru for an even longer period—nearly three decades. In combination, these programs have helped achieve reductions in the amount of coca grown in these countries. Nonetheless, the host government agencies involved in these efforts continue to depend heavily on U.S. support. For example, according to USAID officials, the United States currently finances and indirectly oversees most of the Bolivian government's alternative development agencies in the Chapare region because the Bolivian government does not have the resources to do so on its own. Similarly, the United States provides 60 to 70 percent of the total funding for the Peruvian alternative development agency, and USAID officials said that the Peruvian government would not be able to fund the agency's activities without U.S. support. Table 3 shows past and current U.S. funding for alternative development programs in Bolivia and Peru.

Table 3: U.S. Support for Alternative Development Programs in Bolivia and Peru

Dollars in millions

Country	Prior programs[a]	Current programs[b,c]	Total
Bolivia	$117	$112	**$229**
Peru	31	195	**$226**
Total	**$148**	**$307**	**$455**

[a]Prior programs in Bolivia and Peru spanned 1983-98 and 1981-94, respectively.

[b]The current programs in Bolivia and Peru began in 1997 and 1995, respectively.

[c]Current program figures are estimates.

Source: USAID.

USAID Alternative Development Program in Colombia Is at an Early Stage

Alternative development efforts in Colombia are still at an early stage, and USAID will have difficulty spending all of the funds available for these activities. Initial USAID efforts in Colombia began in 2000 by focusing on promoting poppy eradication and strengthening the Colombian government's alternative development institution (PNDA).[9] USAID's current program emphasizes alternative development efforts in the coca-growing regions of southern Colombia to complement other U.S.-supported counternarcotics activities there. Alternative development activities in both poppy- and coca-growing areas are just beginning. As of September 30, 2001, USAID had spent only about $5.6 million, or 11 percent, of the $52.5 million currently available. By September 30, 2002, USAID expects its cumulative actual expenditures to reach $31.8 million, or 61 percent, of the total available in fiscal year 2001.

As part of its initial effort to support the eradication of 3,000 hectares of poppy by the end of 2002,[10] USAID awarded a $10 million contract to Chemonics International, Inc., in June 2000. Chemonics' role was to assist PNDA in implementing poppy-related alternative development activities by promoting crop substitution, environmental improvements, and other

[9]PNDA is the Colombian government's acronym for Plan Nacional De Desarrollo Alternativo or the National Plan for Alternative Development. It is also referred to as PLANTE.

[10]Prior alternative development projects in Colombia were primarily in the poppy-growing areas and administered in part by the United Nations Drug Control Program.

development efforts in the poppy-growing regions of Cauca, Huila, Tolima, and Narino.[11]

After funding for Plan Colombia was approved in July 2000, USAID began planning for alternative development in Colombia's coca-growing areas. These efforts were intended to complement the eradication and interdiction components of Plan Colombia's first phase—the "push" into the Putumayo and Caqueta departments of southern Colombia where coca cultivation is most heavily concentrated. To quickly launch these efforts, USAID reallocated $1 million of the $10 million originally intended to support poppy eradication to fund projects aimed at strengthening PNDA's capacity to expand its activities in coca-growing areas. USAID's projects targeted PNDA's information technology, financial accountability, telecommunications systems, and public relations capabilities for improvement.

In April 2001, using Plan Colombia funds, USAID awarded an $87.5 million,[12] 5-year contract to Chemonics to oversee, administer, and carry out alternative development activities in the coca-growing areas in the Putumayo and Caqueta departments. To date, USAID has programmed $42.5 million of this amount. Though it will work collaboratively in reviewing and approving alternative development projects, USAID (through Chemonics) will fund some projects and PNDA plans to fund others. In addition, USAID and Chemonics continue to support poppy eradication and institutional strengthening of PNDA.

The overall alternative development approach in Colombia entails reaching agreements with communities to voluntarily eradicate illicit crops in exchange for help finding other income-producing opportunities and other assistance. The program is intended to provide incentives for small farmers (with 3 hectares or less of coca) to voluntarily eradicate their coca plants. In negotiating the community pacts, PNDA representatives met with groups of small farmers to obtain their commitment to voluntarily eradicate the illicit crops. After an eradication pact was signed, PNDA planned to provide the farmers with food crop seeds and plants or other immediate assistance. Once this assistance began, farmers were obliged to eradicate their illicit crops within 1 year.

[11]USAID reported in August 2001 that a cumulative total of 680 hectares of poppy had been eliminated.

[12]$11.2 million was set aside for USAID's operating expenses.

According to USAID officials, Colombian government officials recently stated that most of the coca cultivation covered by the pacts already agreed to should be voluntarily eradicated by the end of July 2002.

As eradication progresses, farmers are to receive more comprehensive assistance from USAID. Initial efforts are focused on municipalities in the Putumayo, where USAID plans to support crop substitution and other income-generating activities by providing agricultural incentives, modern production and processing expertise, and credit and marketing assistance. USAID also plans to support environmental improvements through tree-growing programs in remote indigenous and tropical areas and training in pest control, forest management, and other areas. In addition, USAID plans to improve the social infrastructure in project areas by enhancing access to schools, health services, potable water, sewerage, and electricity.

In August 2001, USAID reported that its goal is the voluntary eradication of 11,500 hectares of coca grown on small farms by the end of 2002, with the aim of eliminating a total of 30,000 hectares by 2005. USAID also reported that approximately 33 community eradication pacts had been signed, which covered more than 37,000 hectares of coca in the Putumayo department.[13] In its initial design plan, USAID also noted that sustainability will be measured in terms of permanent eradication of coca and the number of farm families permanently engaged in licit productive activities and not returning to coca cultivation.[14]

USAID alternative development project activities have been limited to date, and the pace is not expected to quicken significantly until 2002. As illustrated in table 4, of the $10 million originally programmed to support poppy eradication and institutional strengthening of PNDA, USAID's actual expenditures were only about $1.3 million, or 13 percent, as of September 30, 2001. Of the $42.5 million programmed from Plan Colombia funding, USAID's actual expenditures were only about $4.4 million, or 10 percent, as of the same date. Combined, actual expenditures were about $5.6 million, or about 11 percent, of the $52.5 million in total available program funds. USAID officials told us that they expect project activity to accelerate in 2002. They estimate that cumulative actual expenditures in 2002 will total about $31.8 million.

[13]USAID/Colombia Quarterly Report, Aug. 22, 2001.

[14]USAID/Colombia Alternative Development Design Document, November 2000.

Table 4: Summary of USAID Projects in Colombia as of September 30, 2001

Dollars in thousands

Project emphasis	Funds programmed[a]	Projects planned Number	Projects planned Value	Projects approved Number	Projects approved Value	Actual expenditures[a, b]
Initial poppy program (pre-Plan Colombia)						
Crop substitution and income generation	$7,836	3	$430	3	$430	$521
Environmental improvements	873	0	0	0	0	0
Institutional strengthening[c]	1,291	2	1,454	2	1,454	749
Subtotal	**$10,000**	**5**	**$1,884**	**5**	**$1,884**	**$1,270**
(As a percentage of funds programmed)			(18.9%)		(18.9%)	(12.7%)
Expanded coca and poppy program (Plan Colombia)						
Crop substitution and income generation	$34,598	32	8,617	17	3,808	$2,914
(Coca)		(13)	(3,099)	(13)	(3,099)	
(Poppy)		(19)	(5,518)	(4)	(709)	
Environmental improvements	2,482	8	423	6	343	225
Institutional strengthening[c]	2,825	20	2,032	15	1,376	1,161
Social infrastructure development	2,595	1	69	1	69	50
Subtotal	$42,500	61	$11,141	39	$5,596	$4,350
(As a percentage of funds programmed)			(26.5%)		(13.3)	(10.3%)
Total	**$52,500**	**66**	**$12,025**	**44**	**$7,480**	**$5,620**
(As a percentage of funds programmed)			(22.9%)		(12.3%)	(10.7%)

[a]Figures include USAID management and contractor administrative costs.

[b]According to USAID officials, actual expenditures do not fully reflect progress since some subgrantees have begun activities but have not presented vouchers to USAID.

[c]To date, most institutional strengthening projects have focused on PNDA; however, these figures also include some institutional strengthening projects aimed at local community organizations.

Source: USAID.

While USAID expects increased project activities in 2002, these activities will continue to be limited when viewed in the context of the total funding that is likely to be available for them. The administration had requested an additional $60.5 million for such activities in fiscal year 2002, but the Congress reduced the overall administration request for its Andean Counternarcotics Initiative from $731 million to $625 million, a reduction

that will likely result in less funding for alternative development. As noted, USAID officials expect cumulative actual expenditures for alternative development activities in Colombia to total about $31.8 million by September 30, 2002—about 61 percent of the amount appropriated through fiscal year 2001.

Alternative Development in Colombia Faces Significant Obstacles to Success

USAID faces a number of serious challenges in implementing a successful alternative development program in Colombia. USAID planning documents for Colombia acknowledge specific lessons learned in Bolivia and Peru and note that overcoming obstacles in Colombia will require long-term U.S. and Colombian commitments. The experiences in Bolivia and Peru demonstrate the need for

- host government control and security in project areas;
- effective interdiction operations; and
- careful coordination of eradication, interdiction, and alternative development efforts.

However, the Colombian government does not control large parts of the coca-growing areas, limiting its ability to carry out sustained interdiction operations, and the Colombian government's ability to effectively coordinate eradication and alternative development activities remains uncertain.

Apart from these challenges, Colombia faces additional obstacles in implementing the alternative development program. Colombia has not devised a means to verify or ensure compliance by farmers participating in voluntary eradication programs, PNDA is weak and its funding for alternative development projects is not ensured, and project sites are in remote coca-growing areas where the soil quality and infrastructure are poor.

Experiences in Bolivia and Peru Point to Obstacles in Colombia

The experiences in Bolivia and Peru indicate that the most critical obstacle Colombia faces is that the government does not control large parts of the Putumayo and Caqueta departments in southern Colombia where much of the coca is grown. This lack of security will seriously hamper PNDA's ability to develop the region's infrastructure, establish viable and reliable markets for licit products, and attract the private investment needed for long-term, income-generating development. Without government control of project sites, narcotics traffickers and guerrilla forces will continue to profit from illicit drug operations and

impede legal economic activities generated by alternative development programs.

USAID officials told us that armed groups have already intimidated some farmers and municipal leaders cooperating with the Colombian government. More recently, in September 2001, four employees of Colombian nongovernmental organizations working with PNDA in the Putumayo were kidnapped. According to USAID officials, two are confirmed murdered and the other two were released. As a result of these incidents, a number of nongovernmental organizations working with PNDA temporarily suspended their activities in the Putumayo in October 2001.

While Colombia uses aerial spray operations to carry out an active eradication program, the government's lack of control over many coca-growing areas limits its ability to carry out sustained ground-based interdiction operations—an essential component of the successful efforts in Bolivia and Peru. Colombian military and law enforcement units destroy some cocaine laboratories and seize narcotics and precursor chemicals during individual counternarcotics operations; however, they lack sufficient forces to maintain the permanent presence to sustain such operations on a day-to-day basis. Further complicating the problem is that a large land area ceded to one of the guerilla groups is off limits to U.S. and Colombian agencies, but is reportedly an increasing source of coca and precursor supplies.[15] Throughout these areas, insurgents and paramilitaries operate largely with impunity. The experiences in Bolivia and Peru showed that sustained interdiction operations are necessary to disrupt coca markets and thus produce declines in the prices of coca. Without these declines, alternative development efforts are not as effective.

The Colombian government's ability to effectively coordinate eradication and alternative development activities remains uncertain. Careful coordination of these efforts was critical to their effectiveness in Bolivia and Peru. In December and February 2000, while conducting aerial eradication operations, the Colombian National Police accidentally sprayed approximately 600 to 700 hectares of an area where communities

[15]In 1998, in an effort to promote peace negotiations, the Colombian government granted a 16,200 square mile haven in southern Colombia to the largest insurgency group in the country—the Revolutionary Armed Forces of Colombia.

were negotiating pacts for participation in alternative development. Also, PNDA officials told us that eradication authorities had sprayed most of the Bolivar department, even though PNDA had targeted some communities in the department for participation in the alternative development program. This will likely complicate PNDA's relations with farmers in that region. According to USAID officials, PNDA representatives currently coordinate with the Colombian National Police by indicating on a map or from an airplane the areas in the Putumayo and Caqueta departments that are in the alternative development program and should not be sprayed.[16]

Colombia Faces Additional Obstacles

Among the additional obstacles facing Colombia is the difficulty of verifying compliance with voluntary eradication pacts. The Colombian government has not determined how it will do so, and thus the reliability of the voluntary eradication pacts is uncertain. PNDA officials predict that it will be problematic and expensive to monitor compliance—a task complicated by the Colombian government's lack of control over project sites. Until a means of verifying compliance is devised, compliance will depend upon peer pressure within a given community to prevent individuals from breaking the community's eradication agreement with the government.

Weak host-country institutions pose an additional problem in Colombia. USAID originally intended to work through the Colombian International Cooperation Agency as a host-country contracting agency for its alternative development projects. However, USAID officials told us they did not have confidence that the Colombian agency could account for the assistance in accordance with USAID requirements. USAID chose instead to contract with Chemonics to manage program resources, including procuring goods and services and awarding and managing grants. Chemonics is working on a day-to-day basis with PNDA—the institution

[16]The fiscal year 2002 Foreign Operations appropriation bill prohibits the use of funds to procure chemicals for aerial fumigation programs after 6 months from the date of the enactment of the act, unless alternative development programs have been developed in the departments in which aerial coca fumigation is planned and alternative development programs are in place in the departments in which aerial coca fumigation is being conducted. The bill also requires the secretary of state, after consultation with the administrator of the Environmental Protection Agency, the secretary of the Department of Agriculture, and the director of the Centers for Disease Control and Prevention, if appropriate, to make determinations and report to the Congress on various aspects of the aerial fumigation program, including the safety of the chemicals used in aerial fumigation operations.

established by the Colombian government in 1995 to deal specifically with alternative development. As noted, USAID was required to focus its initial efforts on strengthening PNDA because the organization is institutionally weak. USAID officials said that PNDA may have difficulty effectively using the additional funding that it is projected to receive for alternative development projects.

While PNDA may have trouble absorbing this additional funding, the institution will have difficulty carrying out its responsibilities without it. Yet funding for important components of PNDA's alternative development plans—from making infrastructure improvements to promoting licit crops and livestock—is not ensured. PNDA is supposed to provide immediate, short-term support to farmers cooperating in alternative development programs, bridging the gap between the signing of voluntary eradication agreements and receiving USAID assistance. Colombia developed these plans based on the expectation that it would receive about $300 million from European donors. However, little of that assistance has materialized to date. U.S. embassy officials told us that European donors are reluctant to participate in the program because, based on experiences in Bolivia and Peru, they associate it with the U.S.-supported forced eradication effort in Colombia.

The poor quality of the soil and infrastructure and the remoteness of project sites in coca-growing areas are further obstacles. Unlike the poppy-growing areas in northern Colombia—which have richer soils and better developed infrastructure and are closer to markets—much of the coca-growing areas in southern Colombia have soils that are poorly suited for licit crops and a lack of basic infrastructure. According to USAID officials, these problems are more severe in the coca-growing areas of Colombia than they were in counterpart areas of Bolivia and Peru. Even when suitable crops are identified, the distances involved make it difficult to transport produce for further processing or to potential markets. For instance, a palmito (heart of palm) canning plant that the United Nations Drug Control Program built in the Putumayo department in the mid-1990s sat dormant for a number of years because the farmers growing the palm were too far away to transport their produce to the plant before it spoiled. The plant recently opened for test runs after finding farmers closer to the plant to grow the palm.

Conclusions

Alternative development requires a long-term commitment and must be implemented with strong host-government support for sustained interdiction and eradication. The United States has provided alternative development assistance to Bolivia and Peru for nearly two decades, but

little progress was made until the host government gained control of drug-growing areas and project sites, demonstrated a strong commitment to carry out effective interdiction and eradication policies, and carefully coordinated these efforts to achieve mutually reinforcing benefits.

While each of these components is important, none is more so than government control of the project areas. Experience in Bolivia and Peru strongly suggests that voluntary coca eradication in Colombia is not likely to achieve hoped for reductions in coca cultivation until, at a minimum, the Colombian government can provide the security in the coca-growing regions that is essential for carrying out sustained interdiction and eradication operations, providing safe access to alternative development project sites, and attracting the private investment needed for long-term income-generating development.

Considering the serious obstacles in Colombia that have impeded meaningful progress, USAID will have difficulty spending additional funds for alternative development over the next few years. Through fiscal year 2001, USAID has spent less than 11 percent of the $52.5 million available for alternative development in Colombia and does not plan to complete expenditure of these funds until at least fiscal year 2003. Nevertheless, USAID's alternative development program documentation for Colombia still calls for dramatic reductions in coca cultivation in fiscal year 2002 through widespread voluntary eradication of coca crops by farm families who want to take advantage of alternative development assistance. Yet, few projects have been undertaken by USAID in the coca-growing regions.

Recommendation for Executive Action

Because USAID faces serious obstacles to achieving widespread voluntary coca eradication in Colombia, we recommend that the USAID administrator update USAID's project plans and spending proposals for coca elimination in Colombia to take into account the extreme difficulty in gaining access to the coca-growing regions to ensure that funds are used as effectively as possible.

Matter for Congressional Consideration

Because of the serious obstacles impeding alternative development in Colombia, the Congress should consider requiring that USAID demonstrate measurable progress in its current efforts to reduce coca cultivation in Colombia before any additional funding is provided for alternative development.

Agency Comments and Our Evaluation

USAID and State provided written comments on a draft of this report (see apps. III and IV, respectively). Both generally concurred with the report's observations and conclusions.

USAID noted that the report was thorough and accurate and emphasized that alternative development can only be implemented in coordination with complementary eradication and interdiction programs. USAID also generally concurred with our recommendation to the administrator to update its alternative development plans for Colombia and noted that it has already begun such a review as part of its normal performance management process.

State said that the report was thoughtful and thorough and acknowledged the majority of our conclusions regarding the obstacles facing alternative development efforts in Colombia. State agreed with the report's overall conclusion that careful coordination among alternative development, interdiction, and eradication programs is essential. It also provided further explanation of its aerial eradication program and the difficulties it has encountered in Colombia, including additional information about the accidental spraying of an alternative development project area. However, State said that it believes it is appropriate and constructive for the spraying of illicit coca to be conducted before alternative development programs are initiated in an area and suggested that the report implies a recommendation that aerial eradication and alternative development should not be conducted in the same location.

We do not agree with State that the report implies such a recommendation. In fact, we cite the need for coordinating alternative development with interdiction and eradication efforts as one of the chief requirements for success.

Scope and Methodology

To determine the lessons learned in providing alternative development assistance to Bolivia and Peru, we interviewed cognizant officials and analyzed program documentation. Specifically,

- In Washington, D.C., we interviewed officials in USAID's Office of South American Affairs and State's Bureau for International Narcotics and Law Enforcement. We also met with officials at the two major USAID contractors that provided alternative development services in Bolivia and Peru—Development Alternatives, Inc., and Winrock International, Inc. In addition, we reviewed USAID project design and evaluation documents,

contractor performance reports, and program audits. From our analysis, we determined key goals and accomplishments for the alternative development programs in Bolivia and Peru.

- In Bolivia and Peru, we interviewed USAID mission, U.S. embassy, host-government, and nongovernmental organization officials. We also made site visits to selected project sites and met with project beneficiaries in both countries. From our analysis, we identified critical elements that facilitated or impeded the alternative development efforts in these countries.

To determine the current status of USAID's alternative development efforts in Colombia and the challenges faced there, we interviewed cognizant officials and reviewed program planning and financial documents. Specifically,

- In Washington, D.C., we interviewed officials in USAID's Office of South American Affairs and State's Bureau for International Narcotics and Law Enforcement and analyzed USAID program plans and expenditure data to determine the progress of USAID's efforts in Colombia.
- In Colombia, we interviewed USAID mission, U.S. embassy, United Nations Drug Control Program, and host-government officials, including the senior officers of PNDA—the Colombian alternative development institution. We also met with officials at Chemonics International, Inc.—the major USAID contractor for alternative development services in Colombia. In addition, we analyzed USAID, PNDA, and Chemonics project design documents and status reports. We compared the factors that impeded or facilitated alternative development in Bolivia and Peru with Colombia's situation to identify the critical challenges faced there.

We performed our work from January through December 2001 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies of this report to interested congressional committees, the secretary of state, and the administrator of USAID. Copies also will be made available to other interested parties upon request.

If you or your staff have any questions concerning this report, please call me at (202) 512-4268. An additional GAO contact and staff acknowledgments are listed in appendix V.

Jess T. Ford, Director
International Affairs and Trade

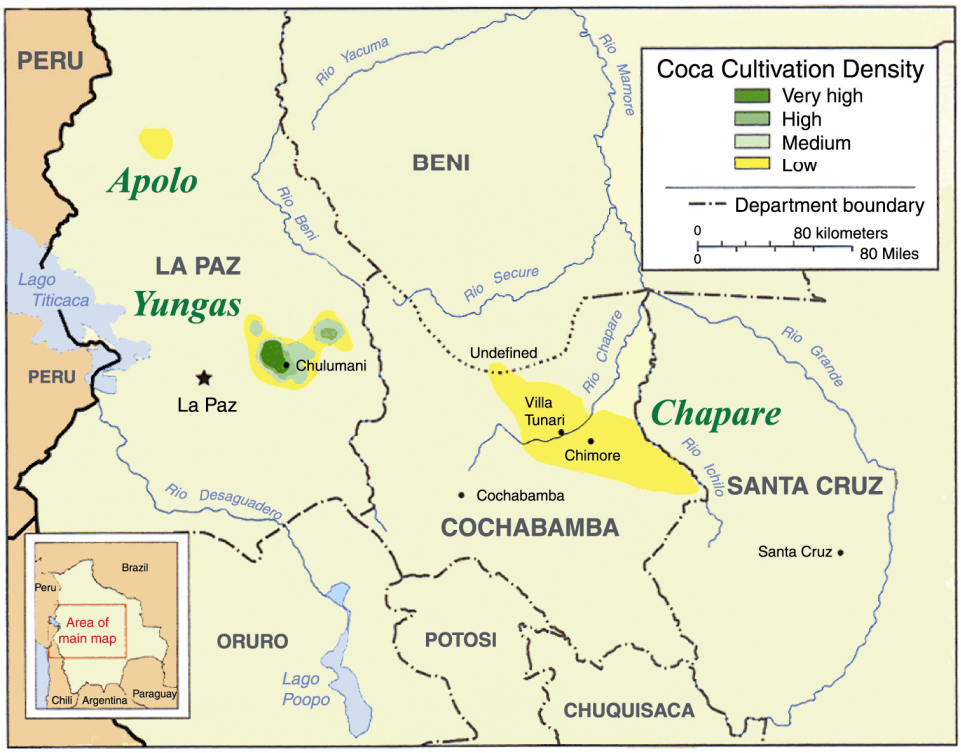
Appendix I: USAID's Alternative Development Program in Bolivia

The United States has provided alternative development assistance to Bolivia for nearly two decades, but little progress was made until the Bolivian government controlled the project areas and demonstrated a strong commitment to coupling alternative development with other counternarcotics measures. The U.S. Agency for International Development (USAID) has funded four alternative development projects in Bolivia since 1983. The first three projects took place between 1983 and 1998 at a cost of about $117 million. These projects sought to displace the coca-based economy in the Chapare[17]—Bolivia's primary illicit coca-growing area (see fig. 2). However, a lack of security and eradication in project areas hampered the program's achievements. The U.S. government also supported an unsuccessful Bolivian government program that paid farmers not to grow coca. USAID officials in Bolivia estimate that the Bolivian government used about $100 million in U.S. economic support funds to pay these compensation costs between 1987 and 1998.

In contrast, strong Bolivian government support for eradication since 1997 has resulted in greater success for USAID's fourth and current alternative development project—the Counternarcotics Consolidation of Alternative Development Efforts Project, currently estimated to cost $112 million. However, Bolivia faces challenges in implementing alternative development because the central government coalition is weakening, and as the national elections scheduled for 2002 approach, its commitment to eradication has become uncertain.

[17]Most of Bolivia's illegal coca has been grown in the Chapare, an area of approximately 2.5 million hectares located in the eastern foothills of the Andes in the department of Cochabamba. Responding to rising U.S. demand for cocaine and the ready supply of coca leaf and labor in the Chapare, Colombian cartels helped organize a large increase in coca production there. As a result, the Chapare's population grew dramatically (Bolivian government estimates suggest that the population may have peaked at 400,000 in 1981, from an estimated 25,000 in 1968), and coca cultivation likewise increased, peaking at about 40,000 hectares in 1989.

Figure 2: Illicit Drug-Growing Areas in Bolivia



Source: Latin American Narcotics Cultivation and Production Estimates 2000,U.S. government, p. 8.

USAID officials have identified a number of lessons from its alternative development program in Bolivia, many of which are relevant to USAID's alternative development program in Colombia. For example, the success of its efforts in Bolivia depended on government control of the project areas and a secure environment, the political commitment of the Bolivian government to eradicate illicit coca, and coordination between eradication and alternative development efforts.

Early Alternative Development Projects Had Limited Accomplishments

The three USAID projects implemented before 1997 sought to develop the Chapare and displace the coca economy there. They aimed to promote coca substitution and improve farmer productivity and land use; provide infrastructure, including roads, electricity, and potable water systems; and displace the coca economy by increasing farmer profitability, private investment, market access for project-supported crops, and legal employment opportunities. However, a lack of government control and eradication in the project area limited the projects' results. Nevertheless,

according to USAID and Bolivian government officials, these projects helped lay the groundwork for better results from USAID's current alternative development project in Bolivia.

In addition, in the late 1980s, the Bolivian government used cash provided by the United States to compensate farmers for not growing coca. Most observers consider this program a failure.

Chapare Project

The Chapare Regional Development Project, implemented between 1983 and 1992 at a cost of $22.5 million, was USAID's first alternative development effort in the Chapare. Project goals were to stimulate balanced economic growth and improve living standards through public and private sector participation, a diversified economic base, and more equitable income distribution. However, because the Bolivian government lost control of the Chapare to narcotics traffickers in 1983, USAID limited project objectives primarily to coca substitution and redirected project resources to nearby valleys in an effort to stem the tide of immigration to the Chapare.

Electrification Project

The Electrification for Sustainable Development Project was implemented between 1991 and 1996 at a cost of about $15 million. The project aimed to increase the number of people receiving electricity, expand the use of electricity for rural industry and export-related activities that would provide jobs and alleviate poverty, and improve the operational standards of rural electric distribution.

The project erected power poles, laid power lines, and built an infrastructure that served 26,700 newly established electrical connections—about 78 percent over target—in the total project area, which extended well beyond the Chapare. While these benefits may have facilitated subsequent development activities, project design documents stated that the project by itself would likely have little impact on shifting labor from coca production to legal activities. Accordingly, USAID project evaluations do not cite any coca reductions resulting from this project.

Cochabamba Project

The Cochabamba Regional Development Project was implemented between 1991 and 1997 at a cost of $79.5 million. Whereas the Chapare project focused largely on crop substitution, the Cochabamba project was an "economy substitution" project. The goal was to increase investment, productivity, and employment in legal economic activities to help Bolivia

transform its economy into a less coca-dependent one. A project evaluation found that the project improved product quality and handling, provided export incentives, and facilitated market identification and penetration.[18] The project

- increased the area of legal crops under cultivation, crop yields, and crop exports—for example, banana cultivation increased from about 10,800 hectares in 1993 to more than 14,100 hectares in 1996, and annual banana yields were estimated to have increased several times;
- achieved Bolivia's first exports of fresh produce—about 3,000 cartons of bananas were exported to Argentina weekly—and total exports increased a reported 564 percent; and
- reportedly increased annual family income derived from project-supported crops from $280 in 1993 to $520 in 1996.

The project also increased the presence of nongovernmental organizations working in the Chapare, provided training to farmers, further developed the region's economic and social infrastructure, and encouraged private sector investment.

Notwithstanding these efforts, the total hectares under coca cultivation in Bolivia decreased by less than 5 percent during the life of this project. A United Nations Drug Control Program official said that such projects did not result in significant net reductions in coca cultivation because the projects were not linked with a requirement to eradicate coca.

Cash Compensation Program

In addition to USAID's efforts, between 1987 and 1998, the U.S. embassy's Narcotics Affairs Section funded a Bolivian program to pay individuals cash for not growing coca. The Bolivian National Directorate for Agricultural Reconversion paid $2,000 per hectare to peasant farmers who voluntarily reduced their coca plantings. The directorate's operating costs and the compensation paid to farmers came from U.S. cash transfers to Bolivia. U.S. officials in Bolivia estimated that the Bolivian government spent the equivalent of approximately $100 million.

U.S. officials told us the program was poorly implemented and failed to produce net coca reductions. USAID officials told us that individuals were

[18]Chemonics International, Inc. *Evaluation of the Marketing Component of the Cochabamba Regional Development Project* (October 1996).

paid to not grow coca in particular areas, but they continued to cultivate coca in other areas, thus defeating the purpose of the program. In addition, two U.S. audits by the USAID inspector general found several material weaknesses in the program's management, including inadequate verification procedures and ineligible beneficiaries.

Current Project Supports Bolivia's Forced and Voluntary Eradication Policies

USAID's current alternative development project in Bolivia focuses on the Bolivian government's forced eradication policies and has had greater success than its predecessors. However, future government policy is uncertain and could pose a threat to the project's progress.

The Counternarcotics Consolidation of Alternative Development Efforts Project, USAID's fourth and latest alternative development project in Bolivia, started in 1998 as a 5-year effort, but USAID is planning to extend the project until 2005. Project funding, currently planned at $112 million, is expected to increase. USAID designed the project to support the Bolivian government's goal of forcibly eradicating all illegal coca in Bolivia by the end of 2002. Primarily, the project provides assistance to communities that have signed and abided by voluntary eradication agreements with the Bolivian government.

In 1998 and 1999, the Bolivian government undertook an aggressive coca eradication campaign in the Chapare, which facilitated progress in alternative development. The Bolivian government eradication program reduced coca cultivation by 33 percent nationwide and reduced coca cultivation in the Chapare more than 90 percent by the end of 2000.

The Bolivian government's forced eradication campaign has encouraged many former coca growers to seek alternative economic opportunities through the current USAID project. According to State reports, as of September 30, 2000, the volume of licit alternative development production leaving the Chapare totaled $67.3 million, a 15 percent increase above calendar year 1999's total of $58.2 million. The number of domestic agribusinesses purchasing Chapare crops or supplying agricultural inputs increased from 46 to 67. During 2000, the project gave 6,500 families technical and marketing assistance, up from 2,554 families in 1997. According to the March 2001 quarterly report on project performance, the aggregate market value of coca leaf production in the Chapare was

approximately $20 million, compared to the value of alternative crops, which contributed approximately $85 million to the Bolivian economy.[19]

While achievements in the Chapare under USAID's current project have been considerable, U.S. and Bolivian officials have expressed concern that progress in alternative development may be threatened if the Bolivian government does not support continued eradication of illicit coca. According to State officials, the Bolivian government's governing coalition is now politically weak, and the future of the government's eradication policy is uncertain. Bolivia's vice president told us it would be politically impossible for the administration to repeat the 1998–1999 forced eradication campaign and that the government could be that aggressive only at the beginning of its administration. Bolivia's vice minister for alternative development told us that the weakening of the governing coalition and the upcoming national elections have politicized eradication. Individual members have moved to negotiate the government's eradication policy with coca producers, which he said has caused serious damage to ongoing eradication efforts. According to the vice minister, the alternative development program will suffer if coca eradication is seen as negotiable and avoidable.

Alternative Development Lessons Learned in Bolivia

USAID officials have identified lessons from the agency's alternative development program in Bolivia, many of which are relevant to USAID's alternative development program in Colombia. For example, USAID learned that program success depended on government control of, and security in, the project area; commitment of the Bolivian government to eradicate illicit coca; and coordination with interdiction and eradication efforts. In addition, it learned that other factors, including a market-oriented strategy, beneficiary attitudes, coordinated public relations campaigns, and U.S. support for Bolivian government agencies have contributed to program progress in Bolivia.

Government Needs to Control Project Sites

USAID's alternative development projects in Bolivia were limited by the lack of government control of the project site and insecurity from continued social strife. Early project documents describe the Chapare as a high-risk atmosphere, noting that during much of the first project (the

[19] *CONCADE Quarterly Report*, *January–March 2001*, Development Associates International.

Chapare Regional Development Program, 1983–1992), substantial areas of the Chapare were not accessible to the Bolivian government or project personnel for security reasons. The Bolivian government lost control of the project area between 1983 and 1986, and as a result, USAID redirected its alternative development efforts away from the Chapare for several years. A 1990 project evaluation reported that cocaine traffickers effectively ran the Chapare as a free-trade, free-fire zone for several years. After the Bolivian government regained control over the Chapare, USAID resumed activities there.

However, in recent years, coca union members and other groups protesting government policies have blockaded roads through the project site, preventing alternative crops from reaching markets and jeopardizing much-needed private sector investment. According to USAID, these disturbances in the project area continue to adversely affect its alternative development strategy. The coca producers' political party is well organized, and coca union members have threatened alternative development project staff and participants. During blockades of the main Chapare access road in 2000, coca union members threatened to burn the alternative crops of association members.

USAID's current Counternarcotics Consolidation of Alternative Development Efforts Project remains vulnerable to such social strife. According to an October 2000 cable from the USAID mission in Bolivia, social strife resulted in losses to Chapare producers of about $3 million. Technical assistance was suspended and licit crop planting was delayed. Market linkages with Argentina and Chile, which had been difficult to establish, were damaged by Chapare producers' inability to comply with delivery contracts. Financial institutions considering investing or providing services in the Chapare backed out. The mission reported that the conditions required to achieve alternative development interim objectives had been seriously affected by the road blockages and civil unrest. USAID officials told us that without security and stability, it is unlikely that the Chapare can achieve any degree of self-sustainability.

Strong Government Commitment Facilitates Alternative Development

Little progress was made in Bolivia until the host government undertook the aggressive eradication that has facilitated USAID's current alternative development project. According to State, by the end of 2000, only 600 hectares of land under illicit coca cultivation remained in the Chapare, rendering the area a commercially insignificant source of illicit coca. As a result of the 1998–1999 eradication campaigns, more former coca growers are turning to alternative development activities to earn their living, and

the value of licit crops under cultivation has increased significantly. The number of currently anticipated beneficiaries, about 7,300, is more than double original estimates.

Alternative Development, Interdiction, and Eradication Need to Be Coordinated

According to State, USAID, and other U.S. government officials in Bolivia, alternative development, narcotics and precursor chemicals interdiction, and illicit crop eradication are interdependent and mutually reinforcing components of a successful counternarcotics strategy. Interdiction and eradication are shorter term in nature; alternative development efforts take longer to implement and show results, but they are important to sustaining gains made by interdiction and eradication.

USAID's alternative development projects in Bolivia have been hindered by poor coordination between the U.S.-supported eradication effort and USAID's alternative development efforts. For example, a former USAID official told us that State and Drug Enforcement Administration officials often did not share information about the U.S.-supported counternarcotics operations with USAID. A 1991 USAID study on coca production in the Chapare concluded that there was too little coordination at both the policy and operations level among agencies charged with interdiction and development.[20] The director of Bolivia's Alternative Development Regional Program, the USAID counterpart for alternative development, told us that until the end of 1996, USAID and Bolivian alternative development agencies worked almost entirely apart from U.S. and Bolivian counternarcotics enforcement agencies.

More recently, the rapid pace of the Bolivian government's eradication campaign has created gaps between eradication and alternative development assistance that can leave peasant farmers without livelihoods. The Bolivian plan has been to remove itself from the coca-cocaine business by 2002. According to a U.S. embassy official in Bolivia, the schedule for the eradication process was compressed because the current government wanted to complete the effort before the 2002 presidential election. As a result, coordination between eradication and alternative development became very difficult. According to an embassy official, the Bolivian government was eradicating 1,000 hectares a month

[20] *Farmer Perspectives on the Economics and Sociology of Coca Production in the Chapare*, Institute for Development Anthropology Working Paper Number 77 (January 1991).

at the peak of the 1998–1999 operation and there was no way alternative development could quickly replace the eradicated coca with crops. Accelerated eradication stressed the current project by dramatically multiplying the anticipated beneficiaries—from 3,500 to 7,300 people. State reported that the aggressive eradication program outpaced the alternative development program by a wide margin and that the Bolivian government would accelerate the alternative development project in the Chapare in an effort to close the gap.

Others Factors Affecting Alternative Development

A combination of other factors have contributed to the recent successes in Bolivia. These factors are less universal than those cited above, but nevertheless USAID officials in Bolivia noted them as lessons learned for future alternative development projects.

Verification Is Necessary

According to USAID officials in Bolivia, community self-policing, or "peer pressure," has not been a reliable mechanism for enforcing voluntary eradication agreements. After the Bolivian government's cash compensation program was phased out, the government began providing infrastructure and other in-kind compensation to communities that abandoned coca. However, USAID officials question assumptions that legal producer associations can prevent all of their members from producing coca. USAID officials disagree with the basic peer-pressure premise of the program because there are no long-standing, close-knit communities in the Chapare but rather loosely associated settlements. In the summer of 1999, according to USAID officials, 65 percent of the communities participating in the government's voluntary eradication program were found to have some members who violated their coca eradication agreements, thus disqualifying the community from receiving government assistance. Suspension of assistance to an entire community or farmer group because a few members broke their compensation agreements has been counterproductive, according to USAID, because it hinders implementation of legal crop production and marketing activities and weakens alternative producer associations.

Markets Are Needed

USAID officials in Bolivia found that alternative development projects were needed to incorporate market-oriented strategies and overcome numerous business-related challenges to provide economic benefits for participants. For example, although the success of the Chapare Regional Development Project—USAID's first alternative development project in

Bolivia—depended on the economic viability of alternative crops adopted by farmers, a 1990 evaluation found that no studies of the markets for the proposed crop substitutes had been conducted.[21] The evaluation also found that the Bolivian private sector was weak and cautious and did not fulfill the role envisioned by USAID in the project design. Furthermore, constraints on credit access were severe. The evaluation found that although coca production in the Chapare produced a huge inflow of cash, small farmers did not translate coca income into savings or productive assets. The subsequent alternative development project in Cochabamba was more market focused, but it also faced serious business challenges. For example, the most serious challenge in establishing export markets for project-supported crops was the inadequate volume and quality of the produce and difficulty shipping it quickly and delivering it in good condition on a consistent basis.[22]

The Consolidation of Alternative Development Efforts Project, which started in 1998 and is still under way, is almost entirely focused on leveraging the market-oriented activities of predecessor projects and improving farmer productivity, stimulating private sector investment, and facilitating market access. It also faces numerous business challenges, such as extremely poor road connections to domestic markets and markets in neighboring countries, a lack of refrigerated cargo trucks, and poor access to credit for Chapare farmers and entrepreneurs.

Public Support Is Helpful

U.S. officials emphasized the importance of an effective public relations campaign for counternarcotics programs and alternative development in particular. In Bolivia, the U.S. embassy helped build a public consensus that production of coca and cocaine was a matter of Bolivian national interest, that the cocaine consumed by Bolivians came from the Chapare, and that narcotics trafficking was retarding the country's economic development. U.S. officials told us that public support was a necessary precondition for the Bolivian government's campaign of accelerated, forced eradication. U.S. embassy officials recently concluded, however, that U.S. support of the Bolivian government's public relations effort has overemphasized the cities and neglected the actual project area. To counter pro-coca and antialternative development propaganda in the

[21]Pragma Corporation, *Evaluation of the Chapare Regional Development Project* (November 1990).

[22]*Evaluation of the Marketing Component of the Cochabamba Regional Development Project* (October 1996).

Chapare, the U.S. embassy public affairs section has begun an outreach effort to radio stations there.

Appendix II: USAID's Alternative Development Program in Peru

The United States has provided alternative development assistance to Peru for nearly two decades, but little progress was made until the Peruvian government controlled the project areas and demonstrated a strong commitment to a broader set of counternarcotics measures. The U.S. Agency for International Development (USAID) has funded two alternative development projects in Peru since 1981. The first alternative development project—the Upper Huallaga Area Development (UHAD) project—took place between 1981 and 1994 at a cost of about $31 million. This project was designed to increase and diversify agricultural production in the coca-growing Upper Huallaga River Valley through agricultural assistance for alternative legal crops and improvements in roads and health and community services (see fig. 3). However, severe security constraints and a lack of marketing assistance limited its successes, and coca cultivation increased during the project's lifetime.

In contrast, several factors—particularly a strong Peruvian government commitment to counternarcotics and improvements in security and civil governance—have contributed to better results for the Alternative Development Program (ADP), USAID's second and current alternative development project in Peru. This project, which began in 1995 and is currently estimated to cost about $195 million, has contributed to a 70 percent decline in hectares under coca cultivation. However, political uncertainty in Peru, as well as other issues, may affect future program accomplishments and sustainability.

Figure 3: Illicit Drug-Growing Areas in Peru

Source: Latin American Narcotics Cultivation and Production Estimates 2000, U.S. government, p. 14.

USAID officials have identified various lessons learned from the two alternative development projects in Peru, many of which are relevant to USAID's alternative development program in Colombia. For example, the success of alternative development in Peru depended on security in

program areas, the political commitment of the Peruvian government, and coordination with eradication and interdiction efforts.

UHAD Project Accomplishments Were Limited

USAID implemented the UHAD project between August 1981 and June 1994 at a cost of approximately $31.2 million. The U.S. and Peruvian governments developed the UHAD project as part of a joint counternarcotics strategy that called for coordination among interdiction, eradication, and alternative development efforts. The UHAD project was intended to support the government of Peru's alternative development objectives in the Huallaga Valley by strengthening local government and community participation in the alternative development process, improving the physical and social infrastructure, and promoting agricultural activities that would replace illicit crops. USAID originally limited project operations to the Upper Huallaga area, a high-jungle valley along the Huallaga River in the north-central part of Peru, but later expanded the program to the Central Huallaga Valley as well.

The Special Project for the Alta (or Upper) Huallaga (PEAH), an entity of the Peruvian government, implemented the UHAD project with USAID support. During much of the UHAD project, armed subversive organizations—the Shining Path and the Tupac Amaru Revolutionary Movement—terrorized Peruvians and attacked national and local government and civilian and military targets, particularly in rural areas. Narcotics traffickers also contributed to the violence. By 1986, PEAH had become the sole Peruvian government entity remaining in the Upper Huallaga Valley because of the deteriorating security situation. As a result, USAID severely reduced planned activities in the project's agricultural production component, including agricultural research, training, credit extension, and land titling. The project's focus on crop substitution and a lack of technical and marketing assistance for the alternative crops further limited the success of its agricultural component.

USAID made some progress in the UHAD project's infrastructure component, with PEAH upgrading 765 kilometers of highways and 582 kilometers of access roads that helped reduce travel and transportation costs and connected farmers to buyers of the area's agricultural products. However, terrorist activities prevented USAID from completing a major highway that was intended to connect project sites with Lima area markets as well as other infrastructure projects. Furthermore, the terrorists generally controlled the farmers' access roads.

The community development component was, at times, the only functioning element of the UHAD project. Activities fostering local participation in the design and execution of small social infrastructure projects proved successful by exposing communities to democratic principles and requiring them to contribute financially to projects from which they benefited. However, this component required the tacit approval of the terrorists. PEAH was unable to develop good working relationships with the public agencies, local governments, and community-based organizations involved, and security problems resulted in the abrogation of many agreements between PEAH and these entities.

In the end, evaluations of the UHAD project cited the lack of coordination between the Peruvian government's alternative development and eradication activities, as well as limited markets for the alternative crops that the project promoted, as factors that limited the project's success. During the early years of the project (1981 to 1986), hectares under coca cultivation in the Upper Huallaga Valley increased fivefold from 12,000 hectares to 60,000 hectares. By 1990, these areas increased further to an estimated 70,000 to 90,000 hectares.

Strong Peruvian Government Support Increased Success of Second Program

Using lessons learned from the UHAD project, USAID initiated the current ADP in 1995. ADP is more comprehensive than the UHAD project in terms of geographic coverage and program components. ADP seeks to improve employment and income opportunities from legal economic activities, access to basic social services, public participation in decision making, and public awareness of the problems from drug use and production in five coca-growing river valleys in Peru. The return of government control, security, and civil governance in program areas, as well as the Peruvian government's strong commitment to interdiction and eradication, have proved crucial in creating an environment conducive to alternative development.

As of January 2001, USAID had spent $84.5 million for ADP; USAID estimates that ADP funding through 2003 will reach $194.5 million.[23] ADP has made considerable progress in meeting its objectives and has contributed to significant drops in coca cultivation in Peru. The project's strategy is based on the hypothesis that the majority of residents in coca

[23]USAID has now extended ADP to 2006 and may extend the program further to 2008. USAID estimates that the ADP will require $140 million during fiscal years 2002-2006.

cultivation zones will voluntarily abandon coca if they are offered alternative licit sources of income, along with improved living conditions for their communities, and if narcotics trafficking is disrupted and laws are enforced.

ADP emphasizes licit economic activities, local government strengthening, and economic and social infrastructure. The component involving licit economic activities offers assistance in the production, processing, and marketing of alternative licit crops; credit programs; and land titling programs. USAID has focused these activities on the rehabilitation of coffee and cacao cultivation because of their established markets and farmer familiarity with these crops. In its local government component, the project promotes efforts to strengthen local governments, increase public participation in decision making, raise social awareness of drug production and use, and develop communities. Finally, ADP includes activities to improve the economic infrastructure—for example, the rehabilitation and maintenance of roads and bridges and the provision of social services in program areas. Improved roads and bridges are intended to create a viable transportation network for licit economic activities, while social infrastructure components involve local communities in the selection, design, financing, construction, and maintenance of small infrastructure projects such as schools, potable water systems, health posts, and minihydroelectric systems.

With the return of government control, security, and civil governance in program areas in the early 1990s, as well as the Peruvian government's strong commitment to interdiction and eradication, ADP has been able to accomplish considerably more of its objectives than the earlier UHAD project. In conjunction with eradication and interdiction efforts, ADP contributed to a 70 percent net decrease in hectares under coca cultivation in Peru from 1995 (115,300 hectares) through 2000 (34,200 hectares). According to USAID, those areas receiving greater project investment witnessed greater voluntary abandonment of coca cultivation, as well as fewer plantings of new coca crops.

During 1995-2000, ADP provided production and marketing support to more than 15,000 farmers growing nearly 32,000 hectares of licit crops, particularly coffee and cacao, according to USAID officials. During that period, more than 236 metric tons of licit crops, with a gross value exceeding $46 million, were produced in program areas. The project established a $10 million rural credit system, provided training in governance skills, and strengthened two municipal associations.

Through its economic and social infrastructure component, ADP has rehabilitated 1,000 kilometers of roads and 46 bridges, stone-paved 21 kilometers of roads, supported 136 engineering studies, piloted 1 regional maintenance program, and provided 3 pools of heavy equipment. In addition, the project has supported about 1,000 small social infrastructure projects involving schools, potable water systems, health posts, minihydroelectric systems, and other community improvements. As a result, the percentage of households with access to basic services in program areas increased from 16 percent to 51 percent. Finally, according to USAID, the percentage of the population recognizing drug production and consumption as damaging to society reached 94 percent.

Alternative Development Lessons Learned in Peru

USAID officials identified various lessons learned from the UHAD project and ADP, many of which may apply to USAID's alternative development program in Colombia. For example, the success of its alternative development program in Peru depended on government control over and security on the project sites, the political commitment of the Peruvian government, and coordination with interdiction and eradication efforts. Other factors that affected alternative development in Peru included a system for verifying compliance with eradication agreements, a market-oriented program design, national consensus on the harm caused by drug production and consumption, and a viable road network.

Government Needs to Control Project Areas

Lack of government control and security severely limited program implementation and accomplishments in the UHAD project by causing program implementers—agricultural advisers, researchers, and financial institutions—to withdraw and residents to flee from project areas. Terrorists murdered several land surveyors, mayors, and residents, thereby halting many of the project's activities. At one point, PEAH was the only Peruvian government institution in the Upper Huallaga Valley, after other government and private sector entities left due to the deteriorating security situation.

In designing ADP, USAID officials acknowledged that ensuring security by reducing the presence of subversive and narcotics trafficker elements was a critical precondition for alternative development in program areas. Insecure areas were excluded from the program. The Peruvian government's success in combating terrorist groups and narcotics traffickers in the mid-1990s created a more secure and amenable environment for alternative development. The return of civil governance in program areas allowed USAID-supported activities to resume.

Strong Government Commitment Facilitates Alternative Development

As the UHAD project was ending in the early 1990s, prospects for the success of alternative development in Peru were considered bleak, despite years of U.S. assistance. Coca cultivation had increased significantly during the 1980s. However, this changed when the Peruvian government committed to a strong counternarcotics agenda. In particular, the Peruvian Air Force conducted an aggressive interdiction campaign in which it shot down airplanes presumed to be involved in narcotics trafficking. This campaign disrupted the coca market, thereby encouraging coca growers to turn to alternative development programs. By targeting narcotics traffickers, rather than coca growers, the Peruvian government also limited resentment from farmers over the counternarcotics campaign, according to USAID and Peruvian officials.

Recent political turmoil has created uncertainty about the future direction of the Peruvian government's counternarcotics policies and may affect future program accomplishments and sustainability. Peru's transitional government (November 2000 to July 2001) invited leaders of coca-growing syndicates to participate in formal roundtable policy discussions, raising concern among USAID officials and some ADP implementers that this would impart legitimacy to the syndicates and raise their political profile. In addition, Peru's current administration, which came to office on July 28, 2001, is still developing its national counternarcotics policy.

Alternative Development, Interdiction, and Eradication Need to Be Coordinated

State and USAID officials in Peru emphasized that an effective counternarcotics strategy requires sustained interdiction, eradication, and alternative development. Interdiction and eradication disrupt the coca market, thereby creating market uncertainty and lowering prices for coca while encouraging coca farmers to consider alternative development programs.

The three efforts are also complementary, but alternative development programs require longer timetables to achieve results than interdiction or eradication efforts. The cultivation and commercialization of alternative crops, development of community organizations, and improvement of social and economic infrastructures can take years to accomplish, but they have longer-lasting impacts on reducing coca cultivation. Department of State and USAID officials in Peru emphasized that coordination between eradication and alternative development is particularly important to ensure that eradication efforts do not interfere with alternative development activities and that families dependent on coca for their livelihood receive short-term emergency assistance after an eradication campaign.

According to USAID officials, the Peruvian government has conducted some coca eradication campaigns in the past without coordinating these actions with USAID, thereby jeopardizing ADP activities. Such forced eradication campaigns can cause problems for ADP by creating resentment among community residents. In the earlier UHAD project, resentment against eradication efforts worsened security concerns by alienating farmers, which encouraged them to seek "protection" from terrorist groups.

Others Factors Affecting Alternative Development

As in Bolivia, a combination of other factors has affected progress in Peru. The factors cited by USAID officials in Peru are similar, but not identical, to those cited by officials in Bolivia and are useful as lessons learned for future alternative development projects.

Verification Is Necessary

According to USAID and embassy officials in Peru, although the United States has monitored overall trends in coca reduction in Peru, there is currently no way to verify whether specific Peruvian communities participating in voluntary eradication agreements are actually complying with the agreements. In September 2001, State's inspector general found that monitoring efforts were not specific enough to establish an adequate link between investments in alternative development and coca reductions. Embassy officials, with input from USAID, are developing a monitoring system that addresses this concern. One component of the system the embassy is considering would involve a requirement for the Peruvian government to provide proof of compliance with eradication agreements before it could draw future alternative development funds. The system would likely employ the Peruvian Interior Ministry in plotting the relevant areas of farmland and monitoring the corresponding eradication efforts there. The United States would then verify the Peruvian government's monitoring efforts from the air.

Markets Are Needed

Under the UHAD project, USAID emphasized agricultural production of certain crops. However, USAID did not conduct analyses or develop program strategies that fully considered the marketability of these particular crops. Without markets for the alternative crops they grew under the UHAD project, farmers derived little economic benefit from their efforts and investments. Based on this experience, USAID included a stronger market focus in the follow-on project. ADP originally focused on promoting the rehabilitation of key crops—coffee and cacao—that had proven markets and that farmers traditionally cultivated, but then abandoned, in program areas. However, historically low market prices for these commodities have limited the economic benefits to farm families.

ADP is now promoting economic diversification—the cultivation of multiple crops and raising of small farm animals—to stabilize the financial income and nutritional needs of farm families, while still promoting the cultivation of traditional crops (for example, coffee and cacao) whose prices are subject to market fluctuations. USAID also is emphasizing the need to develop niche markets for alternative development products and to involve the private sector under ADP. For example, USAID has successfully marketed coffee and cacao grown under ADP to Seattle's Best Coffee and M&M Mars Company.

Public Support Is Helpful

U.S. and Peruvian officials acknowledged that, in the past, Peruvians considered coca cultivation, drug production, and narcotics trafficking to be U.S. rather than Peruvian problems. Consequently, the Peruvian public demonstrated relatively limited support for U.S.-supported counternarcotics efforts, including alternative development.

However, the Peruvian public attitude toward drug production and trafficking changed as a result of the terrorism, violence, and social disruption caused by subversive groups—who were supported by narcotics traffickers—during the 1980s and early 1990s. With public support, the Peruvian government mounted aggressive counternarcotics and counterterrorist campaigns, while minimizing public opposition and resentment against these efforts by targeting narcotics traffickers rather than the coca farmers.

Public support at a community level has also helped. According to USAID officials, the involvement of beneficiaries, local community groups, and municipalities in its alternative development programs was necessary to promote sustainability. Communities have a greater incentive to embrace and sustain alternative development activities if they are involved in the design, implementation, and funding of projects that raise the quality of life in their communities. Both the UHAD project and ADP included social infrastructure activities in which communities benefited from and contributed to alternative development-supported schools, water systems, and health posts.

ADP, in particular, has promoted the development and strengthening of regional and local community groups such as municipal associations, producer associations, and credit groups to encourage local communities to take ownership of their projects and expose them to the democratic process. According to USAID, strengthening local organizations is particularly important in Peru because of the national government's highly centralized decision making and resource allocation processes. Under

ADP, USAID requires local communities to prioritize their social service needs and contribute both financial and labor resources to the projects they choose. USAID also helped coffee and cacao farmers develop producer associations to assist them in marketing their crops.

Viable Roads

U.S. and Peruvian officials acknowledged that a viable rural road network is a precondition that encourages farmers to consider alternative economic activity and reduce their illicit crops voluntarily. Good roads allow farmers to obtain higher prices for their alternative crops by linking them to higher-paying nonlocal markets and by reducing transportation costs. In contrast, farmers can market coca leaves without roads by carrying coca leaves or coca paste out of their valleys or by having narcotics traffickers pick up the products from farms by airplane.

Under the UHAD project, USAID had supported the completion of roads that would have linked Upper Huallaga Valley farmers to lucrative markets in Lima. However, a lack of security prevented their completion. Under ADP, USAID is supporting the rehabilitation and upgrading of important secondary rural roads and bridges in program areas. In some cases, USAID is supporting cobblestone paving of dirt roads, which also generates local employment in program areas. USAID is also supporting the formation of community-based road maintenance microenterprises.

Appendix III: Comments from the Department of State

United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

Dear Ms. Westin:

We appreciate the opportunity to review your draft report, "DRUG CONTROL: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles," GAO-02-70, GAO Job Code 320016.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Than Christie, Bureau of International Narcotics and Law Enforcement Affairs, at 647-8727.

Sincerely,

Larry J. Eisenhart
Acting

Enclosure:

As stated.

cc: GAO/IRT - Mr. Benjamin Nelson
State/OIG - Mr. Atkins
State/EAP - Mr. Short

Ms. Susan S. Westin,
Managing Director,
International Affairs and Trade,
U.S. General Accounting Office

Department of State Comments on GAO Draft Report "Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles," (GAO-02-291)

The Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) commends the GAO on a thoughtful and thorough report and acknowledges the majority of GAO's conclusions regarding the obstacles facing ongoing alternative development efforts in Colombia. The Department suggests that GAO make the following corrections to the draft report:

In order to agree with the language of H.R. Conference Report 107-135, delete the text in footnote 16 on page 15 and insert: "The fiscal year 2002 Foreign Operations Appropriations bill prohibits the use of funds to procure chemicals for aerial fumigation programs after six months from the date of enactment of the Act unless alternative development programs have been developed in the departments in which aerial coca fumigation is planned and alternative development programs are in place in the departments in which aerial coca fumigation is being conducted. The bill also requires the Secretary of State, after consultation with the Administrator of the Environmental Protection Agency, the Secretary of the Department of Agriculture, and the Director of the Centers for Disease Control and Prevention, if appropriate, to make determinations and report to Congress on various aspects of the aerial fumigation program, including the safety of the chemicals used in aerial fumigation operations."

INL agrees with the GAO's conclusion that careful coordination between alternative development and aerial eradication programs is essential to the success of U.S. counternarcotics goals in Colombia. However, INL does not concur with the report's discussion of alleged spray damage to legal crops or the derivative recommendation that spraying and alternative development should not be conducted in the same location.

To bolster its recommendation that alternative development and spraying should be coordinated, the GAO puts forward as supporting evidence (on page 15 of the draft report) that:

"In December and February 2000, the Colombian National Police accidentally sprayed approximately 700 hectares of an alternative development project site while conducting aerial eradication operations."

While the potential exists for human or mechanical errors, INL goes to great lengths to prevent such occurrences. The decision to release the spray over a particular coca or opium poppy field is made by a highly skilled pilot, and all spray aircraft fly predetermined routes based on previous multispectral imaging of known cultivation areas. During each spray mission, the precise time and location at which the aircraft spray apparatus is opened and closed is automatically recorded by an onboard computer for later review. Subsequent reconnaissance flights and ground truth verification monitor the precision of the spray pilots and whether the illicit crops have been eradicated.

On the GAO assertion that Colombian National Police (CNP) spray planes mistakenly sprayed 700 hectares of legal crops in two months in 2000, State would like to submit to GAO several relevant details. In December 2000, the CNP sprayed approximately 600 hectares of coca in a Kofanes indigenous reservation that was the subject of ongoing alternative development discussions between the GOC and the Kofanes. Due to unfortunate miscommunication between PLANTE and the CNP, this territory had not been demarcated on CNP maps indicating areas where spraying should not occur. In light of this incident, the GOC entered into an agreement with the Kofanes to fund an approximately $1 million project entitled "Programa para el Desarrollo del Componente de Economía y Producción del Plan de Vida Kofan." This project includes activities to assist the Kofanes with subsistence agricultural production, soil use classification, and recovery of traditional indigenous crops. The U.S. Government is supporting this effort directly and indirectly with over $750,000 of funding.

INL is aware of various unsupported assertions of growers who failed to make formal complaints to the relevant authorities. The Government of Colombia has authorized the aerial eradication of legal crops when they

are interspersed with illicit crops so as to avoid detection of illegal activity (as was the case with the Kofanes coca). In fact, experience indicates that many complaints that legal crops have been sprayed are later found to be groundless due to the interspersing of licit crops with illicit crops.

INL is mindful of and sensitive to the need to respond quickly to complaints that legal crops -- especially those tied to alternative development projects -- might have been sprayed in error. To this end, the Narcotics Affairs Section (NAS) of the U.S. Embassy in Bogotá has worked closely with the Government of Colombia's Dirección Nacional de Estupefacientes (national drug policy office) to create an expedited process to investigate any complaints and to compensate farmers if losses are incurred to genuinely legal crops. This process is now in place, enhancing the credibility and transparency of the spray program and reducing the chance that errors might contribute to a lack of trust between Colombia's rural farmers and their central government.

The GOA's draft report, on page 15, suggests that spraying may complicate efforts to promote licit alternative economic activity in coca producing areas:

> "Also, PNDA officials told us that eradication authorities had sprayed most of the Bolivar department, even though PNDA had targeted some communities in the department for participation in the alternative development program. This will likely complicate PNDA's relations with farmers in that region."

INL believes it is appropriate and constructive for spraying of illicit coca to be conducted before alternative development programs are initiated in an area. Indeed, it is often a prerequisite to local participation in and community members' support for alternative development projects. Alternative development efforts in Putumayo offer an excellent case in point. When alternative development opportunities were first offered to coca growers in Putumayo last year, there was little interest. The spray planes then arrived and demonstrated to growers that involuntary eradication of their coca crop would occur if they did not agree to eradicate manually. After parts of Putumayo were sprayed in December 2000, farmers began

signing such pacts and interest in alternative development blossomed, with 37,000 families ultimately signing on.

INL suggests that the GAO report note the extensive efforts of Embassy Bogotá -- through the NAS and the U.S. Agency for International Development -- to promote and expand coordination and cooperation. Over the course of the past year, the NAS has consistently requested that the Government of Colombia, especially the office of the senior presidential advisor for Plan Colombia, provide the geocoordinates of its alternative development program areas. These coordinates have been and will continue to be used by spray pilots to ensure that spraying does not occur within pacted areas. The Embassy continues to engage the office of the President's advisor for Plan Colombia matters to develop a comprehensive register of the location of the Government of Colombia's alternative development pacts.

INL appreciates the opportunity to present these comments and would be pleased to elaborate further on any of the points made above.

Appendix IV: Comments from the U.S. Agency for International Development

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

JAN 15 2002

Mr. Jess Ford
Director
International Affairs and Trade
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Ford:

I am pleased to provide the U.S. Agency for International Development's (USAID) formal response on the draft GAO report entitled "Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles" (December 2001).

Overall, we find this report thorough and accurate. Its scope however is limited to the alternative development program -- one of three components of the drug crop eradication strategy in Colombia. Other components include eradication and interdiction programs. We believe that a complete picture of progress requires a comprehensive look at the combined impact of all components. When viewed from this perspective, progress has been quite significant given that the program is just beginning. We would like to provide information on the overall context of the Colombia alternative development program, describe its contribution to drug eradication successes achieved in 2001, and outline current efforts which directly address your central recommendation.

Democracy in Colombia is under threat. Three illegally armed groups are contesting a democratic state and each other. None of these groups promotes democratic ideals. The Department of State has designated all three as terrorist organizations. In recent years, these groups have gained increased control over the drug industry. Drug profits have become a major source of financing for their objectives. The on-going conflict is threatening to destabilize democratic rule in Colombia.

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Plan Colombia represents a courageous effort by the Colombian government to address a very difficult situation through democratic means. The US Government has determined that attacking drug production, processing, and trafficking provides an excellent way to promote our common interests with the Colombian Government. Over time, a reduction of drug related income will reduce the strength and influence of terrorist organizations.

USAID is proud to be associated with US Government efforts to address a central foreign policy concern in the Western Hemisphere. Working in a high conflict zone is difficult and dangerous. As we learned over many years in Bolivia and Peru, success depends on determination, long-term commitment, and the ability to learn and adjust to changing circumstances. USAID assistance programs in Colombia cover three broad areas: strengthening democratic institutions and human rights protection, providing temporary assistance to Colombian citizens who have been displaced by conflict, and working with farmers to develop alternatives to coca and poppy cultivation.

As you point out, the alternative development program is less than a year old. The bulk of funding was provided less than 15 months ago and implementation began in 2001. Program start-up has been remarkably fast given limited institutional capacity, remoteness of program areas, and extreme security risks posed by illegal armed groups. At the time Plan Colombia was developed, we hoped that the peace process would reduce the level of rural violence. Unfortunately, progress in peace talks has been slower than anticipated and conflict in many rural areas has tended to increase rather than decrease. In the department of Putumayo where alternative development activities are concentrated, USAID recorded nine serious security incidents involving alternative development workers between the months of August and October 2001 alone. Two Colombian alternative development workers were murdered by the FARC, others were temporarily kidnapped or threatened with death. In addition, several community leaders who were collaborating with coca reduction efforts were murdered. Security threats constrain many individuals on a daily basis. These incidents have significantly affected, but not stopped, implementation progress.

Your report outlines several constraints affecting alternative development efforts in Colombia. USAID and other entities involved in planning and implementation have also identified these same constraints. USAID/Colombia Mission

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Director Ken Ellis most recently briefed congressional staff on these concerns in September 2001.

Why did USAID continue program implementation if it was aware of the constraints identified?

USAID has continued its efforts under difficult conditions, because they are essential for achieving eradication goals. The alternative development program contributes to coca eradication by building the political support needed for aerial eradication efforts to take place. Unlike Peru and Bolivia, there is currently no significant manual eradication in Colombia. Manual eradication, whether forced or voluntary, requires government control of drug cultivation areas. Voluntary eradication only works when there is a direct credible threat of sanctions, such as forced eradication, in cases of non-compliance with eradication agreements. Given that armed groups control the areas of greatest coca concentration; manual eradication is not yet feasible on a large scale in Colombia. The Colombian government has therefore chosen to use aerial eradication as its primary means of achieving drug crop eradication. Approximately 84,000 hectares of coca were sprayed in 2001. This level of impact is unprecedented in a new eradication program. The GOC and USAID-supported alternative development activities have been essential in securing the political support that is necessary for aerial eradication to take place. Because of this, USAID-supported programs are critical to achieving significant eradication impact, and have been continued despite the difficulties encountered. A credible threat of eradication encourages participation in alternative development programs. Over the longer term, alternative development is important for sustaining drug eradication achievements. To the extent that farm families have greater income opportunities from licit sources, and that credible enforcement of anti-drug cultivation laws exists, they will be less likely to return to drug crop cultivation in the future.

In sum, alternative development programs do not achieve drug crop reductions on their own. For this reason, USAID only implements alternative development in coordination with complementary eradication and enforcement programs and at the request of State/INL, which has the lead on drug crop eradication. It is difficult or impossible to disaggregate the contribution of one component to eradication achievements. We would therefore urge Congress to consider the combined effects of all drug control program components when making decisions on program funding.

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What is USAID doing to address your central recommendation?

Your report recommends that USAID update its alternative development plans to "take into account the extreme difficulty of gaining access to the coca-growing regions to ensure that funds are used as effectively as possible." As part of our normal performance management process, we initiated such a review last fall. From October to December 2001, USAID undertook a detailed two and a half-month field study in Southern Colombia. This study involved extensive two-hour interviews with 160 individuals representing all socio-economic groups in the region. This extensive analysis, conducted at significant personal risk to the participants and the analyst involved, provides the most detailed information on the situation available to date. As results became available last December, the USAID Mission in Bogota initiated a discussion with the Government of Colombia on a series of modifications and adjustments to the alternative development program. We expect to phase in these adjustments over the course of the year. These changes are also being factored into higher-level policy discussions with the Colombian government. Our goal is to ensure that alternative development programs not only continue to support eradication efforts, but also provide as much impact as possible in enabling rural farm families to stay away from, or transition out of, drug crop cultivation. An essential factor, which we do not control, is the state of conflict between armed groups and the threat posed by these groups on local communities. We are monitoring this situation closely to avoid placing undue risk on field staff. We will be pleased to provide interested congressional members and staff with detailed briefings and updates on our program as it evolves.

Colombia matters to the United States. The situation there is not easy, but we believe that democracy is worth fighting for. We are committed to making a difference and hope we continue receiving the necessary Congressional support.

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Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,

John Marshall
Assistant Administrator
Bureau for Management

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Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Albert H. Huntington, III (202) 512-4140

Acknowledgments

In addition to the individual named above, Dave Artadi, Mike Courts, Christian Hougen, Jason Venner, and Janey Cohen made key contributions to this report.

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