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Office of Inspector General

Report of Audit

International Narcotics

Control Programs in

Peru and Bolivia

Memorandum No. 9CI-007

March 1989

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The Inspector General

Washington, D.C. 20520

March 15, 1989

MEMORANDUM

MEMORANDUM REPORT 9CI-007

To: INM - Ms. Ann B. Wrobleski
From: OIG - Sherman M. Funk *SMF*
Subject: International Narcotics Control Programs
in Peru and Bolivia.

This report addresses the potentially dangerous paramilitary operations that the Bureau of International Narcotics Matters (INM) funds in Peru and Bolivia, and inefficiencies that have detracted from the achievement of anti-drug program goals and wasted federal funds.

We recognize that your bureau has a tremendous task coordinating these dangerous operations, and that there are some underlying factors over which you have little control, such as the fragmented federal anti-drug efforts among several departments, differing agency priorities, interagency rivalries, and corruption on the part of some host country officials. Nevertheless, this report concerns programs over which INM has influence, and recommends actions that can make the programs safer, and more effective and efficient. Many of the recommendations can be implemented with little or no additional cost.

The recommendations contained in Appendix 1 of this report require your action. Please provide within 45 days your response on actions taken or planned for each of the recommendations in accordance with attached State Department compliance procedures.

BACKGROUND

Drug trafficking and abuse pose serious threats to the health, welfare, and national security of the United States. Because many of the illicit drugs purchased and consumed domestically are cultivated and processed in foreign countries, INM, in coordinating the U.S. funded narcotics programs, has

been given the responsibility for international drug policy development, program management, and diplomatic initiatives. The legislation that created INM in 1978 (22 U.S.C. 2652a) states that the Assistant Secretary for International Narcotics Matters shall be responsible for the overall coordination of the Department's international narcotics role.

Cocaine abuse is currently recognized as the most serious drug problem for the United States; consequently, the control of cocaine has been given the highest anti-drug priority. Because South America is the source of almost all cocaine, INM spent more than \$30 million on programs in the coca-producing countries of Peru, Bolivia, and Colombia, in 1988.

DEPARTMENT COMMENTS

INM and the Bureau of Inter-American Affairs (ARA) provided written comments on a draft of this report; both responses are incorporated as attachments to this report. Both bureaus acknowledged that problems do exist and noted that some remedial steps have been introduced. ARA characterized the report as generally accurate and constructively framed. Specific comments are addressed in the body of this report, and textual changes have been made where appropriate.

OIG Analysis

Both INM and ARA indicated that the OIG draft report focused heavily on INM's field operating components, the Narcotics Assistance Units (NAU), without enough emphasis on the other anti-narcotics mission elements. INM further cited a misunderstanding concerning the country team and INM roles, and referred to the Foreign Assistance Act and INM's Coordinator for Narcotics Affairs Handbook as authority. INM's role, in fact, is authoritatively spelled out in the establishing legislation we cited above (22 U.S.C. 2652a), and in the International Narcotics Control Strategy Report (INCSR) that INM annually submits to Congress, after it has been coordinated with other key agencies. The INCSR, which states that the Department of State, as the "lead agency" for international narcotics control programs, and in particular INM, is charged with coordinating all U.S. government international drug control activities.

Furthermore, the January 1987 National and International Drug Law Enforcement Strategy describes INM as the federal agency responsible for coordinating the U.S. drug control effort overseas, with duties that include providing guidance, coordination, and support of all U.S. agencies involved in drug

control, and providing guidance to U.S. Ambassadors and country teams.

The OIG fully understands that the anti-narcotics country team is responsible to the Ambassador, through the Deputy Chief of Mission (DCM) who was the narcotics coordinator in each of the countries visited. Nevertheless, that does not relieve INM of its role of "lead agency," or of its responsibility to provide guidance and coordination to the Ambassador and country team when the programs are unnecessarily dangerous or counterproductive, and INM is aware of it. In such instances, INM has a responsibility to provide guidance to the mission, coordinate with the appropriate geographic bureau, and ensure that steps are taken to address the dangerous or counterproductive situations.

OVERVIEW

In June 1988 Office of Inspector General (OIG) staff made a visit to observe the operation of the Narcotics Assistance Units (NAUs) which are responsible for implementing and coordinating INM-funded programs in Peru, Bolivia, and Colombia. Due to security reasons, the staff was unable to observe the implementation of the programs in Colombia; therefore, this report focuses on the anti-narcotics programs carried out in Peru and Bolivia.

It was envisioned that the staff would identify potential issues and, upon return to Washington, prepare a plan for future audit work. It was not planned, before the visit, that OIG would issue a report at this time. However, based on the potentially life-threatening situations that OIG found, a report which describes the current problems and recommends corrective action is appropriate. In the future, OIG will be addressing these and other related issues in more detail.

Summary of findings

The INM-funded programs in Peru and Bolivia have not resulted in significant reductions of coca cultivation or the disruption of cocaine trafficking in the host countries. Coca production in those countries has increased every year and less than one percent of the illicit drugs have been seized. It is uncertain whether INM-funded programs, as they are now conducted, will have a meaningful impact on the amount of cocaine that is available for export. INM agrees that the programs have had little impact on the availability of illicit narcotics in the United States, but contends that significant achievements have

been made in seizures, labs destroyed, and arrests. Perhaps gains have been made for which INM can justifiably take credit; nevertheless, progress, as documented by INM's own statistics, has been modest when viewed in terms of the enormous growth in cultivation, production, and trafficking. Moreover, INM's December 1988 post operating plan assessments of its own programs in Peru and Bolivia cite serious deficiencies and conclude that most of the INM-funded projects are "not successful."

The INM programs, besides being ineffective, are also unnecessarily dangerous, are implemented in ways that detract from program objectives, and waste federal funds. The following is a synopsis of the OIG findings:

- U.S. personnel are unnecessarily at risk in hostile areas because of inadequate security.
- No contingency plans exist to evacuate U.S. personnel from hostile areas in case of emergency.
- The Drug Enforcement Administration (DEA), an agency which does not have military expertise, is charged with conducting INM-funded paramilitary operations.
- The host country troops which implement INM-funded programs are inadequately trained.
- INM assault helicopters lack defensive weapons.
- INM aircraft are operated contrary to Federal Aviation Administration (FAA) regulations.
- Usable intelligence which could further narcotics control objectives is available but not used by DEA.
- INM aircraft are often not available because of inadequate spare parts support.
- Host government administrative delays adversely affect INM programs and waste money.
- INM-mandated aircraft tests involving Bell-47 helicopters were costly, counterproductive, and unnecessary.
- The INM helicopters in Bolivia were based too far from operating areas.
- INM's manual eradication program in Peru was not cost effective.

- NAU staffing patterns do not provide leadership continuity.
- INM's river boat program in Bolivia has been ineffective.
- INM has been overcharged for aviation fuel.

INM should immediately address those conditions that place lives at risk in the program countries. Correcting some of the dangerous conditions will not be very costly and will contribute to overall anti-narcotics program objectives. A listing of the recommendations is located at Appendix 1.

Although some recommendations in this report are country-specific, and are based on observations in Peru and Bolivia, they may have application in other countries which have INM-funded interdiction and eradication programs. Therefore, these recommendations should be implemented wherever similar conditions exist with INM-funded programs.

Scope of work

This report includes observations based on a review of INM records in Washington and overseas, and interviews with officials of INM, NAU and other embassy offices, DEA agents, intelligence collection agencies' personnel, personal services contractors (PSCs), contractor pilots, foreign nationals, and U.S. Army Special Forces personnel. This review was conducted in accordance with generally accepted government auditing standards. Overseas fieldwork was performed between May 31 and June 21, 1988.

The OIG staff was impressed with the dedication and professionalism of Department personnel, and other members of the anti-narcotics team at each post. OIG appreciates the assistance and cooperation on the part of INM and the country teams in Bolivia, Colombia, and Peru.

At the conclusion of each country visit, the OIG staff discussed its observations with the Ambassador or Deputy Chief of Mission who, in each location, acknowledged that these conditions do in fact exist. After returning to Washington, the staff briefed you and INM's executive and program managers on the results of their trips. Your office has acknowledged that these conditions have existed for some time.

Since the situation is quite different in each country, this report addresses INM's Peruvian and Bolivian operations separately in the following sections.

PERU

INM has spent more than \$37 million in Peru since 1973 and has budgeted \$10 million for FY 1989, plus a portion of the \$18 million interregional aviation support program to assist the Peruvian government in carrying out drug interdiction and eradication efforts. For several reasons the INM-funded programs in Peru are ineffective. According to statistics in the 1988 INCSR report that INM submitted to Congress, about one percent of the coca leaf, paste, base, and cocaine that was grown and processed in Peru in 1987 was seized; or, in other words, about 99 percent was available for refining and export. Less than one percent of the estimated coca crop was eradicated. Net coca production has increased in Peru each year for the past several years. The programs are also dangerous, poorly planned, inefficiently run, and suffer from irregular staffing patterns. The following is a synopsis of conditions found in Peru.

OPERATIONAL ENVIRONMENT

The INM-funded enforcement and eradication programs in Peru are carried out in dangerous, high-risk areas. The March 1988 INCSR's description of Peru referred to frequent attacks by drug traffickers, violent resistance by growers whose coca crops were threatened with eradication, and terrorist activity by insurgents in the Upper Huallaga Valley (UHV), an area that is no longer under the effective control of the Government of Peru (GOP), and which the GOP has declared an "emergency zone." Since 1983, 27 INM-paid coca eradication workers have been murdered while attempting to destroy the illegal crops, and a March 1988 INM field trip report stated that the national anti-drug police are suffering casualties on a daily basis throughout the UHV.

It is in this hostile environment that NAU Lima is charged with coordinating interdiction and eradication missions in support of Peru's Guardia Civil (GC) anti-drug police force and the local workers who manually eradicate coca plants. INM provides airlift capability with aircraft that are owned by the U.S. Government (USG); at the time of the OIG visit, three aircraft were flown and maintained by a U.S. contractor (Evergreen, Inc.), the fourth was operated by U.S. citizens under personal services contracts. Since our visit, additional aircraft have been assigned to the UHV and all are now operated and maintained by a different U.S. contractor (Corporate Jets, Inc.). According to the NAU, airlift is the only effective

means of transport in the UHV, where roads are either nonexistent or enemy-controlled.

The OIG draft report pointed out that U.S. personnel were unnecessarily at risk, and cited examples of inadequate security arrangements in and around the operating base at Tingo Maria in the UHV, where U.S. pilots, mechanics, and temporarily assigned DEA and NAU personnel were quartered. Tingo Maria has been the site of several prolonged fire-fights between the GC and anti-government insurgents. Apparently, the situation deteriorated since the OIG visit. Most of the U.S. personnel have been moved from Tingo Maria to a rear support base in Huanuco, until facilities are constructed at the forward operating base in Santa Lucia, also in the UHV.

According to the Embassy Lima RSO, it is only a matter of time before Americans are killed in the UHV. Security shortcomings at Santa Lucia were identified in studies conducted by the Bureau of Diplomatic Security (DS) and the Department of Defense (DOD) in the Fall of 1988. In February 1989 the Ambassador, citing security reasons, suspended operations in the UHV.

INM should, after consultation with ARA, Embassy Lima, DS and DOD, coordinate the implementation of appropriate security arrangements for U.S. personnel in the UHV. (Recommendation 1.)

OPERATIONAL PLANNING

Although it is not DEA's role to provide military technical assistance, during the OIG visit, DEA was doing just that. In addition to providing investigative and intelligence technical assistance, which is a proper role for DEA, the agents assigned to the UHV were also coordinating the military air assault operations of the GC troops. Thus, the responsibility of coordinating military-type operations was assigned to an agency that lacks the operational expertise to conduct military missions.

Many of the DEA agents were on 90-day temporary assignment from the United States, and could not speak Spanish. The only military training most of them received was a two-week jungle survival course. Yet, they were responsible for coordinating the GC's air assault operations, and accompanying the GC troops on missions. Thus, individuals who may not have had a military background were tasked with providing military technical assistance to combat troops with whom they may not have been able to communicate. This is similar to the situation in

Bolivia, where U.S. Army advisors told OIG that DEA agents lack military operational expertise. In DEA's absence, INM has relied on Evergreen, Inc., contractor personnel to coordinate interdiction and eradication missions and make decisions regarding the deployment of USG assets.

Compounding the lack of military technical expertise by USG personnel were GC personnel who lacked basic military skills and thus were a threat to individuals and property. We were told that the GC troops were not adequately trained to conduct basic military operations. For example, according to NAU personnel, there have been 18 instances over the past two years of self-inflicted wounds by GC personnel, including a hand grenade accident that grounded one of the Bell-212 helicopters with shrapnel damage.

DEA management in Washington agreed that temporarily assigned DEA agents in Peru at the time of the OIG visit did lack necessary expertise and language proficiency. However, DEA officials said that they plan to arrange for additional training for agents who will be assigned to South America in the future. Although additional training for the DEA agents may be appropriate, it does not correct the unacceptable situation that continues with the INM-funded programs; that non-military U.S. government personnel were conducting military-type operations in the UHV.

Although the Congress has indicated its desire that DOD facilities, equipment, and personnel become more closely involved in the "war on drugs," we recognize that DOD is extremely reluctant to undertake a more direct and visible role, and that host government approval will be a necessary precondition. We recognize too the possibility that such a role, with its "MAAG" type of active military training and assistance support, will be reminiscent to many of the early U.S. involvement in Vietnam. Nevertheless, given the lack of military expertise which now characterizes the narcotics interdiction effort in Peru, we believe that training of the GC by competent and experienced U.S. military sources is a necessity. This training need not be conducted in situ, although that obviously would be less expensive than transporting and housing GC elements in a U.S. facility in Panama.

According to INM, there are plans to hire a retired military field advisor for the operations in Peru. This is a step in the right direction, but more can be done. The National Security Decision Directive (NSDD) 221, which outlines the U.S. policy regarding narcotics and national security, directs the DOD to provide assistance in planning and executing anti-drug operations, participate in interdiction programs, and train

foreign military forces. We were told that the GOP would be receptive to DOD's assistance to improve anti-drug troop training. INM noted that a change in the GOP's policy of declining U.S. military training assistance may be in the offing. ARA reported that a DS training team was expected in Peru in January 1989, and that DOD is expected to send a mobile training team to work with the GC forces in Peru in the near future.

In view of the foregoing, it appears that the OIG draft report recommendation to arrange for U.S. sponsored training for GC troops may eventually be satisfied by the DS and DOD training teams. Therefore, INM should provide the OIG with a status report of the teams' progress in training Peru's anti-drug troops. (Recommendation 2.)

Information contained in this section is classified "SECRET" and has been deleted to allow the release of this memorandum in an unclassified form.

Contingency plans

At the time of the OIG visit there were no contingency plans for emergency evacuation of U.S. personnel from the UHV. INM agreed with our recommendation that an evacuation plan is appropriate, and has informed us that since our visit a plan is being developed. According to ARA, DS will assign personnel to the UHV to coordinate security, and DEA is providing a pressurized aircraft to use for evacuation.

INM should monitor the development of the UHV emergency evacuation plan for U.S. personnel, and provide OIG with a report on the status of the plan's implementation. (Recommendation 4.)

PROGRAM INEFFICIENCIES

Inefficiencies were evident in several program aspects, including administrative delays by the GOP, Bell-212 helicopter logistics support, the C-123 transport aircraft program, and the manual eradication program, as discussed below.

GOP administrative issues

Administrative delays on the part of the GOP have resulted in INM aircraft being grounded, which unnecessarily cost INM more than \$1 million in 1987 and detracted from interdiction and eradication goals. INM contracted with Evergreen, Inc., for the lease of three helicopters and the services of pilots and mechanics, from March 13 through June 19, 1987, for \$1,266,880. This initial contract was later modified and extended. According to NAU and INM personnel, the Evergreen, Inc., helicopters and personnel were ready to fly in March 1987 but, because of GOP administrative delays, the helicopters were not available until June 5, 1987.

INM paid for 98 days of the lease but received only 14 days service -- more than \$1 million for services it did not receive. Delays of this type are not unusual. According to NAU Lima, the delay was caused by Peruvian customs; INM said it was caused by the failure of Embassy Lima to make advance arrangements with GOP officials. Whatever the reason, the delay wasted more than \$1 million and postponed the start of INM's aviation operations.

INM records indicate that similar delays involving repair parts resulted in aircraft being grounded for weeks. The OIG was told that it is not uncommon to wait 30 to 40 days from the time spare parts arrive in Peru, until they are cleared by the GOP. Such GOP administrative delays detract from program goals and waste USG funds.

ARA reports that NAU Lima and the Embassy's Administrative section are working with Peruvian officials to reduce delays involving equipment shipments to Peru.

Recognizing that GOP administrative delays affect narcotics control programs, INM should monitor Embassy Lima's progress in reducing GOP delays involving equipment shipments and report to OIG on the status of this effort. (Recommendation 5.)

Bell-212 logistic support

The aviation support contract in effect at the time of the OIG visit did not contain adequate provision for spare parts support and resulted in grounded aircraft that detracted from achieving program objectives. The contract, for example, did not provide a requirement for an adequate spare parts inventory or require the contractor to provide a specific aircraft availability rate--two provisions, according to an INM aviation advisor, that are routinely required in the industry.

Because of the long-lead time needed to get helicopter spare parts from stateside vendors, an adequate supply of the more common parts that are used on a recurring basis should be kept on hand. The contractor informed OIG that INM had not made provisions for stocking an adequate amount of spare parts in Peru and, as a result, the helicopters were often unavailable for operations.

Because of difficulties in obtaining parts in a timely manner, one of the three helicopters had to be temporarily "cannibalized" for spare parts to keep the other two helicopters flying. This practice, according to an INM aviation advisor, is a well-known wasteful and expensive practice that causes double maintenance.

It is INM's contention that a cause of the grounded aircraft was the failure of the contractor, Evergreen, Inc., to provide adequate helicopter "spares flooring," and that it was "unconscionable" for the OIG staff not to discuss the contract with INM, or research its terms and conditions. The OIG staff, in fact, did discuss this very issue with Department personnel.

The immediate cause of the problem, according to a March 1988 INM aviation survey trip report, was the manner in which the contract was awarded. Lease commitment was limited to three-month periods by means of "last minute notifications" by the Department. Evergreen, Inc., was never able to provide adequate spares inventory to properly maintain the aircraft. Furthermore, the same INM report stated that an aircraft availability rate was not stipulated in the contract. These problems resulted in grounded aircraft, 40 percent availability rates, an inability to reliably support the interdiction mission, and "burned-out" aircraft and pilots.

According to the Department's Bureau of Administration, Office of Procurement (A/OPR/STP/P), the underlying problem was INM's failure to provide a statement of work that A/OPR/STP/P needed in order to re-advertise the contract. A/OPR/STP/P would authorize only three-month extensions while waiting for INM to provide the necessary statement of work.

In October 1988, INM contracted with Corporate Jets, Inc., to provide aviation maintenance and logistics support for the interregional air wing. This latest contract is for a longer term, and was designed to correct many of the previous contract's shortcomings. The issue of INM aviation maintenance contracts will be addressed in more detail in future OIG work.

C-123 program

The OIG found that aspects of the INM transport plane program in Peru were poorly planned, involved an unnecessary, counterproductive test, and resulted in a detraction from program goals and a waste of USG funds.

In 1987, INM acquired a surplus C-123 transport plane along with spare parts and several spare engines from DOD. The spare engines, however, were not bench tested to determine if they were operationally ready before being shipped from the United States to Peru, despite the fact that they had been in storage for about nine years. Two spare replacement engines that were installed on the C-123 in Peru failed after a few operating hours, and additional engines had to be ordered and installed. The plane was not available for operations during this time.

It was inadvisable to ship the engines to South America without first determining if they were in operating condition. The engine failures in the UHV resulted in additional shipping costs and down-time while waiting for replacement engines to arrive from the United States. According to INM, they relied on DOD's claims that the engines were operational and thus did not require testing. INM has agreed to take necessary precautions in the future.

Another aspect of the program involved an unnecessary test to demonstrate in Peru that the C-123 could transport two Bell-47 helicopters. INM required the in-country test, even though it had already been established that the C-123 had the capability to transport two Bell-47 helicopters.

It was envisioned that small, transportable helicopters such as the Bell-47 would eventually be obtained for the

narcotics control programs and used for interdiction, eradication, and emergency evacuation missions. Therefore, before the C-123 was flown to South America, the INM program manager test-loaded Bell-47s into the C-123 in Tucson, Arizona in May 1987, and provided test results, including a videotape of the loading exercise to INM headquarters.

The C-123 arrived in South America in June 1987 and began a planned test to determine whether the aircraft could be logistically supported in such a remote area, outside of the DOD logistics system. This test was successfully completed in December 1987, when it was determined that the C-123 was suitable for the intended missions. Despite this, INM subsequently directed NAU Lima to conduct an additional loading test that involved renting Bell-47s, and using Peruvian pilots and mechanics. This duplicative, additional test was still underway during the OIG visit in June 1988, at which time the C-123 aircraft was unavailable for narcotics control missions.

Based on discussions at post and in Washington, and a review of INM documents, it is obvious that the adjunct test conducted in South America involving the Bell-47 helicopters wasted money and detracted from achieving program goals during the time that the C-123 was unavailable to provide airlift support to NAU operations in the UHV. An example of this occurred during the OIG visit. There was an emergency need to evacuate dozens of eradication workers from a potentially dangerous work site in the UHV. Although the C-123 was otherwise available, the program manager continued with the test phase and refused to evacuate the workers. His directions from INM headquarters were that no operations could be conducted until the Bell-47 test was completed. We spoke to NAU Lima's aviation advisor who confirmed the program manager's view, and explained that although he coordinated the other aspects of the aviation program in Peru, the C-123 program manager took his orders directly from INM in Washington. INM maintains that the C-123 program manager was never given such directions.

Furthermore, the NAU had to rely on the Bell-212 helicopters, which cost about \$1,000 an hour to operate, for transport missions while the C-123, which costs about \$500 an hour, was unavailable. A C-123 has a load capacity six times as great as a Bell-212 helicopter. Thus the INM helicopters can be about 12 times more expensive to use for transport missions than the C-123. According to a March 1988 INM field visit report, the use of helicopters for transport work is inefficient, expensive, and precludes their availability for interdiction missions. The above hourly operating estimates which INM characterized in its response as erroneous were provided to OIG by INM. Regardless of which cost estimates INM now assigns, the point is that using

helicopters for transport missions is wasteful and detracts from the interdiction mission.

Since it has already been determined that the C-123 can be successfully operated overseas, outside of the DOD logistics system, and is capable of carrying out the required missions, we believe that further unnecessary testing should be avoided. INM should continue its plan to deploy additional DOD-provided C-123 aircraft and direct that replacement engines and other components of the 30 year old aircraft routinely be tested before shipping them overseas. (Recommendation 6.)

Eradication program

The manual eradication program funded by INM in Peru is not cost-effective, is subject to abuse, and may not be practical, given the security situation in the UHV. CORAH, the Spanish language acronym for the INM-funded coca eradication program in the UHV, had never achieved its annual eradication goals. In 1987, INM spent about \$2 million for the CORAH program which eradicated 355 hectares of coca crops. That was about one-third of the work force's estimated potential of 1,200 hectares, and much less than the 4,200 hectares of new plantings that were added that year by UHV coca growers.

NAU personnel told OIG that the eradication shortfall was the result of the security situation in the UHV (27 CORAH workers have been murdered there since 1983), but could also involve "phantom" workers on the CORAH payroll, and CORAH workers performing non-mission tasks. A January 1988 internal NAU study suggested reducing, by attrition, the CORAH work force from 450 to about 90, and maintaining that minimum level until an aerial eradication program is accepted by the GOP. Reduction of the CORAH workforce by attrition would avoid considerable separation compensation costs.

INM agreed and stated that efforts are already underway to reduce the size of the CORAH workforce and improve productivity. ARA reports that the CORAH workforce, using newly-introduced mechanical brush cutters, eradicated about 5,000 hectares of coca by December 1988.

In view of the foregoing, it appears that the OIG recommendation to reduce the CORAH manual eradication work force, and develop a strategy to improve productivity, may eventually be satisfied by Embassy Lima's efforts. INM should monitor progress and report to OIG on the status of these efforts. (Recommendation 7.)

Staffing Patterns

Compounding the problems mentioned above, is the irregular staffing pattern of NAU officers in Peru.- Both the NAU chief and deputy chief positions became vacant in mid-1988. The two positions are scheduled for rotation again in mid-1990. This staffing pattern results in a complete turnover of NAU management at one time and does not allow for the continuity that an alternate year rotation pattern would provide. A similar situation occurred at NAU Bogota, when the chief and the acting deputy chief were scheduled to depart at about the same time, before the arrival of their replacements.

Furthermore, the Lima NAU chief position was vacant for about two months until a replacement arrived. Such staffing practices do not allow for leadership continuity which is necessary for proper program management, including maintaining working relationships with host government counterparts.

According to INM, the situation in Peru was precipitated when the prior NAU chief was granted a curtailment for personal reasons, combined with an INM foreign service staffing level that did not allow much flexibility. INM agreed that it would do a better job of recruiting and retaining NAU personnel in the future.

INM should establish a more rational NAU management rotation plan, including improved recruiting and retention, that provides for better leadership continuity for all NAU management positions. (Recommendation 8.)

BOLIVIA

INM has spent more than \$46 million in Bolivia since 1972 and plans to spend \$10 million in FY 1989, plus a share of the \$18 million interregional aviation support program to assist the Bolivian government in carrying out narcotics interdiction and eradication programs. According to INCSR statistics, less than one percent of Bolivia's coca products available for refining and export was seized in 1987. About two percent of the Bolivian-grown coca was eradicated. Eradication increased in 1988, surpassing the annual goal of 1,800 hectares, but it has not kept pace with the expanding cultivation, which was projected to increase by more than 4,000 hectares. According to INM statistics, there have been net coca production increases for several years.

The INM-funded eradication and interdiction operations in Bolivia, at the time of the OIG visit, were supported by six INM-owned helicopters, two DEA transport planes, and five high-speed river patrol boats. As in Peru, the INM-funded military-type programs in Bolivia are dangerous and conducted without military advisors, ineffective, and inefficient.

Information contained in this section is classified "SECRET" and has been deleted to allow the release of this memorandum in an unclassified form.

OPERATIONS

The INM-funded programs are carried out in two regions: the Chapare in central Bolivia, and the Beni in the Northeast. Because of coca growers' uprisings and a hostage-taking incident in the Chapare, OIG field visits were limited to the Beni area.

Unlike the air operations in Peru that are flown by U.S. contractors, Bolivian Air Force pilots fly INM's UH-1H helicopters. One aspect of the program that is similar in both countries, however, is that the military-type operations in Bolivia are also conducted without military advisors. Again, the programs rely on temporarily-assigned DEA agents to coordinate the air assault operations of Bolivia's Rural Mobile Patrol Unit (UMOPAR) anti-narcotics troops. As in Peru, many of the DEA agents cannot speak Spanish and have had little training in military planning and tactics.

Tactics

As in Peru, the responsibility of coordinating military operations in Bolivia has been placed with DEA, an agency that lacks institutional military expertise. The UMOPAR troops are trained by U.S. Army Special Forces (SF) teams in Bolivia. Training includes jungle survival, military operations, and small unit tactics. The SF trainers do not, however, accompany the UMOPAR troops on operations to advise and evaluate training effectiveness because the DOD rules of engagement do not allow them to do so. The UMOPAR personnel, although trained by the SF teams, are turned over to the DEA agents who coordinate actual field operations.

The OIG found that the UMOPAR troops were directed by DEA agents to perform military operations contrary to the way they were taught by the SF teams. For example, some DEA agents, after the UH-1Hs touch down near a target site, instructed the UMOPAR to run down the trail, with the hope of discovering a cocaine laboratory, or they had the troops line up and walk abreast through the brush. According to an SF officer, these tactics defeated the purpose of the training, and were dangerous. INM, on the other hand, disagrees that the UMOPAR troops employ unsafe tactics. Notwithstanding INM's contentions, the on-site military experts' assessments are convincing.

A June 1988 SF report stated that DEA agents lacked the expertise to conduct military operations in the jungle. The OIG discussed this condition with DEA management in Washington, which agreed that temporarily assigned DEA agents in Bolivia at the time of the OIG visit lacked necessary expertise and language proficiency. Since the OIG visit, DEA has made arrangements for additional training for its agents.

ARA reports that Embassy La Paz is exploring the possibility of expanding the rules of engagement to have DOD provide technical assistance in planning and conducting military operations, although DOD is likely to object. INM does not agree with suggestions to change the DOD's rules of engagement. The OIG believes that the practice of having non-military U.S. government personnel conduct military-type operations is unacceptable in Bolivia, just as it is in Peru.

INM should request DOD to provide, in accordance with NSDD 221, technical assistance in planning and conducting the military operations in Bolivia, to complement the troop training that DOD already provides. (Recommendation 9.)

Air operations

The INM aircraft were operated without flight plans, lacked proper equipment, were routinely flown at dangerous altitudes, and were improperly maintained.

The DEA-coordinated air operations included flying the UH-1Hs in one direction for a period of time and then randomly searching for possible targets from the air. According to a NAU aviation advisor, it is potentially dangerous to operate aircraft without a flight plan. For example, if the helicopters were forced down, it would be difficult to locate them, especially since the aircraft were not equipped with air-to-ground communications. Even if a downed helicopter were located, there was no contingency plan, nor the necessary equipment, to recover the aircraft and rescue the crew.

Besides lacking compatible air-to-ground communications, the UH-1Hs were not equipped with survival gear, life rafts, nor oxygen. Although not equipped with oxygen, the helicopters were routinely flown at altitudes where oxygen was required. The UH-1Hs must fly over the Andes Mountains at altitudes of 16,000 feet in order to travel from the maintenance base at Cochabamba to the operation areas in the Chapare and the Beni. Federal Aviation Administration (FAA) regulations require that oxygen be immediately available in any aircraft that is flown above 10,000 feet.

Another area of concern is maintenance. According to a NAU aviation advisor, supervision of the Bolivian Air Force maintenance crews was inadequate, as was the supply of spare parts; required FAA maintenance procedures were not always followed; some mandatory periodic inspections were not performed as scheduled; and the flight log books were not properly maintained by the Bolivian Air Force.

According to INM, the equipment and maintenance issues have improved measurably following the award of an aviation maintenance and support contract to Corporate Jets, including the upgrading of the maintenance capability in the Beni and Chapare regions, that reduces the frequency of high altitude flights to Cochabamba.

INM should develop and issue to each embassy that hosts INM aviation programs, standardized aviation safety operating and maintenance procedures and guidelines. Furthermore, INM should monitor the embassies' implementation of the guidance, to avoid the recurrence of similar problems in the future.
(Recommendation 10.)

INTERDICTION PROGRAM

The INM-funded operations involving searches for drug laboratories and traffickers from helicopters and boats have been an expensive failure, and there is no evidence to suggest that INM's plans to obtain four additional helicopters in fiscal year 1989 will solve the problem.

Air searches

The DEA-planned and coordinated interdiction programs were carried out without operating plans, and were based on "intelligence" that was usually unreliable. According to NAU and SF personnel, the routine DEA practice was to use information provided by informants and randomly search for targets from the air in the INM helicopters. These overflights were conducted a few days prior to the actual assault, and usually alerted the drug traffickers working at the laboratory sites, who could then relocate the laboratory. Only three drug-related arrests were made in the Beni in the past two and a half years. Many expensive helicopter operating hours were used in this manner.

In 1987, about 1,700 UH-1H flight hours, costing \$1.7 million, were used to seize 148 pounds of cocaine and dismantle 22 laboratories. A March 1988 INM trip report contained recommendations to redirect the INM helicopters from unproductive aerial searches to more effective interdiction tactics.

Fuel charges

OIG was told that INM was overcharged for aviation fuel. According to a DEA pilot, the vendor at the Trinidad airport, from whom INM purchased aviation fuel in the Beni, had a faulty meter on the fuel truck. As a result, INM paid for more fuel than it actually received, each time fuel was purchased for the UH-1Hs, and for the DEA transport planes. According to INM and ARA, this situation was corrected by installing fuel line meters, sometime after the OIG visit.

Riverine operations

At the insistence of former U.S. military representatives at Embassy La Paz, INM provided several high-speed river patrol boats to Bolivia to assist in the interdiction effort. According to a February 1988 General Accounting Office report (NSIAD 88-101FS), both the NAU and DEA

in La Paz were opposed to providing these sophisticated boats to Bolivia. Eight of these "Piranha" boats were purchased in 1987 for \$694,000 and five were being operated by the Bolivian Navy.

NAU La Paz described the river patrol boat program as disappointing. Since the program was initiated, no drug seizures and no arrests have been made as a result of using these expensive assets. NAU field trip reports discussed allegations that the Bolivian Navy used the boats as river taxis to earn money when DEA agents were not aboard. There have been other allegations that the Bolivian Navy was involved in transporting drugs and supplies for the narcotics traffickers.

NAU had resisted releasing the three remaining boats that were in storage in La Paz pending the interdiction performance results of the five boats then in operation. Based on the disappointing performance to date, it is questionable if the "Piranha" boat program in Bolivia will ever be successful. In response to the OIG draft report, ARA stated that the riverine program has been placed on hold by the Ambassador until a more effective program can be developed.

INM should develop, and issue to each embassy that hosts INM-funded programs, standardized guidelines regarding the use, including search tactics, of INM-provided equipment such as aircraft and boats, and the use and control of consumable items such as fuel. Furthermore, INM should monitor the embassies' implementation of the guidelines to avoid the recurrence of similar situations. (Recommendation 11.)

INM should determine if the Piranha boats in Bolivia could be used more effectively elsewhere, and if so, make arrangements for transfer. (Recommendation 12.)

Information contained in this section is classified "SECRET" and has been deleted to allow the release of this memorandum in an unclassified form.

Information contained in this section is classified "SECRET" and has been deleted to allow the release of this memorandum in an unclassified form.

According to INM, the recently appointed Ambassador in La Paz is ensuring greater coordination of mission intelligence elements to take advantage of all available sources.

INM, in conjunction with other appropriate agencies at the Washington level, should develop and issue, to each embassy that hosts INM-funded programs, standardized guidelines regarding the collection, dissemination, and use of narcotics-related intelligence, and should monitor the embassies' implementation of the guidance to avoid the recurrence of the practices that OIG observed in Bolivia. (Recommendation 13.)

RECOMMENDATIONS

As previously mentioned, some of the following recommendations are country-specific, and are based on observations in Peru and Bolivia; nevertheless, they may have application in other countries where INM sponsors interdiction and eradication programs. Therefore, those recommendations should be implemented in each country where INM has a program and similar conditions exist. We recommend that the Assistant Secretary for International Narcotics Matters:

Recommendation 1. After consultation with ARA, Embassy Lima, DS and DOD, coordinate the implementation of appropriate security arrangements for U.S. personnel in the UHV. (page 7)

Recommendation 2. Provide the OIG with a status report of the U.S. sponsored training for Peru's anti-drug troops. (page 9)

Recommendation 3. Continue efforts to obtain defensive weapons from DOD for use on the INM-owned aircraft, and also arrange for the necessary training for the GC personnel. (page 9)

Recommendation 4. Monitor the development of the UHV emergency evacuation plan for U.S. personnel, and provide OIG with a report on the status of the plan's implementation. (page 10)

Recommendation 5. Monitor Embassy Lima's progress in reducing GOP delays involving equipment shipments and report to OIG on the status of this effort. (page 11)

Recommendation 6. Continue plans to deploy additional DOD-provided C-123 aircraft and direct that replacement engines and other components of the 30-year old aircraft routinely be tested before shipping them overseas. (page 14)

Recommendation 7. Monitor progress and report to OIG on the status of eradication efforts in Peru. (page 15)

Recommendation 8. Establish a more rational NAU management rotation plan, including improved recruiting and retention, that provides for better leadership continuity for all NAU management positions. (page 15)

Recommendation 9. Request DOD to provide, in accordance with NSDD 221, technical assistance in planning and conducting the military operations in Bolivia, to complement the troop training that DOD already provides. (page 17)

Recommendation 10. Develop and issue to each embassy that hosts INM aviation programs, standardized aviation safety operating and maintenance procedures and guidelines, and monitor the embassies' implementation of the guidance. (page 18)

Recommendation 11. Develop, and issue to each embassy that hosts INM-funded programs, standardized guidelines regarding the use of INM-provided equipment and consumables; and monitor the embassies' implementation of the guidelines. (page 20)

Recommendation 12. Determine if the Piranha boats in Bolivia could be used more effectively elsewhere, and if so, make arrangements for transfer. (page 20)

Recommendation 13. In conjunction with other appropriate agencies at the Washington level, develop and issue, to each embassy that hosts INM-funded programs, standardized guidelines regarding the collection, dissemination, and use of narcotics-related intelligence, and then monitor the embassies' implementation of the guidance. (page 21)

Washington, D.C. 20520

December 19, 1988


MEMORANDUM

TO: IG - Mr. Sherman Funk
FROM: INM - Ann B. Wrobleski *Abw*
SUBJECT: OIG Report on Peru and Bolivia

My staff and I have recently completed our review of your November 1988 draft report on narcotics control programs in Peru and Bolivia. We have both general observations and specific comments that relate to discrete sections in the text and their various recommendations.

GENERAL OBSERVATIONS.

The reviewers frankly acknowledge several key features of the difficult and complex milieu in which our narcotics control program operates, but they do not appear to explore fully either the implication of the operating environment or the constraints under which we must function. For example, they do not appear to appreciate fully the threats imposed by insurgents and traffickers; the remote locations of our operations and the concomitant logistics and communications problems presented thereby; the requirement to coordinate our program initiatives with the host country which often has its own organizational and politico-economic problems; or the difficulties imposed by limited personnel and financial resources.

Your report also suggests some remedial steps which have already been taken or were planned at the time the team's May-June 1988 visit; others are now in process and several identified problems have been overtaken by events. Some of the difficulties observed were products of new aviation initiatives, which were still operating in an experimental mode. In some instances, the Office of the Inspector General (OIG) team became aware of problems that had already been encountered and were being addressed by post personnel.

Prior to addressing the specific textual comments and recommendations, I should like to discuss briefly four general flaws and/or misconceptions contained in the report: misunderstanding of roles; insensitivity to the sovereignty and fragile political structure of both Peru and Bolivia; erroneous causal relationships drawn from some statements of fact and recommendations that largely have been implemented; lack of definition and disclosure of the criteria used in judging program efficiency and effectiveness. Notwithstanding these flaws or misunderstandings, the major pitfall in the report is the fundamental lack of appreciation of the mission arrangements for coordinating and managing anti-narcotics programs in the foreign field. In short, the OIG team displays a poor understanding of the role and responsibilities of the various participants in the U.S. Government's international narcotics control program.

Permit me to expand on the question of roles. First, under Part I, Chapter 8, Section 481 of the Foreign Assistance Act, the State Department is empowered to enter into cooperative, bilateral agreements with foreign governments to stop the flow of narcotics coming into the United States. INM Washington is responsible for establishing appropriate narcotics control policy, formulating supporting strategies, allocating resources to the field, and assisting the Chiefs of Mission in program implementation and project monitoring. A careful review of the Coordinator for Narcotics Affairs (CNA) handbook would have told the OIG team that the Chief of Mission (COM) and the Deputy Chief of Mission (DCM) are responsible for defining specific program needs, negotiating the bilateral agreements, and managing the implementation of the various project activities. It is the DCM, not the Assistant Secretary for INM, who is the narcotics coordinator in both Peru and Bolivia and is responsible for coordinating all activities of the country team in implementing effective narcotics control efforts. It is the DCM (and ultimately the COM) who is responsible for all field operational problems; he is the first line manager for the narcotics control program in the host country.

Second, none of the programs discussed in the OIG report are "INM programs", neither are they Drug Enforcement Administration (DEA) or MILGROUP programs. Rather, collectively they are all foreign government programs that are funded and supported technically by U.S. Government personnel and resources. Both Bolivia and Peru are sovereign nations and unfortunately, in my professional view, the report reflects a superficial understanding of the operating milieu and political attitudes in these countries. A classic example is Peru's rejection of U.S. Department of Defense (DOD) personnel in its countryside and the OIG's team view that DOD may be the answer to a host of operational problems in Peru.

Third, the environments in both Peru and Bolivia have changed significantly since the field visits last spring. For example, in Peru, the narcotics assistance unit was for all practical purposes unstaffed in June 1988. Today, we have two full-time, experienced narcotics control officers, several field advisors, and two DOD Participating Agency Service Agreement (PASA) employees about to be assigned. When the review was conducted, we were experiencing problems with the aviation contractor who was providing leased helicopter support, i.e., significant down time and delays in parts provision. Currently, we have in effect doubled the size of the air fleet and have a different operations and maintenance contractor in place who operates with four times the number of personnel and a sufficient "parts flooring" inventory. We are also about to reach the 5,000 hectare destruction goal through manual eradication, a figure that is 14 times higher than the previous year's total. DEA personnel are better trained today; CORAH workers have been reduced in number; and three different interagency reviews have been conducted, resulting in a number of substantive recommendations on security and intelligence requirements. Contrary to the report's comment on lack of contingency plans for evacuation, Embassy Lima has evacuated U.S. Government personnel at least twice using existing plans with no problems. In fact, during an INM staff TDY visit in July 1988, a "DEA evacuation plan" was read. Moreover, one of the reasons for testing of the C-123/Bell 47 air support package was to demonstrate the feasibility of pre-positioning a medical evacuation capability in an operating field environment, a point obviously ignored in the OIG's team discussion of the C-123/Bell 47 test.

In Bolivia, a number of changes have also occurred. For example, INM/NAU staffing has been supplemented with more technical expertise in managing the

delivery of commodities and services; an additional retired DOD annuitant has been hired and will be assigned shortly; and the use of tactical intelligence provided by the intelligence community has been effectively used recently--resulting in the dismantling of major laboratories. Consequently, more cost effective use of helicopter time is now occurring due to improved intelligence. Training, maintenance problems, and parts supply issues have also improved measurably since early summer 1988.

Fourth, the report makes several comments on the "ineffectiveness of programs"; yet, it is unclear what criteria are being used to measure this "ineffectiveness". Essentially, there are two sorts of measures that can be used: (1) input/output measures and (2) impact or effectiveness measures. From an impact point of view, the programs may not have resulted in a net reduction in availability of illicit narcotics in the United States, but significant achievements have been made if one looks to traditional output measures (seizures, labs, arrests) used by law enforcement organizations. From a longer term and more important perspective, the narcotics control institutions have been built in both countries which are indeed effective measures of success. Without these institutions and their supporting infrastructure, there can never be any meaningful impact on the amount of illicit cocaine available for export to consuming countries.

On numerous occasions, the report describes programs as ineffective, unnecessarily dangerous, and wasteful. I do not believe the report substantiates any basis for these assessments whatsoever; what are offered are anecdotally-based judgments. Since the report was written, significant improvements have been made in physical security and more are scheduled for implementation in the near term. Security will, however, always be a problem in these types of paramilitary program.

I also take umbrage over the statement that INM lacks any control over the programs that it "is responsible for coordinating". The OIG staff should remember that while INM is responsible for formulating narcotics control policy, it is the COM and the DCM who are responsible for managing the operational elements of the program. The OIG staff should also remember that, unlike DEA, the Narcotics Assistance Unit (NAU) staff are not functioning in operational roles; that is, they are expected to act as program planners, program administrators, and program monitors.

Although INM personnel rely on DEA personnel to develop narcotics related intelligence and support the host governments in interdiction functions, the AS/INM has never requested DEA to coordinate operations in the Valley. The Upper Huallaga Valley (UHV) plan, agreed to by DEA and promulgated by the COM, established an area coordinator who would report to the mission's narcotics coordinator (DCM) through his deputy (NAU Chief). The acting Valley coordinator was a TDY, DEA officer who fulfilled this responsibility, pending the designation of an NAU field advisor. The NAU's field advisor, an ex-military trained officer, will begin his duties January 1989.

Moreover, the report's reference to DEA coordination of "military air assault operations" is misleading. These operations are of a paramilitary nature and are aimed at narcotics targets (especially labs) for police interdiction purposes. The Guardia Civil (GC), a police force, is in command of the forces with DEA intel-

ligence helping to identify targets. The role of the DEA agents is to observe, encourage, and advise. Since early 1988, Evergreen contractor personnel were under instructions by the NAU not to undertake operations or to deploy assets in anti-narcotics operations without specific instructions from the UHV coordinator or his designee.

SPECIFIC COMMENTS.

The following discussion offers specific comments, keyed to various sections of the OIG report and its recommendations regarding the two countries visited:

Appropriate security arrangements. This is a constant concern to everyone. In early 1988, Embassy Lima (NAU) reported at length on security conditions in the UHV and steps were being taken to strengthen protection for personnel. For example, the post insisted that the GC maintain security at the Turista Hotel in Tingo Maria, as well as work on alternative housing at the GC compound; arrange for parking helos and lodging personnel outside Tingo Maria when conditions warranted; and promulgate flight rules for helos, etc. While the NAU cannot, of course, "provide" an adequate level of security, if that means an absolute assurance against mishap, the GC has agreed to provide an "enhanced" level of security. The Mission's UHV Organization and Operational Plan specifically envisioned a review of security and the MILGROUP took steps to survey security needs. We must be clear, however, that for personnel and equipment engaged in anti-narcotics efforts, the UHV will remain a hostile environment in the near term, and there will be no perfect security arrangements. This situation argues not for withdrawal or for sharply increasing U.S. Government presence, but for improved planning, appropriate defensive measures, and intelligent work habits. Most recently, both DOD and Diplomatic Security (DS) completed studies and made recommendations that are currently under review.

U.S. Government-sponsored troop training. First, there is an error in the narrative. INM has not "placed responsibility for coordinating operations with DEA" as stated on page 8. As stated above, the UHV coordinator reports to the DCM through NAU. The coordinator at any time may be a DEA or a NAU field advisor. During the OIG visit, the Valley Coordinator was a DEA TDY officer who was serving in an acting capacity, pending designation of a permanent NAU field advisor in January 1989.

Guardia Civil anti-narcotics personnel do require more training as stated in the report. The DEA instruction was an interim and supplementary measure which was intended to provide basic survival skills for operations in and around targets, especially in the vicinity of the aircraft, etc. US/DOD-provided training could greatly raise levels of professionalism in the GC but it was Embassy Lima's assessment that, at the time of the OIG visit when assistance to the armed forces was virtually non-existent, training for the GC could provoke inter-service rivalries and raise political concerns within the Government of Peru. An alternative considered was "training of trainers" programs at Peruvian training facilities, but such factors as troop rotation and the lack of available personnel to plan an effective training program eliminated this option.

Utilizing NSDD 221 in Peru can not be accomplished as easily as implied in the OIG report. The Peruvian Government is extremely sensitive to the presence of U.S. military trainers and has categorically rejected the presence of DOD personnel in the field for any long-term training efforts. It is our view that this position may be eroding and we may see a change in policy in the near future. In the interim, we are hopeful that we may be able to use retired DOD personnel who have expertise in training for paramilitary programs.

Armed and armored helicopters. NAU urged, and INM agreed, that it would make sense to arm the helos and harden the armoring. This was raised at the time of INM's aviation advisor March 1988 visit and pressed thereafter. The Vice Minister of Interior proposed providing guns if the U.S. Government would fund the mountings. Recently, the US/DOD-provided defensive machine guns for helicopters in the program. Initial INM-funded training for GC helo pilots was to have begun in June 1988, but training is now imperative for all GC personnel who would use the machine guns and will be scheduled before operations with armed helos commence.

Contingency plans. Certainly an Evacuation Plan is appropriate and one, in fact, exists. The UHV Organization Plan, transmitted to the Department in mid-May 1988, called for an annex on emergency evacuation of U.S. Government personnel from UHV. The MILGROUP had agreed to obtain DOD assistance in developing such a plan and to work with DEA and other Mission elements in its formulation. An emergency evacuation annex was received by INM TDY staff in July 1988. The Organizational Plan, incidentally, formalized personnel accountability in the UHV. For example, the UHV Coordinator was to be alerted in advance of all proposed travel and would have the right to restrict visits if security concerns so dictated. Apart from DEA and NAU, all visits to the UHV were to have prior approval of the Mission Narcotics Coordinator (DCM) or his deputy (NAU Chief).

It should be understood that maintaining a low U.S. Government profile, exercising caution in deployment, and acting on good intelligence also contribute as much to a sound security policy as a formal contingency plan for the evacuation from remote and virtually inaccessible areas.

Program inefficiencies and GOP administrative delays. When the aircraft first arrived, delays in clearing critical items through Customs did, in fact, occur. By March 1988, however, we had devised a system for "walking" documentation through the Government of Peru bureaucracy which permitted clearing items in 1-2 days. Customs clearances involve various offices. Even an Interior Minister's directive did not, however, serve to eliminate all delays. Nevertheless, the Minister's good offices in signing documentation and the post's persistence in "walking through the process" proved to be surprisingly successful.

On page 13, the first paragraph, the report states that helicopters were not available because of Peruvian customs delays. This is not true and the expenditure of approximately \$1,000,000 for, in effect, "no flying time" was a direct result of not getting an agreement signed, not Customs delays. The problem with spare parts, as noted in the second paragraph of page 13 was really the failure of the contractor, Evergreen, to provide adequate "spares flooring" for its helos in Peru.

Peruvian customs delays are legendary and should have been taken into account by Evergreen management when they determined what level of spares they should maintain in country and how, accordingly, they should price their services. Re page 13, last para, the Evergreen contract technically required an aircraft availability rate of 100%. The liquidated damages provision (Section H, para. II) provided for the assessment of damages at a rate of 1/30th of monthly rental cost for each day of down time, irrespective of the cause. For the contract period June 20, 1987 to March 31, 1988, this amounted to \$3,040 per day. It was assumed that the contractor, faced with penalties of this magnitude, would take appropriate measures to ensure an absolute minimum of down time, including providing "adequate spare parts." When INM sought to impose those damages, however, we were advised by legal counsel to OPR/STP/P, the office that negotiated the contract, that the provision was, in essence, unenforceable.

A contract provision requiring a "specific aircraft availability rate", e.g., 80%, would have been of as little value as the 100% availability rate implicit in the contract. Our only recourse against the contractor for failure to perform at that level would have been to terminate him for default. We have learned that a contract requirement for "an adequate spare parts inventory" is so vague as to be of no value as a contract requirement. A viable alternative would have been to specify a list of parts that the contractor should provide as an initial "lay-in". INM was not, however, in a position to prepare such a list, and even if it were, any down time that resulted from the absence of a part not included on such a list would have been viewed by the contractor as INM's responsibility. Furthermore, our intention was to place as much responsibility as possible on the contractor, upon whose expertise in these matters INM/NAU sought to rely. Through March 31, 1988, down time on account of absent parts and components was the result of a colossal failure to perform on the part of Evergreen Helicopters, not delays in Peruvian customs.

Evergreen began operating INM aircraft on or about April 1, 1988, and contract terms had to be revised to reflect the change in operations. Negotiation of the required contract modification was difficult and was not completed until late July. Under the revised terms, the NAU would do the actual ordering with appropriate assistance from Evergreen in identifying requirements, locating sources, tracking deliveries, enforcing warrantee provisions, etc. The NAU aviation advisor reported recently that he had difficulty getting administrative support at post for parts ordering, and that Evergreen provided little to none of the support on which their management support pricing in the contract modification was predicated.

Re page 14, first para, it is not surprising, given the foregoing, that the contractor blamed INM for the lack of parts. It is likely that Evergreen's field personnel had no idea what Evergreen headquarters had agreed to do. It is unconscionable, however, that the OIG staff did not discuss the contract with anyone involved in its negotiation or research the terms and conditions of the contractual arrangement. Had they done so, they might well have reached other conclusions.

Re page 16, second para, from March 31, 1987 through March 31, 1988, Evergreen charged the U.S. Government \$600 per hour, exclusive of fuel, not the \$1000 figure cited in the report. When Evergreen began operating INM aircraft,

the charge was \$386 per hour, exclusive of component overhauls and fuel. Yet, the OIG report uses the same erroneous \$1000 hourly rate in discussing UH-1H operations in Bolivia (p. 23, para. 3). The \$1000 per hour figure is a gross budget estimate when a company provides a full, "net leave" under the most inhospitable circumstances.

Re page 24, second para, since November 1986, we have had a contract in place with Bell Helicopter to provide parts and technical support to La Paz. Although we know of no way to avoid all delays in ordering parts of any sort, part of the problem may have been with the Bell technical representative who recently has demonstrated several errors in judgment, e.g., he recently placed an "aircraft on ground (AOG) order for lubricants and grease. Needless to say, having an aircraft grounded on account of lack of grease reflects incredibly poor management foresight and is patently absurd.

C-123 program. The OIG reviewers summarize the C-123 test as wasteful, unnecessary and ineffective. In our view, the test was necessary before committing limited air support funds to the procurement of more C-123's and Bell-47 utility helicopters. INM's aviation strategy, developed in early 1987, discussed the possibility of using C-123 and Bell-47 aircraft in Latin America, but only after a test of its operational effectiveness had been conducted in a narcotics control environment. Without a test of this concept in an operating milieu, the ordering of Bell-47's for evacuation and reconnaissance purposes would have been wasteful and irresponsible.

If these tests were not conducted to ascertain cargo handling quantity, air-lift capability and operational availability in a remote narcotics control environment, allegations could be made of wasted funds or mismanagement, i.e., securing a quantity of aircraft that could not perform the aspects of a proposed program or be supported without a pipeline logistical system. It appears that the OIG team talked only to NAU personnel, who can at times have a myopic view that an asset belongs only to one specific program. However, the initial C-123 was to be utilized inter-regionally among Andean countries to prove the feasibility of the inter-regional concept. It was never intended to become attached permanently to Peru and the UHV as a geographic location.

The C-123 pilot that made the allegation of performing no operations other than the test has resigned from the program. He was directed to complete the test, but at no time was he instructed not to support operations. The DCM manages use of all assets and, if evacuation or program delivery was a competing priority, the choice was his to make. INM's only requirement was to complete the test as specified in the aviation strategy before any final resource allocation decisions could be made.

The issue of the C-123 engine failure certainly could have been avoided if the engines had been bench tested, but the claims made by Aviation Maintenance and Rework Center (AMARC) is that the engines are preserved and could be recommissioned and fired up without testing. A lesson was learned and precautions will be taken in the future.

Other than cannibalizing airframes that are in the "bone yard" at Davis Monthan AFB and having the parts refurbished, there is no other way to support

the C-123 logistically. The aircraft is no longer manufactured and the U.S. military no longer maintains an inventory. INM is presently cannibalizing parts and instruments and refurbishing spares for logistical support. Moreover, INM is having two additional C-123 aircraft refurbished and when the first of these two is completed, the C-123 in Peru will be returned to the United States for maintenance inspections and new avionics installed to eliminate many of the operational problems experienced to date.

Evaluate CORAH program. This recommendation is valid and efforts are already underway to reduce the size of the CORAH workers and improve productivity. The OIG staff should note, however, that significant payments are required to compensate individuals who are "retired" from programs due to the very beneficial employment laws of Peru that are designed to protect workers. In any event, the productivity of the CORAH workers has increased significantly as stated above in the general observations section of this response. Security for the CORAH workers has been improved and the financial/program books carefully examined. Substantially more oversight is now provided to minimize waste, fraud, and abuse.

Of course, it is more cost effective to use aerial herbicides to destroy crops. In the absence of any Government of Peru approval, however, the manual eradication approach is the only alternative.

Dysfunctional personnel rotation. Comments made by the OIG staff on lack of continuity in the Peru NAU reflect a poor understanding of the Foreign Service assignment process, difficulty in attracting bidders to functional bureau assignments, and the actual situation. There would not have been the rotation of all NAU staff at the same time had the Bureau not experienced an unexpected curtailment. INM has never intended to shift its entire NAU in and out of a country at the same time. Unfortunately, unanticipated curtailments resulted in unplanned, simultaneous vacancies. Such was the case in Peru at the time of the OIG visit.

In many cases, the same comments germane to Peru can be made for Bolivia. More specifically, INM does not concur in the OIG's recommendations to change the DOD rules of engagement to allow the U.S. military training teams to conduct military operations in Bolivia nor does the Secretary of Defense (see USCINC-SOUTH DTG 012245Z December 1988). We do agree with the recommendation, however, to establish improved operations and maintenance procedures, and we have made significant progress through the work of two DOD PASAs who are now working full time in Bolivia. With the additional support of the Corporate Jet contract, spare parts and inventory levels should be a problem of the past and the maintenance program should be markedly improved.

As in the case of Peru, we believe that in Bolivia it is the COM's role to ensure that field overcharges, for items like fuel, do not occur and that administrative remedies are taken; that riverine operations are improved or the boats transferred somewhere else; and that intelligence is developed and utilized effectively by those agencies responsible for carrying out the U.S. Government's anti-narcotics efforts. Also, it is the post's responsibility to ensure that inefficient "blade time" is not expended randomly patrolling growing areas.

The OIG staff should note that the helicopters are based, for the most part, in Chimore and Trinidad, which are forward bases in the Chapare and the Beni, respectively. They are flown only to Cochabamba for the maintenance operations that cannot be performed out in the bases.

Finally, INM does have a clearly defined role as articulated in the Narcotics Coordinators' Handbook. Consequently, it is not our view that cabinet offices need to exchange memoranda of understanding to define roles of U.S. Government entities which are part of the U.S. Embassy's Country Team and under the direction of the COM.

Let me comment more specifically on OIG-stated field operation shortcomings in Bolivia. The U.S. Government has had military aviation advisors in the Chapare since August 1988 and does not rely on temporarily-assigned DEA agents to run the operations as implied by the report. We do not believe that operations are "moderately" dangerous in Bolivia nor that UMOPAR conducts "unsafe tactics", even though we agree there is room for improvement. Since May 1988, all U.S. Government aircraft have been operated more safely under the control of U.S. Government advisors; that is, air-to-ground communications were installed in August 1988; helicopters do not customarily fly at altitudes mentioned in the report except to clear the pass (20 minutes) and in emergencies, and maintenance has improved also with the assignment of DOD aviation advisors. The Corporate Jet contract will also improve the spare parts provision process and the "fuel package" problem was solved with the installation of meters in summer 1988. Moreover, forward bases in the Chapare and the Beni have solved the "basing problem", and the riverine program is being completely restructured to take advantage of the resources. Finally, the Ambassador, as the COM, is ensuring greater coordination of mission intelligence elements to take advantage of all source data.

CONCLUSION.

In sum, it is INM's view that many of the problems identified for both Peru and Bolivia have already been solved and that others are currently being addressed. We also believe that causal relationships and recommendations contained in the report could have been stated more accurately had the OIG team had more experience in the foreign affairs community and a better understanding of the substantive issues and organizational relationships within a mission. Nevertheless, we do take the OIG comments seriously and have tried to address them in the most straightforward way. I assure you that, in my capacity as Assistant Secretary for the Bureau of International Narcotics Matters, I will work diligently to make our narcotics control programs achieve their goals in the most cost efficient and effective way possible.

cc: D - Mr. John C. Whitehead
M - Mr. Ronald I. Spiers
ARA - Mr. Elliott Abrams

TO: IG - Sherman Funk

FROM: ARA - Elliott Abrams

SUBJECT: Draft Report on International Narcotics Control Programs in Peru and Bolivia

The November 1988 OIG draft report on narcotics control programs in Peru and Bolivia, while generally accurate and constructively framed, reflects a lack of experience on the part of well-intentioned inspectors in evaluating complex narcotics programs. The report sets out to review programs over which INM has control and recommend steps to improve the efficiency and safety of these programs.

However, the report focuses too heavily on the Narcotics Assistance Units (NAU) and fails to take into account that the NAU is only one of several mission elements involved in anti-narcotics efforts. INM and post NAU's, while influential because of their budget, have no authority over other mission elements, especially DEA. The report does not refer to the Ambassador or the DCM/Narcotics coordinator, who could usefully resolve interagency conflicts at post and develop narcotics programs on the advice of country team members, backed by elements in the Department, including the geographic bureaus. The report inaccurately presumes that INM or post NAU's have authority over other mission elements to coordinate post narcotics programs and resolve inter-agency conflicts.

The missions of selected agencies at post must be modified and better coordinated, at post and in Washington. We are committed to accomplishing this objective, through established, authoritative channels in the Department.

Specific observations on OIG recommendations are keyed to pages 29-31 of the report.

1. ARA/AND, as a result of growing security concerns in the UHV, recently chaired an interagency meeting to respond to specific concerns outlined by a Southcom survey team and a DS team which recently prepared reports on security requirements. DS and DOD are properly tasked with developing a response to this recommendation, not NAU Lima.
2. A DS training team is expected in January 1989. DOD is expected to send an MTT to work with GC forces in the near future.
3. INM is doing this.
4. DS is assigning a TDY ARSO to coordinate security in the UHV, and a permanent position will be established in July

1988. DEA is providing a professional and medical evacuation. Medics are now in the field, and an expatriate US physician has been contracted to visit the UHV several times a month.

5. NAU Lima and the Administrative section in the Embassy are working with Peruvian customs officials to reduce delays involving equipment shipments to Peru.
6. Corporate Jet is now responsible for this aspect of the narcotics program. The parts inventory has been increased to \$1.5 million in spares for UH-1Hs and \$450,000 for Bell helo spare parts.
7. C-123 in Lima being removed and a new C-123 is being deployed.
9. CORAH workers responsible for eradication efforts, using weed cutters, will achieve eradication goal of 5000 hectares by mid December 1988. This is the most effective eradication technique now available for use in the UHV.
10. Post concurs and is exploring the possibility of expanding the rules of engagement to do this, although DOD is likely to object.
11. NAU La Paz, before the arrival of OIG team, had identified and requested from INM and DOD on two occasions items necessary for improved safety for the UH-1H fleet. Some of these items have been received at post.
12. Post and ARA do not agree that the acquisition of additional helicopters should be delayed until the entire interdiction program is revamped. Two new helos are on site and have increased the flexibility of air-mobile operations.
13. INM regional aviation personnel and Corporate Jets contractor are working to establish and improve inventory supplies.
14. NAU will explore possibility of attaching on-line gas monitors when making fuel purchases to support operations.
15. Operational bases are located in the main areas of operations -- the Beni and the Chapare.
16. The riverine interdiction program has been placed on hold by the Ambassador until a more effective program can be developed jointly between the US mission and host country officials.
17. This is properly the job of the resident Ambassador.

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