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Drug and Chemical Control

Bolivia

A. Introduction

Although illicit drug consumption remains low in Bolivia, it remains the third largest source country of coca in the world, according to UN Office on Drugs and Crime (UNODC) estimates, and is also a major transit zone for Peruvian cocaine. In March 2017, President Evo Morales signed into law a bill increasing the licit area of coca production from 12,000 hectares (ha) to 22,000 ha. However the United States government estimated 2017 cultivation amounts to be 31,000 ha (a modest decrease in coca cultivation from 2016 to 2017), and UNODC estimated Bolivia coca cultivation to be 24,500 ha (an increase of 1,400 ha from 2016 to 2017), both in excess of the limits established by the Government of Bolivia. European Union (EU) studies reveal that domestic demand for the traditional, cultural, and religious use in Bolivia is less than 15,000 ha.

The Bolivian government has inadequate controls over its domestic coca cultivation, and UNODC calculated an estimated 35-48 percent of the coca that was cultivated in 2017 did not go to the two authorized coca markets for sale. The United States government estimated cocaine production potential in Bolivia to be 249 metric tons (MT) in 2017. Most Bolivian cocaine is exported to other Latin American countries, especially Brazil and Argentina, for domestic consumption, or for onward transit to West Africa and Europe, rather than to the United States.

In September 2018, the United States again determined that Bolivia “failed demonstrably” to adhere to its obligations under international drug control agreements and the U.S. Foreign Assistance Act of 1961, as amended. This Presidential determination was based, in part, on insufficient justification for the increase in coca production authorized under Bolivian law. According to the 2017 UNODC report, 91 percent of the coca grown in the Yungas region, approximately 20,822 MT, is sold in the legal market. Conversely, nearly 91 percent of the coca grown in Cochabamba’s Chapare region, approximately 21,738 MT, is diverted away from the legal market. Bolivian President Evo Morales is “president in perpetuity” of the coca growers’ federation in the Chapare region.

Peruvian officials estimate 41 percent of all Peruvian cocaine departs to or through Bolivia via ground or aerial transshipment, commonly known as the “air bridge.” Bolivia reportedly confiscated seven aircraft involved in drug trafficking in 2018, down from 17 reportedly seized in 2017 by the Special Counter-Narcotics Police Force (FELCN). In traditional (authorized) coca cultivation areas, Bolivia maintains a “social control” policy to curb illicit coca production. Under this approach, the government usually negotiates with coca growers to obtain their consent for eradication. In nontraditional (unauthorized) areas, including national parks, eradication is officially mandatory.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

INCSR 2019

In March 2017, President Morales promulgated two new laws to replace the Coca and Controlled Substances Law 1008 (1988). In addition to increasing the licit area of coca production from 12,000 ha to 22,000 ha, the General Law on Coca (Law 906) provides a framework for the regulation of the production, circulation, transportation, marketing, consumption, research, industrialization, and promotion of coca in its natural state. The new Controlled Substances Law (Law 913) includes three key enhancements: a procedure for the payment of informants and plea-bargaining in drug-related cases; a procedure for asset forfeiture; and a framework for wiretapping in drug-related investigations. It also provides a legal basis for two studies – one on coca yield per hectare and another to determine coca leaf-to-cocaine yield. Both studies are under way by UNODC with European EU funding and their results are expected in the second half of 2019. As of November 2018, the Controlled Substances Law’s implementing regulations were still pending approval from the Bolivian legislature and not in effect.

Bolivia has numerous entities with drug control mandates. The National Drug Control Council (CONALTID), chaired by the Ministry of Government, is the central drug control policy-making body in Bolivia. The Vice Ministry for Social Defense and Controlled Substances (VMSD) is mandated to combat drug trafficking, regulate coca production, advance coca eradication and drug prevention, and execute rehabilitation programs. The General Law on Coca is enforced through a series of regulations that clarify responsibilities between governmental institutions and reinforce the role of the National Council for Revaluation, Production, Marketing, Research and Industrialization of Coca (CONCOCA) as the point for intergovernmental coordination. Biometric registration of all coca producers and sellers is also mandatory by law, and regulations exist to monitor coca transportation routes, markets, and industrial research on coca.

FELCN reports to the VMSD and comprises approximately 1,700 personnel, and is the agency that focuses primarily on interdiction and money laundering cases. The Joint Eradication Task Force (FTC) conducts manual coca eradication with approximately 2,300 personnel. The Unit for the Execution of the Fight against Narcotics (UELICN) plans and funds drug enforcement operations. In 2018, UELICN’s budget remained unchanged from 2017 at \$48.3 million; however, a budget increase of about 25 percent is expected for 2019. In 2018, Bolivia, with UNODC support, created the Regional Center for Counternarcotics Intelligence (CERIAN), a regional fusion center for intelligence analysis and information sharing based in Santa Cruz with the participation of Brazil, Argentina, and Paraguay. Other border countries may join once a framework is finalized.

Bolivia’s 2016-2020 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf prioritizes actions against criminal organizations rather than what the Bolivian government considers legitimate farmers who cultivate coca for traditional uses. The strategy includes four pillars: reduction of supply; reduction of demand; control of the excess supply of coca; and shared international responsibilities. Current Bolivian coca cultivation far exceeds the country’s demand for coca for traditional purposes. The Inter-American Drug Abuse Control Commission of the Organization of American States continues to recommend that Bolivia implement a system to monitor narcotics and psychotropic drugs used in healthcare settings to ensure the medicines are not diverted for illegitimate uses.

INCSR 2019

Bolivia receives most of its foreign counternarcotic financial support from the EU. The EU is currently implementing a \$50 million three-year (2016-2018) assistance program, and provides an additional \$10 million to support UNODC drug control programs and technical assistance. The Bolivian government denies that foreign drug cartels operate within its borders, but acknowledges the presence of cartel emissaries.

The United States and Bolivia are parties to a 1995 extradition treaty that permits the extradition of nationals for the most serious offenses, including drug trafficking. Bolivia and the United States do not have a mutual legal assistance treaty, but both countries can request assistance through various multilateral conventions to which both are signatories.

2. Supply Reduction

FELCN reported destroying 93 cocaine hydrochloride processing labs and 1,004 rustic cocaine labs during 2018, a 62 percent increase and 62 percent decrease, respectively, from 2017. According to the Bolivian government, FELCN seized 10.48 MT of cocaine base and 7.59 MT of cocaine hydrochloride in 2018 – a 7.4 percent decrease and 153 percent increase, respectively, from what was seized during the first 10 months of 2017. FELCN arrested 3,986 individuals on drug-related offenses in 2018. Corruption, interference by other branches of government, and insufficient judicial resources undermine due process and create delays in the administration of justice.

The United States government estimated that coca cultivation was 31,000 ha in 2017, a 17 percent decrease from 2016, and that the production potential of cocaine decreased 9 percent from last year to 249 MT. The modest reduction in the U.S. cultivation estimate is attributable to better survey data and analysis. UNODC estimated that 24,500 ha of coca were cultivated within Bolivia in 2017, a 6 percent increase from 2016. UNODC officials have noted that 91 percent of the Chapare region's coca cultivation is destined for illicit cocaine production and not traditional consumption. According to UNODC's 2017 report published in August, there were 8,400 ha of coca cultivated in the Chapare region, an increase of 17 percent over the previous year. According to the most recently available information from the Bolivian government, Bolivian authorities eradicated 8,600 ha of coca as of October, compared to 7,237 ha during all of 2017. The Bolivian government estimates it needs to eradicate 11,000 ha of coca yearly to see a net reduction in coca cultivation.

3. Public Information, Prevention, and Treatment

Illicit drug consumption remains low in Bolivia, according to UNODC and the 2016 World Drug Report. According to a joint 2016 CONALTID/UNODC study funded by the European Union on drug use in the university student population, 6.1 percent of Bolivian university students had used illicit drugs in the previous year. Broken down by category, 5 percent of surveyed students had used marijuana; 0.8 percent used LSD; and 0.4 percent used cocaine. In October 2017, CONALTID, the EU and UNODC launched a "Listen First" campaign aimed at preventing the abuse of drugs by children, focusing on parents, prevention staff, health workers, teachers, and decision makers.

INCSR 2019

There are approximately 80 drug treatment and rehabilitation centers in Bolivia. According to the Bolivian government's 2016-2020 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf, 98 percent of those centers are run by nongovernmental organizations. There are only two public treatment centers, one in Tarija and one in Santa Cruz.

4. Corruption

As a matter of official policy, the Government of Bolivia does not encourage or facilitate illegal activity associated with drug trafficking. However, President Morales and other senior government officials have acknowledged serious corruption problems in the judiciary and police. In 2017, the Ministry of Anticorruption and Transparency was dismantled and its responsibilities transferred to the Ministry of Justice, which was thereafter named the Ministry of Justice and Transparency.

FELCN is the only police unit with a known polygraph program. All FELCN members are required to take an annual polygraph test, and those who do not pass are supposed to transfer out of the program. However, reports vary as to whether those two requisites are uniformly applied.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States Embassy meets periodically with the Vice Ministry for Social Defense and Controlled Substances and FELCN officials to discuss Bolivia's drug control efforts. Bolivia sent participants to five courses at the U.S.-funded International Law Enforcement Academy in 2018. The participants represented two Bolivian institutions: FELCN and the Financial Investigative Unit. The United States does not have a counterdrug presence in Bolivia, but it consults with international organizations and third-country governments involved in supporting Bolivian drug control goals and efforts to strengthen the rule of law.

Bolivia participated in the semi-annual Multilateral Maritime Counter Drug Summit held in May, which attracted 125 maritime counterdrug professionals from nearly 25 countries and over 65 international agencies spanning North, Central and South America, and Europe. In conjunction with the Multilateral Maritime Counter Drug Summit, the Vice Minister of Social Defense visited the State Department and requested continued cooperation and exchange of information of eradication imagery and data.

D. Conclusion

Bolivia remains the third largest source of coca and cocaine in the world, and a major transit country for Peruvian cocaine. For the second time since 2010, UNODC estimates coca cultivation is increasing and, even with a decrease in U.S. coca cultivation estimates, both UNODC and U.S. 2017 estimates are well above the government-sanctioned limit of 22,000 ha. Despite a decrease in U.S. estimates in 2017, potential pure cocaine production in Bolivia remains historically high at 249 MT when compared to 170 MT less than a decade ago. There is no available data to support the Bolivian government's statements that traditional, cultural, and medicinal coca consumption have increased, which it made in justifying the increase in the legal limit of coca cultivation in the new General Law on Coca from 12,000 ha to 22,000 ha. This limit exceeds the amount of coca needed for traditional purposes by approximately 38 percent, per EU reporting.

Bolivia's inadequate controls over its legal coca markets remain a matter of concern, as is Bolivia's status as a transit country for cocaine trafficking. In 2013, Bolivia re-acceded to the 1961 U.N. Single Convention on Narcotic Drugs with a reservation permitting coca to be used only within Bolivia for

INCSR 2019

traditional, cultural, and medicinal purposes. Despite these stated conditions, Bolivia continues to promote the use of coca in other countries and discuss potential export opportunities for coca products. These actions undermine Bolivia's commitments to its international drug control obligations.

In addition, Bolivia should strengthen efforts to stem the diversion of coca to cocaine processing by tightening controls over the coca leaf trade, achieving net reductions in coca cultivation, and improving law enforcement and judicial efforts to investigate and prosecute drug-related criminal activity. Provisions of the new Controlled Substances Law are still not in effect nor will they be until the Bolivian legislature approves the implementing regulations. The law nonetheless could be a significant advance in the fight against drug trafficking, as it will institutionalize the use of modern investigative techniques previously absent from the Bolivian legal framework.

INCSR 2019

Money Laundering

Bolivia

OVERVIEW

Bolivia is not a regional financial center, but remains vulnerable to money laundering. Criminal proceeds laundered in Bolivia are derived primarily from smuggling contraband and the drug trade. In recent years, Bolivia has enacted several laws and regulations that, taken together, should help the country more actively fight money laundering. Bolivia should continue its implementation of its laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Major sources of illicit funds in Bolivia include cocaine trafficking, smuggled goods, corruption, illegal gold mining, and informal currency exchanges. Chile and Peru are the primary entry points for illicit products, which are then sold domestically or informally exported.

The latest White House Office of National Drug Control Policy report found that Bolivia had the potential to produce 249 metric tons of cocaine in 2017, a significant source of illicit profits. Informal gold mining also has grown in recent years. Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets and money laundering activity is likely.

The Bolivian justice system is hindered by corruption and political interference, both of which impede the fight against narcotics-related money laundering. The lack of well-trained prosecutors and police officers has also been a problem, leading to ineffective criminal investigations.

Bolivia has 13 FTZs for commercial and industrial use in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Lack of regulatory oversight of these FTZs increases money laundering vulnerabilities.

A few legal casinos pay a hefty percentage to the government in order to run card games, roulette, slots, and bingo. Many illegal casinos operate in the informal market.

KEY AML LAWS AND REGULATIONS

Bolivia passed several laws that control the entry and exit of foreign exchange and which criminalize illicit gains. In 2012, Bolivia created the National Council to Combat Illicit Laundering of Profits to issue guidelines and policies to combat money laundering. In 2013, Bolivia created new regulatory procedures that allow for freezing and confiscation of funds and other assets related to money laundering.

INCSR 2019

All financial institutions in Bolivia are required by the Financial Investigative Unit (UIF), Bolivia's FIU, and banking regulations to report all transactions above \$3,000 (or transactions above \$10,000 for banks).

Bolivia has KYC regulations. All transactions conducted through the financial system require valid photo identification in addition to other required information. Financial intermediaries must register this information into their systems, regardless of the transaction amount or whether the transaction is a deposit or a withdrawal. Private banks follow KYC international standards.

Bolivia does not have a mutual legal assistance treaty with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance. U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, and Bolivian National Customs signed a Customs Mutual Assistance Agreement (CMAA) in 2017 that expands cooperation and information sharing, including in the area of money laundering. The CMAA provides for the sharing of forfeited assets.

Bolivia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available in Spanish only at:

<http://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/bolivia/evaluaciones-mutuas-1/1950-informe-de-evaluacion-mutua-de-bolivia-3a-ronda/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Lack of personnel in the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework, limit the UIF's reach and effectiveness. Compliance with UIF's reporting requirements is extremely low. Information exchange between the UIF and police investigative entities improved in the last year, and the UIF maintains a database of suspect persons that financial entities must check before conducting business with clients. In 2017, the Attorney General created a special unit dedicated to investigating and prosecuting money laundering.

Bolivia is in the process of including notaries under the supervision of UIF and is working to address other noted deficiencies, including vehicle dealers, real estate businesses, and jewelry stores, as well as virtual currency, mobile device payments, and financial outflows.

In 2017, the Central Bank of Bolivia prohibited the use of bitcoin and 11 other virtual currencies. The regulation bans the use of any digital currency not regulated by a country or economic zone.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

The Bolivian criminal courts have jurisdiction over crimes related to narcotics, terrorism, and money laundering. With a legal order, courts can request information from banks for investigative purposes.

INCSR 2019

Bolivia has an extradition treaty with the United States. In some instances, the Bolivian government has been cooperative with U.S. law enforcement. However, overall there is little law enforcement cooperation between Bolivia and the United States.

According to available data, there were approximately 51 money laundering-related prosecutions in 2018. Conviction data is not available.

Banks are actively enforcing all regulations to control money laundering or any other suspicious transaction.

[Complete report](#)