

**FUNDACIÓN LIBERTAD, DEMOCRACIA Y DESARROLLO  
FULIDED**

**THE BUDGET FOR STATE SECURITY IN  
BOLIVIA - 2004**

**SANTA CRUZ, APRIL 2004**

# THE BUDGET FOR STATE SECURITY IN BOLIVIA

## 1. INTRODUCTION

The expenses incurred in Bolivia for the security of the State that may be considered “pro-defense” are mainly linked to the activities carried out by the Ministry of National Defense and the Ministry of the Government.

The following are some of the main duties for the Ministry of Defense:

- Execute and coordinate the national defense policy.
- Coordinate administrative taxes for the Army, Air Force and Navy.
- Transmit to the Nation’s Armed Forces the President’s instructions in the political and administrative order.
- To look after the discipline and the Military through Military Court of Justice.
- To supervise the functioning of the National Civil Defense Service.
- To support the country’s development and promote the strengthening of border areas.
- To protect fluvial and latching interest into promote maritime rights of the country.
- To preside, by designation of the President, over the Supreme National Defense Council, (Consejo Supremo de Defensa Nacional, COSDNA).

Likewise, the main duties for the Ministry of the Government are:

- To preserve the political model and the internal security of the State, to maintain political order and social peace.
- To enforce Constitutional rights and guarantees.
- To administer the penitentiary system.
- To administer the social defense system.
- To administer the drug prevention and rehabilitation system.
- To formulate policies regarding internal security through departmental prefectures, the same that shall be enforced by the National Police.
- To lead the National Police according to presidential mandate.

The analysis on the importance of “pro-defense” expenditures of 2004 in Bolivia shall be analyzed starting with the budget allowances, as approved, by Law of the Republic 2627 of the General Budget of the Nation, (Presupuesto General de la Nación, PGN).

## 2. BUDGET FOR THE MINISTRY OF DEFENSE 2004

### Ministry of Defense

The budget assigned to the Ministry of Defense for its activities during the period of 2004 amounts to Bs. 1,124.8 millions, equivalent to US\$139.9 millions. More than 99% is assigned to the so called core activity, related to the Armed Forces (Army, Air Force and Navy), with an estimated number of 33 thousand members, of which 80% belong to the Army and 10% to each the Air Force and the Navy.

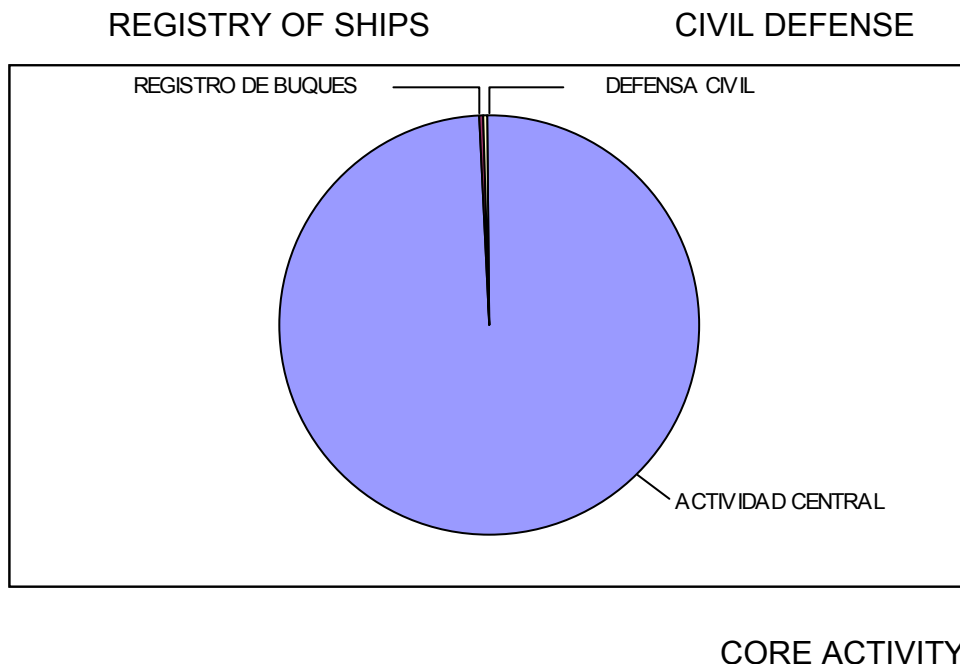
The civil defense activities linked to emergencies and natural disasters has a very small participation in the budget for the Ministry of Defense, as well as the international Bolivian registry of ships.

**TABLE 1: BUDGET FOR THE MINISTRY OF DEFENSE 2004**

	MILLION Bs.	MILLION US\$	%
CORE ACTIVITY	1,117.8	139.0	99.4
VICEMINISTRY OF CIVIL DEFENSE	2.6	0.3	0.2
INTERNATIONAL REGISTRY OF SHIPS	4.4	0.5	0.4
TOTAL	1,124.8	139.9	100.0

Source: Prepared based on the General Budget for the Nation 2004.

**CHART 1: BUDGET FOR THE MINISTRY OF DEFENSE**



## Expense Structure for the Ministry of Defense

In reference to the expense structure for the Ministry of Defense 2004, the following may be highlighted:

- Expenditures in personal services of permanent and not permanent employees and contributions to social benefits representing 76% of the budget of the Ministry of Defense.
- Non personal services (basic services in communications, electrical power, water, telephone services, transportation services such as travel and per diem, insurance, rental fees, maintenance expenditures, professional and commercial services, etc) make up 8% of the budget for expenditures.
- Expenditures in materials and supplies (mainly food and fuel, but also items such as textiles, office supplies, etc) amount to 14% of the budget for the Ministry of Defense.
- The investments in real assets (constructions, machinery and equipment, real state, etc) amount to 1% of the budget.
- Expenditures in transfers (pensions and retirement) also represent 1% of the budget for the Ministry.
- No expenditures are included for items related to: financial assets (purchasing of stocks and capital shares, granting of loans, purchasing of titles and securities, availabilities, etc.); public debt service and decrease of other liabilities (amortizations, interests, commissions, unpaid accrued expenditures); taxes, royalties and tariffs and other expenditures (social benefits).

**TABLE 2: ALLOCATION OF EXPENDITURES FOR THE MINISTRY OF DEFENSE.**

	MILLION Bs.	MILLION US\$	%
GROUP 1: PERSONAL SERVICES	850.3	105.8	75.6
GROUP 2: NON PERSONAL SERVICES	83.8	10.4	7.5
GROUP 3: MATERIALS AND SUPPLIES	161.2	20.0	14.3
GROUP 4: REAL ASSETS	13.8	1.7	1.2
GROUP 5: FINNANCIAL ASSETS			
GROUP 6: PUBLIC DEBT SERVICE			
GROUP 7: TRANSFERS	15.7	2.0	1.4
GROUP 8: TAXES, ROYALTIES AND TARIFS			
GROUP 9: OTHER EXPENDITURES			
TOTAL	1,124.8	139.9	100.0

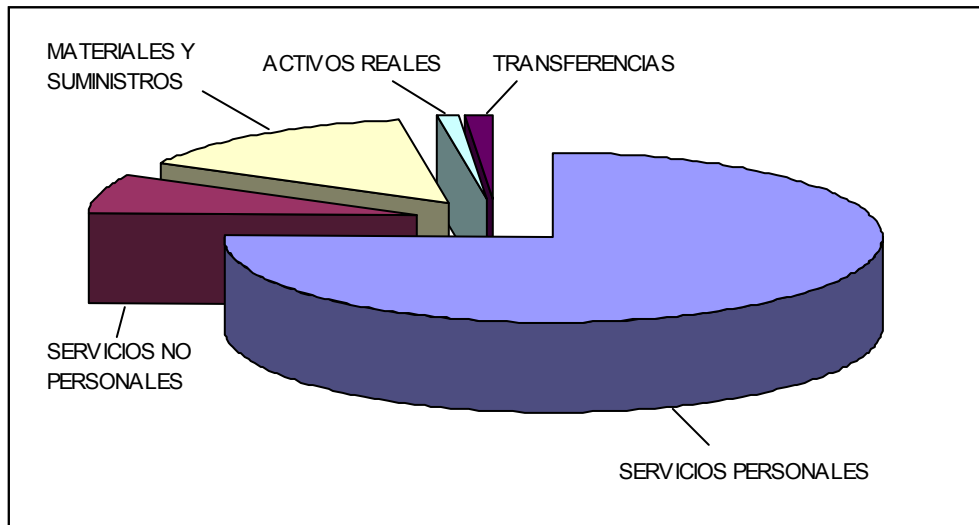
Source: Prepared based on the General Budget for the Nation 2004

## CHART 2: STRUCTURE OF EXPENDITURES FOR THE MINISTRY OF DEFENSE

MATERIALS AND  
SUPPLIES

REAL ASSETS

TRANSFERS



NON PERSONAL  
SERVICES

PERSONAL SERVICES

### Armed Forces

The budget for the Armed Forces is directly related to the core activity of the Ministry of Defense, and to that effect with the corresponding 99% of the budget of this Ministry, it has a similar assignment for expenditures. The most outstanding expense items are personal services and materials and supplies, and to a lesser extent expenditures for non personal services, transfers and real assets.

**TABLE 3: ALLOCATION OF EXPENSES FOR THE ARMED FORCES**

	MILLION Bs.	MILLION US\$	%
GROUP 1: PERSONAL SERVICES	849.1	105.6	76.0
GROUP 2: NON PERSONAL SERVICES	80.1	10.0	7.2
GROUP 3: MATERIALS AND SUPPLIES	159.8	19.9	14.3
GROUP 4: REAL ASSETS	13.1	1.6	1.2
GROUP 5: FINNANCIAL ASSETS			
GROUP 6: PUBLIC DEBT SERVICE			
GROUP 7: TRANSFERS	15.7	2.0	1.4
GROUP 8: TAXES, ROYALTIES AND TARIFS			
GROUP 9: OTHER EXPENDITURES			
TOTAL	1,117.8	139.0	100.0

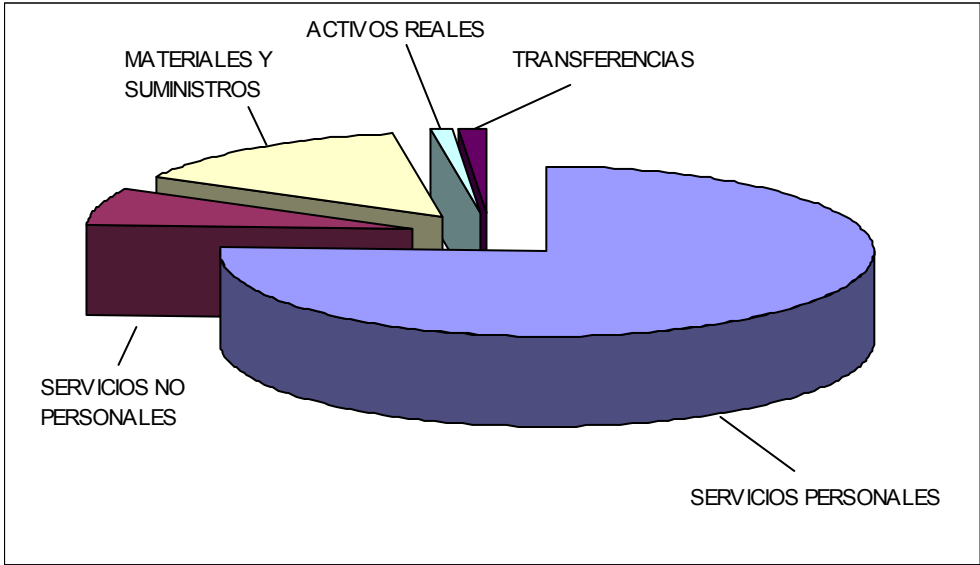
Source: Prepared based on the General Budget for the Nation 2004

**CHART 3: STRUCTURE FOR EXPENDITURES FOR THE ARMED FORCES**

MATERIALA AND  
SUPPLIES

REAL ASSETS

TRANSFERS



NON PERSONAL  
SERVICES

PERSONAL SERVICES

**Institutions under the protection of the Ministry of Defense**

The following decentralized public institutions are under the protection of the Ministry of Defense. These institutions, which are independent, have their own equity and administration, public companies and the health insurance.

Regarding the budget for expenditures, the most outstanding are Transportes Aereos Bolivianos (Bolivian Air Transport) and the Corporation of the Armed Forces for National Development (Corporación de las Fuerzas Armadas para el Desarrollo Nacional, COFADENA), in the field of ammunitions and also water exploration. The participation of the Military is also noted in productive activities through the Bermejo Agricultural Company, the Automotive National Company and the Bolivian Basic Chemistry, under the protection of the Ministry of Defense.

Among the outstanding decentralized institutions we have the Army Engineering Command that performs infrastructure activities. Finally, as an institution for social security, the Military Social Security Corporation (Corporacion de Seguro Social Militar, COSSMIL), is one of the main social security institutions in the country.

**TABLE 4: PUBLIC ENTITIES UNDER THE PROTECTION OF THE MINISTRY OF DEFENSE**

	MILLION Bs.	MILLION US\$
NATIONAL COMPANIES	66.7	8.3
TRANSPORTES AEREOS BOLIVIANOS	40.7	5.1
EMPRESA NACIONAL AUTOMOTRIZ	1.5	0.2
COFADENA-EXPLORACION HIDRAULICA	1.8	0.2
COFADENA-FABRICA DE MUNICIONES	9.7	1.2
COFADENA-OFICINA CENTRAL	5.3	0.7
EMPRESA NAVIERA BOLIVIANA	4.9	0.6
EMPRESA AGRICOLA BERMEJO	2.4	0.3
QUIMICA BASICA BOLIVIANA	0.4	0.0
DECENTRALIZED PUBLIC INSTITUTIONS	18.6	2.3
COMANDO DE INGENIERIA DEL EJERCITO	13.7	1.7
SERVICIO GEODESICO DE MAPAS	2.1	0.3
SERVICIO NACIONAL DE AEROFOTOGRMETRIA	2.6	0.3
AERVICIO NACIONAL DE HIDROGRAFIA NAVAL	0.2	0.0
SOCIAL SECURITY INSTITUTIONS	222.6	27.7
CORPORACION DEL SEGURO SOCIAL MILITAR	222.6	27.7
TOTAL	307.9	38.3

Source: Prepared based on the General Budget for the Nation 2004

### **Pension Costs**

Starting in 1997, Bolivia implemented a reform in pensions for the purpose of improving the services in the pension system; face the vulnerabilities threatening the financial solvency of the Government and sustainability for the payment of pensions in the mid term.

Such reform eliminated the existing simple distribution system which was in deficit, substituting the same by a private individual capitalization system. It should be noted that the simple distribution system was structured from two separated methods: the Basic Pension Fund (Fondo de Pensiones Básicas, FOPEBA) and the complementary funds by the labor sector independently administered and complementing the retirement income.

In the military sector, the pension reform required the Government to assume the liabilities of the COSSMIL complementary fund without receiving the assets from the fund, consisting in hospitals and clinics through out the country. These assets stayed with COSSMIL to provide attention in the short term medical insurance. There are approximately 7 thousand retirees in the military sector, who receive an annual income that amounts to US\$33 millions.

### 3. BUDGET FOR THE MINISTRY OF THE GOVERNMENT 2004

#### Ministry of the Government

The budget for the Ministry of the Government is Bs. 930.2 million, equivalent to US\$115.7 million, for the period of 2004. With an estimated 31 thousand members, more than 82% of the budget is assigned to the National Police to guarantee order and security in the country.

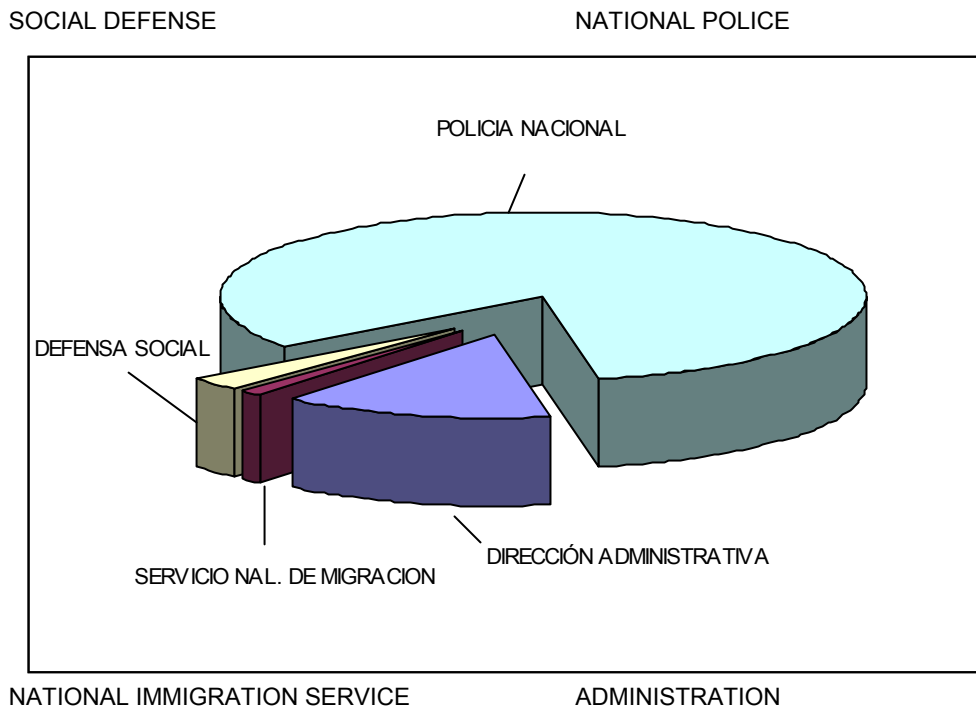
The administrative activities in the Ministry of the Government spend 14% of the total, the Vice Ministry of Social Defense 3% of the budget and the National Immigration Service 1%.

**TABLE 5: BUDGET FOR THE MINISTRY OF THE GOVERNMENT 2004**

	MILLION Bs.	MILLION US\$	%
ADMINISTRATIVE OFFICE	126.2	15.7	13.6
NATIONAL IMMIGRATION SERVICE	10.6	1.3	1.1
VICEMINISTRY OF SOCIAL DEFENSE	29.0	3.6	3.1
NATIONAL POLICE (ORDER AND SECURITY)	764.4	95.1	82.2
TOTAL	930.2	115.7	100.0

Source: Prepared based on the General Budget for the Nation 2004

**CHART 4: BUDGET FOR THE MINISTRY OF THE GOVERNMENT**



The Vice Ministry of Social Defense, whom depends from the Ministry of the Government, is responsible for the formulation and execution of interdiction policies for the program to fight against drug trafficking. Depending from it is the Special Force to Fight against Drug Trafficking (Fuerza Especial de Lucha Contra el Narcotráfico, FELCN), that carries its planning and executing activities in urban centers, rural areas and borders. Among the duties of the FELCN is to execute the interdiction policies and repress the manufacture and trafficking of controlled substances, exercising control in the production and manufacture of narcotics, preventing chemical products from entering and drugs from exiting the country. The FELCN has a Rural Patrolling Mobile Unit (Unidad Movil de Patrullaje Rural, UMOPAR), the Group for Investigation of Controlled Substances and the Task Forces.

The general strategy of actions and interdiction for Bolivia to come out of the drug trafficking circuit is concentrated in two performance levels: one external ring for performance (perimetric security) and one internal ring (concentric ring). The main purpose of the external ring is to control the incoming of chemicals from abroad and the outgoing of drugs. The perimetric security is entrusted to the UMOPAR units with support from the Task Forces “Diablos Rojos”, “Diablos Azules” and “Diablos Verdes” and the FELCN border posts.

The concentric rings, located around conflict areas, are to prevent processing chemicals from coming in and to prevent drugs from going out from production areas. They are also under the responsibility of UMOPAR with the support provided by the Task Forces.

### **Structure of Expenditures, Ministry of the Government**

In the structure of expenditures for the Ministry of the Government during 2004, we notice:

- Expenses in personal services or those incurred by permanent and not permanent employees and social contributions are the most important, representing 66% of the Budget for the Ministry of the Government.
- Non-personal services (communication services, electrical power, water, , transportation such as travel and per diem, insurance, rental fees, maintenance expenditures, professional and commercial services, etc) make up 8% of the budget for expenditures
- Expenditures in materials and supplies (mainly food stuffs and fuel, but also items such as textiles, office supplies, etc) amount to 15% of the budget for the Ministry of the Government.
- Investments in real assets (constructions, machinery and equipment, real state, etc), the expenditures in pensions, retirement, taxes, royalties and tariffs represent 2% of the budget; others (Social Benefits) represent only 0.2% of the budget for the Ministry of the Government. Outstanding investments for 2004 are: the construction of the penitentiaries in Uncia,

Potosí, Tarija, and Montero, as well as the Provincial Penitentiary in Yacuiba.

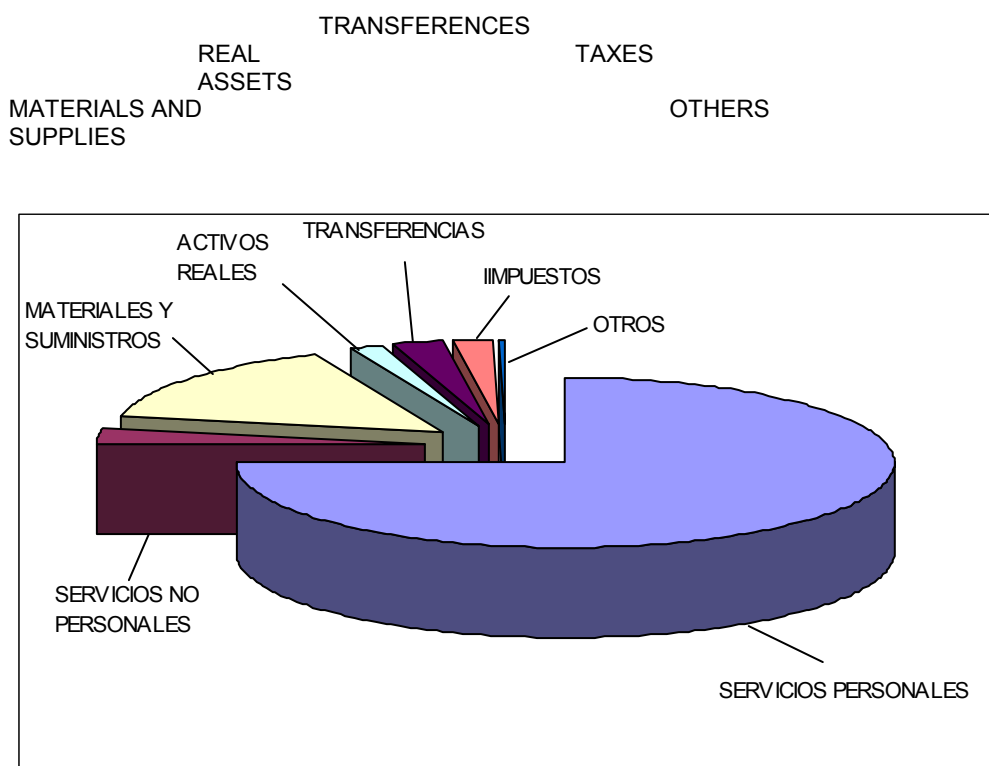
- No expenditures are included for items related to: financial assets (purchasing of stocks and capital shares, granting of loans, purchasing of titles and securities, availabilities, etc.); public debt service and decrease of other liabilities (amortizations, interests, commissions, unpaid accrued expenditures).

**TABLE 6: ALLOCATION OF EXPENSES MINISTRY OF THE GOVERNMENT**

	MILLION Bs.	MILLION US\$	%
GROUP 1: PERSONAL SERVICES	609.4	75.8	65.5
GROUP 2: NON PERSONAL SERVICES	120.0	14.9	12.9
GROUP 3: MATERIALS AND SUPPLIES	144.3	17.9	15.5
GROUP 4: REAL ASSETS	21.2	2.6	2.3
GROUP 5: FINNANCIAL ASSETS			
GROUP 6: PUBLIC DEBT SERVICE			
GROUP 7: TRANSFERS	17.6	2.2	1.9
GROUP 8: TAXES, ROYALTIES AND TARIFS	15.4	1.9	1.7
GROUP 9: OTHER EXPENDITURES	2.3	0.3	0.2
TOTAL	930.2	115.7	100.0

Source: Prepared based on the General Budget for the Nation 2004

## CHART 5: EXPENSE STRUCTURE MINISTRY OF THE GOVERNMENT



NON PERSONAL SERVICES

PERSONAL SERVICES

### National Police

The budget for the National Police is the highest in the Ministry of the Government, representing 82% of the budget for this Ministry and with a similar allocation for expenditures. Outstanding are the fields of expenditures for personal services and materials and supplies, and to a lesser extent the expenditures and non personal services, transfers, real asset, taxes and other expenses.

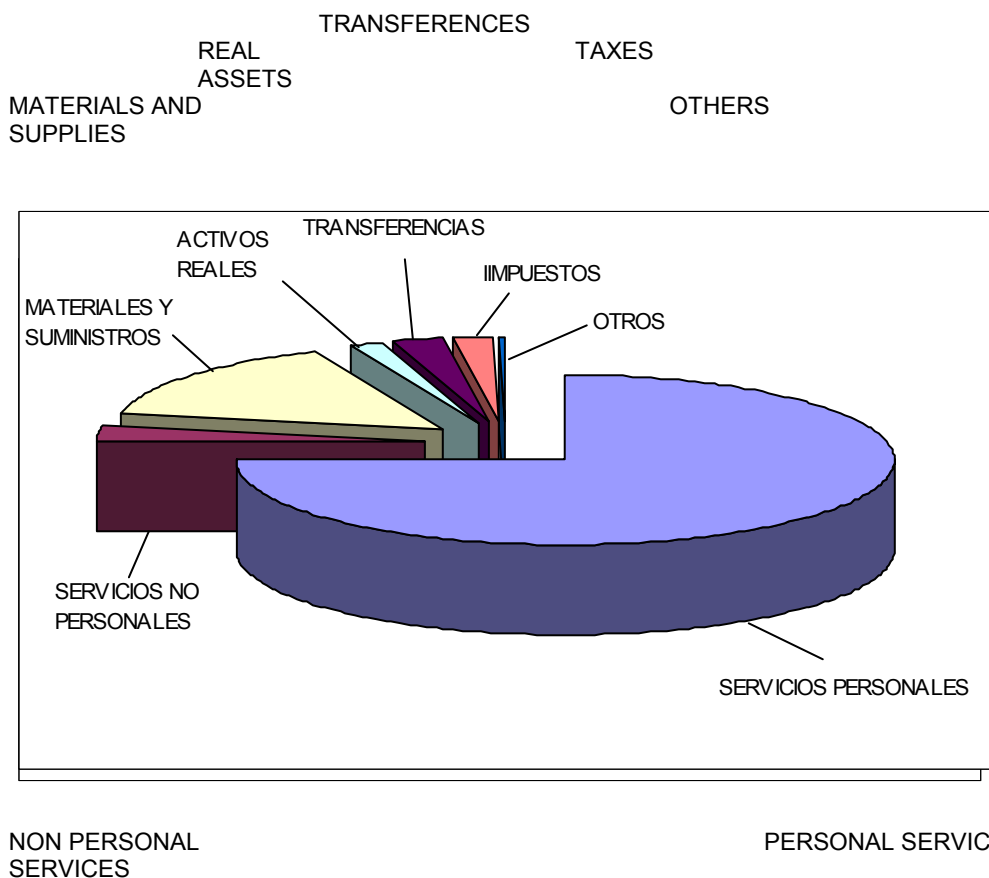
**TABLE 7: ALLOCATION OF EXPENSES NATIONAL POLICE**

	MILLION Bs.	MILLION US\$	%
GROUP 1: PERSONAL SERVICES	574	71.4	75.1
GROUP 2: NON PERSONAL SERVICES	22.2	2.8	2.9
GROUP 3: MATERIALS AND SUPPLIES	119.1	14.8	15.6
GROUP 4: REAL ASSETS	13.9	1.7	1.8
GROUP 5: FINNANCIAL ASSETS			
GROUP 6: PUBLIC DEBT SERVICE			

GROUP 7: TRANSFERS	17.5	2.2	2.3
GROUP 8: TAXES, ROYALTIES AND TARIFS	15.4	1.9	2.0
GROUP 9: OTHER EXPENDITURES	2.3	0.3	0.3
TOTAL	764.4	95.1	100.0

Source: Prepared based on the General Budget for the Nation 2004

### CHART 6: EXPENSE STRUCTURE NATIONAL POLICE



#### 4. EXPENDITURES IN SECURITY OF THE STATE: RESERVED EXPENDITURES

The expenditures in the security of the State made in a reserved and confidential manner are registered in the budget item of Central Administration Specific Expenditures.

Reserved expenses are incurred mainly through the Ministry of the Government and to a lesser extent by the Ministry of Defense. The Ministry of the Presidency and Vice Presidency of the Republic, in general, has little allocation of these expenditures.

During the last few years the execution of the item for reserved expenses has been around US\$20 million per year. The General Budget of the Nation (PGN) for 2004 contemplates reserved expenses in approximately Bs. 68.5 million, equivalent to US\$ 8.5 million, because of the austerity and transparency policies intended to put into effect by the Government.

## 5. BUDGET EVOLUTION OF STATE SECURITY

### Ministry of Defense

The budget for the Ministry of Defense increased by 42% in nominal terms between 2000 and 2004, mainly due to the evolution of expenditures in personal services, which increased by 41%.

Non-personal services, real assets and transfers increased significantly in nominal terms. Materials and supplies increased by 18%.

Since the average estimated devaluation for the 2000-2004 periods reached 31%, the expenditures by the Ministry of Defense in dollars would increase by 9%, which is explained mainly by the increase in personal services by 8%. This increase in personal services is due to the policy to increase the number of members in the Armed Forces in proportion to the growth of the population (natural growth).

Although the increase in non personal services, real assets and transfers are significant, the increase in absolute terms is not very large, due to their relatively low levels. The item of materials and supplies went down 10% for the period under analysis.

**TABLE 8: EVOLUTION OF THE BUDGET FOR THE MINISTRY OF DEFENSE**

IN MILLION Bs.	2000	2001	2002	2003	2004	Var. %
GROUP 1: PERSONAL SERVICES	604.0	708.3	769.1	806.3	850.3	41
GROUP 2: NON PERSONAL SERVICES	38.9	58.1	54.9	63.3	83.8	115
GROUP 3: MATERIALS AND SUPPLIES	136.4	143.2	144.0	139.4	161.2	18
GROUP 4: REAL ASSETS	6.0	4.8	3.1	3.8	13.8	130
GROUP 5: FINNANCIAL ASSETS						
GROUP 6: PUBLIC DEBT SERVICE						
GROUP 7: TRANSFERS	7.0	3.5	5.0	5.0	15.7	124
GROUP 8: TAXES, ROYALTIES AND TARIFFS						
GROUP 9: OTHER EXPENDITURES						
<b>TOTAL</b>	<b>792.3</b>	<b>917.9</b>	<b>976.1</b>	<b>1017.8</b>	<b>1124.8</b>	<b>42</b>
<b>AVERAGE EXCHANGE RATE</b>	<b>6.15</b>	<b>6.59</b>	<b>7.03</b>	<b>7.73</b>	<b>8.04</b>	<b>31</b>
<b>IN MILLION US\$</b>						
GROUP 1: PERSONAL SERVICES	98.2	107.5	109.4	104.3	105.8	8
GROUP 2: NON PERSONAL SERVICES	6.3	8.8	7.8	8.2	10.4	65
GROUP 3: MATERIALS AND SUPPLIES	22.2	21.7	20.5	18.0	20.0	-10
GROUP 4: REAL ASSETS	1.0	0.7	0.4	0.5	1.7	76
GROUP 5: FINNANCIAL ASSETS						
GROUP 6: PUBLIC DEBT SERVICE						
GROUP 7: TRANSFERS	1.1	0.5	0.7	0.6	2.0	72
GROUP 8: TAXES, ROYALTIES AND TARIFFS						
GROUP 9: OTHER EXPENDITURES						

TOTAL	128.8	139.3	138.8	131.7	139.9	9
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Source: Prepared based on the General Budget for the Nation 2004

## Ministry of Government

The budget for the Ministry of the Government increased by 56% in nominal terms between 2000 and 2004, due mainly to the evolution of expenditures in personal services which increased by 96%

The items for real assets, materials and supplies, transfers and taxes also increased during the period, however they were partially compensated with the reduction of expenditures for non-personal services, which decreased by 21% during the last 5 years.

The expenditures of the Ministry of the Government in American Dollars increased by 20% from 2000 to 2004, which is explained by a 50% growth in the item of personal services. Such growth in personal services is due not only to the policy to increase the members in the National Police according to the natural growth of the population, but also by an increase in salaries.

The expenditures for non personal services dropped significantly by 40% in US Dollars and investments in real assets also dropped by 5%. The items for materials and supplies, transfers and taxes indicate important increases, in terms of US Dollars for the period under analysis.

**TABLE 9: EVOLUTION OF THE BUDGET FOR THE MINISTRY OF THE GOVERNMENT**

IN MILLION Bs.	2000	2001	2002	2003	2004	Var. %
GROUP 1: PERSONAL SERVICES	310.9	454.4	534.6	561.3	609.4	96
GROUP 2: NON PERSONAL SERVICES	152.1	158.1	163.4	166.6	120.0	-21
GROUP 3: MATERIALS AND SUPPLIES	77.4	88.0	104.3	145.9	144.3	86
GROUP 4: REAL ASSETS	17.1	17.6	19.1	21.9	21.2	24
GROUP 5: FINNANCIAL ASSETS	33.2	0.1	4.6	3.8		
GROUP 6: PUBLIC DEBT SERVICE						
GROUP 7: TRANSFERS	3.6	16.8	15.1	15.7	17.6	389
GROUP 8: TAXES, ROYALTIES AND TARIFFS	0.1	0.1	3.6	6.0	15.4	15300
GROUP 9: OTHER EXPENDITURES					2.3	
TOTAL	594.4	735.1	844.7	921.2	930.2	56
AVERAGE EXCHANGE RATE	6.15	6.59	7.03	7.73	8.04	31
IN MILLION US\$						
GROUP 1: PERSONAL SERVICES	50.6	69.0	76.0	72.6	75.8	50
GROUP 2: NON PERSONAL SERVICES	24.7	24.0	23.2	21.6	14.9	-40
GROUP 3: MATERIALS AND SUPPLIES	12.6	13.4	14.8	18.9	17.9	43
GROUP 4: REAL ASSETS	2.8	2.7	2.7	2.8	2.6	-5
GROUP 5: FINNANCIAL ASSETS	5.4	0.0	0.7	0.5		
GROUP 6: PUBLIC DEBT SERVICE						
GROUP 7: TRANSFERS	0.6	2.5	2.1	2.0	2.2	274
GROUP 8: TAXES, ROYALTIES AND TARIFFS	0.0	0.0	0.5	0.8	1.9	11680
GROUP 9: OTHER EXPENDITURES					0.3	

TOTAL	96.7	111.5	120.2	119.2	115.7	20
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Source: Prepared based on the General Budget for the Nation 2004

## 6. IMPORTANCE OF THE BUDGET FOR STATE SECURITY

### Central Administration

Table 10 exhibits the allocation of expenditures for 2004 between the different institutions part of the Central Administration, such total budget amounts to Bs. 27,620.7 million, equivalent to US\$ 3,435.4 million. The highest budget is for the General Treasury of the Nation, because this item registers the transactions for the public debt and transfers made to public and private institutions.

If the TGN is not taken into account with its budget representing 82% of the total budget for the Central Administration, the highest budgets are those for the Ministry of National Defense (4% of the total for the Central Administration) and the Ministry of the Government (3% of the total) respectively.

Both the budget for the Ministry of Education and the budget for the Ministry of Health and Sports do not take into account payments made to teachers and health workers, respectively, since such payment is made by the departmental Prefect's office.

**TABLE 10: BUDGET FOR THE CENTRAL ADMINISTRATION PER INSTITUTION**

INSTITUTION	MILLION Bs.	MILLION US\$	%
MINISTRY OF FOREIGN AFFAIRS AND CULT	168.8	21.0	0.6
MINISTRY OF THE GOVERNMENT	930.2	115.7	3.4
MINISTRY OF EDUCATION	296.2	36.8	1.1
MINISTRY OF NATIONAL DEFENSE	1,124.8	139.9	4.1
MINISTRY OF THE PRESIDENCY	103.8	12.9	0.4
MINISTRY OF FINANCE	164.3	20.4	0.6
MINISTRY OF ECONOMIC DEVELOPMENT	195.0	24.3	0.7
MINISTRY OF HEALTH AND SPORTS	314.4	39.1	1.1
MINISTRY OF RURAL AND AGRICULTURAL AFFAIRS	410.5	51.1	1.5
MINISTRY OF SUSTAINABLE DEVELOPMENT	208.0	25.9	0.8
MINISTRY OF LABOR	12.0	1.5	0.0
MINISTRY OF MINING AND HYDROCARBONS	25.9	3.2	0.1
MINISTRY OF SERVICES AND PUBLIC WORK	70.4	8.8	0.3
MINISTRY OF POPULAR PARTICIPATION	32.9	4.1	0.1
MINISTRY OF INDIGENOUS AND NATIVE COMMUNITY AFFAIRS	16.8	2.1	0.1
LEGISLATIVE POWER	125.2	26.8	0.8
JUDICIAL POWER	360.8	44.9	1.3
NATIONAL ELECTORAL COURT	80.8	10.0	0.3
GENERAL COMPTROLLER OF THE REPUBLIC	54.5	6.8	0.2
PUBLIC MINISTRY OF THE NATION	83.1	10.3	0.3
SUPREME COUNCIL FOR NATIONAL DEFENSE	0.4	0.0	0.0
GENERAL TREASURY OF THE NATION	22,751.9	2,829.8	82.4
TOTAL	27,620.7	3,435.4	100.0

Source: Prepared based on the General Budget for the Nation 2004

### Cash Flow for the General Treasury of the Nation (TGN)

The total TGN cash flow scheduled for 2004 is Bs. 13.219 billion (US\$1.644 billion). Expenses to be made by the Ministry of Defense and Ministry of the Government together, considering only the resources originating from the TGN and not specific resources generated by each Ministry, representing 13% of total TGN expenditures, being second only to expenditures for pensions, education salaries and total interests (domestic and foreign debt).

**TABLE 11: TGN CASH FLOW: MAIN ITEMS**

DETAIL	MILLION	MILLION	%
	Bs.	US\$	
PENSIONS	2,838	353	21.5
EDUCATION SALARIES	2,621	326	19.8
INTEREST DOMESTIC DEBT	1,130	141	8.5
MINISTRY OF NATIONAL DEFENSE	1,022	127	7.7
INTEREST FOREIGN DEBT	845	105	6.4
MINISTRY OF THE GOVERNMENT	681	85	5.2
UNIVERSITIES	492	61	3.7
HEALTH SALARIES	486	60	3.7
WAR HEROES	225	28	1.7
SALARIES JUDICIAL POWER	190	24	1.4
	2,689	334	20.3
TOTAL EXPENSES TGN	13,219	1,644	100.0

Source: Prepared based on the General Budget for the Nation 2004

### Regarding Public Investments

Total budgeted public investments amounts to Bs. 4.0271 billion, equivalent to US\$501 million, for 2004. Expenditures by the Ministry of Defense represent 28% of total public investments, regarding expenditures by the Ministry of the Government, the amount to 23% of total public investments. They both amount to 50% of the total public investment.

Likewise, the Ministry of Defense spends double the public investment assigned to the production sector (mining, industry and mixed farming) and the Ministry of the Government practically doubles public investments in production.

In reference to public investments in infrastructure (transportation, energy, communications and water resources), the Ministry of Defense spends 66%, while the Ministry of the Government spends 55%.

The budget for the Ministry of Defense is equivalent to 74% of the social public investment (health, education and culture, basic sanitation, urbanism and housing) and for the Ministry of the Government 61%.

Finally the Ministry of Defense spends more than three times than multi-sectorial public investments and the Ministry of the Government almost three times as much.

**TABLE 12: EXPENDITURES BY THE MINISTRIES OF DEFENSE AND OF THE GOVERNMENT COMPARED TO PUBLIC INVESTMENTS**

SECTORS	MILLION Bs.	MILLION US\$	% Exp. Defense Compared to Investment	% Exp. Government Compared to Investment
PRODUCTIVE	483.1	60.1	232.8	192.5
INFRASTRUCTURE	1,702.8	211.8	66.1	54.6
SOCIALS	1,514.7	188.4	74.3	61.4
MULTI-SECTORIAL	326.5	40.6	344.5	284.9
TOTAL	4,027.1	500.9	27.9	23.1
MINISTRY OF DEFENSE	1,124.8	139.9		
MINISTRY OF THE GOVERNMENT		115.7		

Source: Prepared based on the General Budget for the Nation 2004

## 7. BUDGET FOR STATE SECURITY COMPARED TO TOTAL BUDGET AND GROSS DOMESTIC PRODUCT (GDP)

The aggregate budget for the public sector, which includes the registration of all public institution operations amounts to Bs. 42.8614 billion (US\$5.331 billion) for 2004. Likewise, the consolidated budget for the public sector, registering net operations carried out by institutions to avoid duplication in registration amounts to Bs. 33.6772 billion (US\$4.1887 billion).

The expenditures by the Ministry of Defense amount to 2.6% percent of the aggregate budget for the public sector and 3.3% of consolidated budget for 2004. The expenditures by the Ministry of the Government represent to 2.2% of the aggregate budget and 2.8% of the consolidated budget.

By adding the expenditures by the Ministries of Defense and the Government, they represent 4.8% of the aggregate budget and 6.1% of the consolidated budget for the public sector.

**TABLE 13: EXPENDITURES BY THE MINISTRIES OF DEFENSE AND GOVERNMENT COMPARED TO THE TOTAL BUDGET AND THE GDP**

DETAIL	MILLION Bs.	MILLION US\$	% Exp. Defense Compared to	% Exp. Government Compared to
AGGREGATE BUDGET	42,861.4	5,331.0	2.6	2.2
CONSOLIDATED BUDGET	33,677.2	4,188.7	3.3	2.8
GROSS DOMESTIC PRODUCT	63,651.5	7,916.9	1.8	1.5
MINISTRY OF DEFENSE	1,124.8	139.9		
MINISTRY OF THE GOVERNMENT	930.2	115.7		

Source: Prepared based on the General Budget for the Nation 2004

Regarding the Gross Domestic Product (GDP), the expenditures by the Ministry of Defense are equivalent to 1.8% of the GDP, compared to the expenditures by the Ministry of the Government reaching 1.5% of the GDP.

In this sense, the expenditures for the State security, which incorporates expenditures made by the Ministry of Defense as well as by the Ministry of the Government, are in excess of US\$255 million, representing 3.3% for the GDP, for 2004.

## 8. INTERNATIONAL EVIDENCE

To evaluate the level of expenses for the military incurred in Bolivia, we use information for international comparisons given by the CIA<sup>1</sup> and the State Department of the United States<sup>2</sup>, who provide information for 1999-2002, in such a way that the comparisons made are only for reference, and must be interpreted with caution.

Table 14 mentions the 15 most important countries in terms of amounts spent for the military in alphabetical order. It appears that there is no direct relationship between the Gross National Product per person in each country and the percentage of expenditures for the military incurred in reference to the GNP.

Countries located in areas with potential conflicts, such as Saudi Arabia, Israel, Russia and Iran register a higher level of expenditures for the military versus the GNP.

Likewise, the most developed countries, with the highest level of per capita income, register expenditures for the military between 1% of the GNP for Japan, being the lowest, and 3% of the GNP for the United States of America.

**TABLE 14: MILITARY EXPENDITURES IN REFERENCE TO THE GNP: COUNTRIES SPENDING THE MOST:**

COUNTRY	PER CAPITA GNP (US\$)	MILITARY EXPENSES % GNP
GERMANY	25,300	1.6
SAUDI ARABIA	6,680	14.9
AUSTRALIA	20,700	2.1
BRAZIL	3,000	2.1
CHINA	3,140	2.3
SOUTH KOREA	8,550	3.1
UNITED STATES	33,900	3.0
FRANCE	24,400	2.7
INDIA	448	2.5
IRAN	3,640	3.4
ISRAEL	17,200	808
ITALY	20,200	2.0
JAPAN	34,800	1.0
UNITED KINGDOM	24,400	2.5
RUSSIA	4,270	5.6

Source: Prepared based on the USA Department and the CIA

For Latin American countries, there seems to be no direct relationship either between the levels of per capita income and military expenditures.

Military expenditures for the region go from 0.5% of the GNP in Costa Rica to 3.7% of the GNP in Ecuador. Bolivia spends for the military 1.8% of the GNP, mentioning that these estimates consider only expenditures for the Armed Forces, in such a way as to guarantee certain coherence with the international information.

**TABLE 15: MILITARY EXPENDITURES VS. GNP: LATIN AMERICA COUNTRIES**

COUNTRY	PER CAPITA GNP(US\$)	MILITARY EXPENSES % GNP
ARGENTINA	7,530	1.6
BOLIVIA	915	1.8
BRAZIL	3,000	2.1
CHILE	4,380	3.3
COLOMBIA	2,160	3.5
COSTA RICA	3,710	0.5
CUBA	3,060	1.9
ECUADOR	1,020	3.7
EL SALVADOR	2,030	0.9
GUATEMALA	1,470	0.7
GUYANA	888	0.8
HONDURAS	858	0.7
MEXICO	4,760	0.9
NICARAGUA	435	1.2
PANAMA	3,200	1.4
PARAGUAY	1,420	1.1
PERU	1,900	2.4
DOMINICAN REPUBLIC	1,980	0.7
URUGUAY	6,270	1.3
VENEZUELA	4,350	1.4

Source: Prepared based on the USA Department and the CIA

Table 16 exhibits military expenditures for highly indebted poor countries participating in the HIPC debt relief initiative. In this case, there seems to be no direct relationship either between military expenditures and per capita income levels. However, we perceive high levels of military expenditures in countries with low per capita products being subject to conflicts such as the Congo Democratic Republic, Ethiopia or Yemen.

**TABLE 16: MILITARY EXPENSES VS. THE GNP: HIPC COUNTRIES**

COUNTRY	PER CAPITA GNP (US\$)	MILITARY EXPENSES % GNP
BENIN	379	2.1
BOLIVIA	915	1.8
BURKINA FASO	221	1.6
BURUNDI	120	7.0
CAMEROON	554	1.8
CHAD	186	2.4
ETHIOPIA	97	8.8
GAMBIA	291	1.3
GUINEA	462	3.0
GUINEA BISSAU	163	2.7
GUYANA	888	0.8
HONDURAS	858	0.7
KENYA	351	1.9
LAOS	260	3.5
LIBERIA	150	1.4
MADAGASCAR	244	1.4
MALAWI	174	0.6
MALI	243	2.3
MAURITANIA	357	4.0
MOZAMBIQUE	198	2.5
NICARAGUA	435	1.2
NIGER	203	1.2
CENTRAL AFRICAN REP.	300	2.8
REP. OF CONGO	601	3.5
DEM. REP. OF THE CONGO	710	14.4
RWANDA	272	4.0
SAN TOME	273	1.0
SENEGAL	483	1.7
SIERRA LEONE	128	3.0
SOMALIA	373	0.9
SUDAN	259	4.8
TANZANIA	254	1.7
TOGO	283	1.8
UGANDA	264	2.3
YEMEN	365	6.1
ZAMBIA	325	1.0

Source: Prepared based on the USA State Department and the CIA.

## 9. STRATEGY FOR INVESTMENTS IN THE ARMED FORCES

Although an official public document is not available on the strategies of the Armed Forces the loss to Chile of an ocean access is considered as a pending matter in the Bolivian geopolitical strategy. Within this context, two of the main concerns for the Bolivian Armed Forces are: Military expenditures incurred by Chile, quite higher than those incurred by the country and the existence of a mine field along the border with Bolivia, where the mine removal process started by Chile in December, 1999. The planting of mines by Chile is considered by Bolivian officers as an offensive more than defensive attitude by the neighbor country.

Bolivia does not manufacture its own war materials and because of the difficult economic situation in the country and the scarce public resources, the strategy of investments by the Armed Forces concentrates mainly in activities of maintenance and some replacement of war material, considered technologically old.

- The Army has small assault tanks, crawler tanks for arid terrain, arsenals of mortars and Galil and FAL rifles and anti aircraft material, etc.
- The Air Force has Lockheed T – 33, airplanes used in the Korean war in 1953, Balser BT-67 Turbo Dakota planes, which are a modern version of the C-47 used in World War II, F-Sabre 86 fighter planes from the 40's, Hercules planes for cargo, passengers and military training, and Lama Helicopters, among others.
- The Navy has patrol boats, air transport vehicles (Cessna-182), and Catamaran type craft for passengers and tank boats.

In this context, the following are some of the investments made in recent years:

- The acquisition of 10 thousand Galil rifles in 1999.
- Reconditioning of 13 Lockheed T-33 aircraft in Canada with a credit provided by Export Development Corporation of Canada for US\$ 14 million. The reconditioned aircraft arrived to the country in 2003.
- The acquisition of 27 crafts from Spain for US\$ 15 million, through the “Fondo de Ayuda al Desarrollo” in 1999.