Report on Thematic Evaluation of Alternative Development in Peru

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Executive Summary

UNDCP's Executive Director commissioned this thematic evaluation of Alternative Development (AD) in Peru over the period 1984-1995 to provide information to guide future policies, strategies, and approaches. A two-person outside team conducted the evaluation, beginning with talks and a document review at UNDCP/Vienna followed by three weeks in Peru, where they interviewed project execution personnel and numerous officials as well as visited several field sites in Huallaga and Convención-Lares.

The legal basis for AD in Peru is a 1991 law declaring that peasants are not drug traffickers and stipulating AD as the way to enlist them in supply reduction efforts. Prior to then, repression was Peru's dominant mode for addressing the drug problem.

Vital to UNDCP's strategy has been the creation and strengthening of farmer organizations, the introduction of technology packages, and organization of the marketing function (bulk ing, grading, and transformation). That function, especially agroindustrial transformation, has been important because it has permitted the capture of value added, thus enabling final products to compete with coca. This basic strategy is not conventional rural development since emphasis is on production and marketing. The need for products to compete with coca has required the use of "big bang" technologies, which in turn has obliged projects to work not with the poorest farmers but rather with those having larger holdings and superior agroecological conditions, where the potentials of the technologies can be realized. The model has been successful for beneficiary farmers, some of whom are now exporting coffee, cacao, and palm cabbage to Europe. UNDCP's AD approach is the most successful one in Peru.

Certainly a commendable achievement of UNDCP has been the creation and strengthening of local organizations. Not only have these been critical to mounting the technical assistance and extension required for profitable production; they have also created a sense of community where, at least in Huallaga, none existed before. Through belonging to these organizations, individuals validate their social worth. Had farmers been organized in Huallaga more than a decade ago, it would not have been as easy for drug traffickers and insurgents to establish a commanding presence.

UNDCP relies on voluntary eradication; it does not condition interventions, arguing that its alternatives—mostly tree crops, which impose stability on farmers—preempt land and farmer time, with the result that coca is abandoned. There is no evidence that conditioning is more effective for supply reduction.

The Women's Program began late and results have been mixed. Interviews with women in Huallaga suggest that interventions there empowered them and gave them self-confidence and a sense of self-worth as producers and generators of family income in a male-dominated, macho society. Efforts to introduce gender in the other regions either have met resistance, or project execution staff have been uncertain of how to proceed. There is a need for further understanding of gender roles among some staff, and a need to train them in how to deal with the gender question.

AD has contributed to a significant reduction in area planted to coca in recent years in Peru, mainly because of a fall in coca prices. The reduction has been greater in Huallaga, where there has been a substantial reduction in zones of direct project influence. Among project beneficiaries, area planted to coca fell by 95% between 1987 and 1996. But a reduction in area under coca is not an adequate indicator of the
success of AD. This is because such reduction is the result of a combination of factors, including interdiction, which is directed at drug traffickers, and AD, which is directed at small farmers. Supply reduction is thus an overall goal to which AD contributes. This has been termed the “integrated approach” by one major international actor in narcotics control in Peru, and there seems to be a growing consensus favoring it. But this means that new indicators must be found to measure the success of AD.

For social sustainability, UNDCP has relied fundamentally on the creation and strengthening of farmer organizations, thus enabling them to seek assistance on their own. Many of the grassroots organizations (Comités) will survive. Government agencies have not played a role in the sustainability strategy. There has been little government presence in the coca-growing zones (the violence in Huallaga in the 1980s drove virtually all agencies but UNDCP out), and that limited presence has been weak. The UNDCP intervention model thus has a missing piece: the farmer organizations do not link “upward” to regional or national level institutions. To find this missing piece is a challenge now facing UNDCP.

On the economic side, project-introduced product lines are viable and profitable, but sustainability over the longer-term depends on world market prices. The lead cooperatives and associations will likely survive; some of the smaller and newer ones may not. Attention needs now to be given to risk avoidance, probably through diversification as a hedge on market-price volatility.

One can conceive of three strategies for UNDCP actions in Peru. First, there is the current strategy, which has successfully promoted agricultural production to demonstrate viable alternatives. Diversification has been minimal as has spread beyond direct beneficiaries, who are likely not to return to coca should the price rise. The approach has shown results, at least over the short term.

At the other extreme, there is what might be called a mobilization strategy: UNDCP ceases to execute projects and mobilizes others to do AD. A host of institutional issues bears on this approach. Among other things, there would have to be policy support and a coordinating body to plan and design interventions. The Peruvian experience with policy and coordination suggests that UNDCP efforts to lead a mobilizing effort might not work.

A third approach, the one favored here, would combine the above two. UNDCP risks losing credibility if it limits its efforts to mobilization and ceases to execute. Mobilization (and coordination) needs to occur most at the regional level, where UNDCP could mobilize as it executes. But here a caveat: mobilization will be more effective if pursued with a low profile and less UNDCP concern for claiming ownership. External funds are best mobilized through local institutions, who prepare and execute projects. It is not necessary—and may be harmful—for UNDCP to execute projects under the UN flag, effectively denying donors recognition for their efforts.

UNDCP should concentrate on doing what it has done best: introducing technologies, strengthening local organizations, improving marketing, and creating value added. All activities, including those of UNDCP, should unfold within regional development plans, and strategic interventions should be directed to problems identified by farmers.

Our review of UNDCP actions in Peru suggests the following minimal conditions for conducting Alternative Development:
1--Government policy recognizing that farmers are not drug traffickers and are legitimate candidates for AD.

2--The presence of interdiction (a form of repression) to disrupt marketing chains and drive farm-gate drug prices down and keep them there; but interdiction must be directed at drug traffickers, not at peasant farmers.

3--The absence of forced eradication within AD project areas.

4--Minimal security in AD zones to enable technical staff to enter and work.

5--Agroecological potential (to support alternatives) in AD zones.

6--The presence of farmer/community organizations, either pre-existing or developed by AD personnel.
1. Background

1.1 The Evaluation Mandate

The Executive Director of UNDCP authorized this thematic evaluation of AD in Peru over the period 1984-1995 in hopes that it would yield information to develop future policies, strategies, and approaches (see Annex A). A two-person outside team conducted it, beginning with talks and a document review in Vienna followed by three weeks in Peru, where they interviewed project execution personnel and numerous officials as well as visited several field sites in Huallaga and Convención-Lares.

Peru is the world's largest coca producer, with an estimated total area sown in 1995 of 115,000 has., about 15% of it legal under Peruvian law. The price of coca leaf fell sharply in 1995, from US $70.00/arroba (11.5kg) to US$5.00. With minor oscillations, it has remained low, making alternatives attractive to farmers.

Although GOP policy until recently has favored interdiction, the government also supports AD, which is part of the National Plan for Drug Prevention and Control 1994-2000 (the "masterplan"). A plan for a national AD Program is soon to be unveiled.

AD projects have been mostly donor-financed. Major funders have been the US and UNDCP, with lesser amounts coming from GTZ, Italy, and Switzerland; and from Canadian and European Union counterpart funds. Over the period of this review, it is estimated that US $85 million has been invested in AD, about 47% of it from UNDCP.

1.2 Historical Backdrop

To understand Peru over the period here considered (1984-1995), it helps to know the country's recent history. With the election of Fernando Belaunde as president in 1980, Peru emerged from more than a decade of "military socialism" with bloated bureaucracy and weak public institutions. Public capacity for agricultural research and extension had declined markedly, and some of the best technical talent had left Peru. Belaunde tried to reverse the years of socialism, but his agricultural policies subsidized food imports to keep urban food prices low and in other ways neglected small farmers.

Also appearing in 1980 was Shining Path, maybe the most violent guerrilla movement ever to emerge in the Americas. Violence grew during the 1980s, when the movement became a serious threat to the Peruvian State, and did not subside much until about 1993, with the capture of top movement leaders. The violence upset work routines and patterns of life all over Peru, but more so in some regions than in others. Disruption was extreme in coca-rich Huallaga, where farmers became pawns in a violent struggle between Shining Path, the Peruvian Army, and drug traffickers.

Populist Alan Garcia assumed power in 1985, amid mounting economic turmoil and violence. He tried to return to State economic intervention, and balked at servicing Peru's large foreign debt, thus alienating international lenders and further isolating the country. Inflation reached 2,755% in 1989, and real wages fell by more than half. Economic growth declined by 20% between 1988 and 1989.

Alberto Fujimori became president in 1990, and spurred by the IMF and other lenders, instituted draconian reforms to curb inflation and control the economy. The reforms
called for privatization and free markets, and for removal of the massive State from the economy. In 1991, GDP rose by 2.4% after three years of negative growth, and by 1992, when the World Bank again approved loans to Peru, inflation was at 55%—the lowest in 15 years.

But the reforms left the economy, especially the industrial sector, in deep recession. And there was no social program to cushion their impact on the poor and the vulnerable. Poverty deepened: between August of 1990 and September of 1992, employment in Lima fell by 21%.

On April 5, 1992, Fujimori, arguing that Congress was blocking his economic program and his draft legislation, dissolved it in a "self-coup." Peruvians strongly endorsed the action (86% in favor). But the United States, concerned for democracy, moved to suspend all but humanitarian aid. Other donors and lenders followed. In November of 1992, a small group of military officers tried unsuccessfully to topple President Fujimori.

The drug trade, a "boom within the crisis," has also deeply affected Peruvian economy and society over the past quarter-century. Indeed, the period from 1970 to present might well be termed the cocaine years. An agricultural census in 1969 shows 18,000 hectares of coca, a crop cultivated since pre-Inca times in the moist river valleys along the lower slopes of the eastern range of the Andes. Drug traffickers and Shining Path, often the same, have dominated the Huallaga Valley. Coca production rose sharply toward 1987, in the Alan Garcia years, in response to acute economic crisis. By 1990, Peru produced 60 percent of world coca; estimates of area planted to coca in 1993 range from 129,000 hectares (official U.S.) to 350,000 hectares (official Peruvian).

The early 1990s saw coca spread from the Huallaga Valley and traditional areas to the Apurimac and other valleys in response to world demand for cocaine, but also—and maybe more so—in response to the continuing plight of Sierra peasants pressed by poverty, drought, and too little land. These peasants have for many years formed an eastward-moving migrant stream, some looking for new homes, others for temporary work and income. With the recent sharp fall in coca prices, many are now returning to the uplands (or going to the coast), some of them, having planted only coca, are now without food and as destitute as ever.

This migrants have been part of the destructive cycle of the drug trade, clearing the forest to plant coca and taking a harvest or two before tired soil drives them to another site. The trade has had pernicious and long-term environmental effects and high macroeconomic costs, with the large drug-dollar influx creating exchange distortions ("Dutch disease"), and overvalued exchange rates forcing coca alternatives to compete with subsidized imports.

By the end of 1993, the government had incarcerated leaders of Shining Path, and violence was in decline. The following years have seen improvements on the macroeconomic front: low inflation (11.8% in 1996), economic growth (6.9% in 1995), and increased private investment. In 1995, the electorate returned Fujimori to power by a large margin. But incomes remain highly skewed; gains have yet to be felt by many in the middle class, not to mention the poor. (Between 1973 and 1993, real income per family fell an average of more than 70 percent.) Toward the end of 1996, as the growth rate in the economy declined (1.3% for the year), Fujimori's popularity began to wane, and the government increased its emphasis on programs to alleviate poverty.
In 1996, Fujimori announced his intentions to run for a third term (in 2000). At mid-year, Shining Path struck several times, raising concerns that the movement might be returning, and in December the MRJA, another insurrectionary movement emerging in the early 1980s, occupied the Japanese Ambassador’s residence in Lima and took 580 persons hostage. Although most of the hostages have been released, several remain as of this writing.

Above all, Peru continues to be a desperately poor country, with the deepest poverty found in the countryside, especially in the central and southern sierra.

2. Framework Conditions

2.1 Legislation, Policy, and Institutions

Legislation

Peruvian legislation regarding drug control has been disperse and incoherent. Moreover, as President Fujimori pointed out in his landmark “doctrine” speech on drug control in 1990, laws in Peru are massively disobeyed; it is hard to imagine what sort of law against coca growing would ever be respected, he said.

World trends as manifested in international forums have much influenced national drug-control legislation in Peru. Peru has subscribed to three international agreements: the Single Convention on Narcotic Drugs of 1961; the Convention for Psychotropic Substances of 1971; and (in 1988) the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

The General Drug Law (Decree Law 22095) of 1978 remains Peru’s main instrument for drug control. Aimed at repression of trafficking, rehabilitation of addicts and reduction of coca cultivation, the law requires all coca to be registered with ENACO and forbids the planting of coca in new areas or the renovation of existing coca. It further created the Executive Office for Drug Control (OFECOD) to devise drug-control norms in these areas, all in line with accepted international standards. But the General Drug Law has not been enforced (subsequent norms contradict it), and there is agreement that drug norms are still weak in regard to the treatment, education, and rehabilitation of addicts.

A legislative decree (No. 753) in 1991 recognizes coca-growing peasants as a group distinctive socially and economically from that of drug traffickers and establishes Alternative Development, to be conducted in “Special Zones,” as a strategy. The law also creates the Institute for Alternative Development (IDEA) to carry out the mandate.

The government enacted several laws in 1992 deemed positive for drug control. All were enacted after President Fujimori dissolved Congress on April 5.

Decree Law 25426 (April 10) declared all airstrips in the Huallaga Valley to be in an “emergency state,” thus allowing the armed forces (the Peruvian Air Force) to control them as well as to destroy clandestine strips. Decree Law 25427 (April 10) requires military and police officers of all ranks serving in the Huallaga and other coca zones to present a property and income affidavit at the beginning and end of their tour there.
Decree Law 25428 (April 11) stiffens the penalty for investing or receiving income from drug trafficking, and it penalizes drug-money "laundring" with 10 to 25 years in prison. This is said to be the first law of its kind in Latin America. Laundering includes conversion of drug money into other goods as well as transferring it to other countries through the financial and banking system. The law waves the confidentiality requirement for banking and taxation probes.

Decree Law 25623 (July 21) tightens controls over chemicals (precursors) used to make cocaine base, white coca paste, and cocaine hydrochloride. Decree Law 25623 (July 22) requires all entities involved in the fight against terrorism and drug trafficking to adjust their work routines and practices to military directives.

Legislative Decree No. 824, of April 1996, removes the armed forces (except for air and water interdiction) from drug enforcement and replaces them with the National Police. The law also establishes CONTRADROGAS (Comisión de Lucha Contra el Consumo de Drogas), a drug-control coordinating body.

**Policy**

Until recently, Peru lacked a coherent policy or plan for addressing the drug problem. A national plan emerged on paper in 1990—the National Plan to Combat Drug Trafficking and Drug Addiction. Its objectives included suppression of trafficking, reduction and containment of coca, integrated development of areas where coca had been eradicated, prevention of drug abuse, and addict rehabilitation. No action was taken, however, and the plan faded away.

President Fujimori refused in 1990 to sign a military assistance treaty proposed by the United States arguing in a speech detailing “doctrine” on drug control and Alternative Development that repression had to be combined with economic alternatives for coca farmers. Repression alone would only deepen poverty, and could even lead to civil war in Peru's sociopolitical climate. The coca problem had to be seen in global terms; it was a result of underdevelopment and of Peru's huge structural problems (bloated bureaucracy and debt). And the coca problem could not be divorced from Shining Path and Peru's political crisis. The President complained at the Cartagena drug summit in 1992 that financial aid to address the global problem, especially from the United States, was too little and arrived with delay.

Peruvian efforts to deal with the drug problem until about 1990 centered on interdiction. Alternative Development was the province of international entities. In Huallaga, these entities were mainly USAID and UNDCP, with Peruvian government agencies participating only marginally, in part because of the violence directed at the State by Shining Path.

The government formed a Special Commission for the Upper Huallaga to prepare a strategy for developing the zone, and especially to decide participating agencies and their roles. CORAH (Control y Reducción del Cultivo de Coca en el Alto Huallaga) was executive director of the multi-agency Commission. CORAH had been engaged in the forced eradication of coca for more than a decade in the Huallaga Valley, where farmers associate it with repression.

In 1994, the government approved (D.S. No. 82-94-PCM) a National Plan for Drug Prevention and Control 1994-2000. The Masterplan establishes the gradual reduction
of illicit coca through programs of Alternative Development, and promises the creation of a new institutional framework as a first step. [One notes that an Executive Order (Decreto Supremo) --of far less import than a law--creates the Plan.] A legislative decree (No. 824) in April 1996 established that framework in the form of CONTRADROGAS, which emerged as an agency (without regulatory code) in early 1997. One of its objectives is the promotion of "crop substitution." In this regard, GOP is to unveil soon a National Alternative Development Program, as foreseen in the 1994 Masterplan.

Optimists say of CONTRADROGAS what they said of the National Plan for Drug Prevention and Control: that it signals a new "political will" to create institutional and legal machinery to address the drug problem. Pessimists say CONTRADROGAS will not change things and is a response to international pressures as well as a way to capture resources. National policy has as priorities the continuation of economic reforms and poverty alleviation in zones of "extreme poverty"--which tend not to lie in the coca-growing zones (with exceptions, such as parts of Apurimac). Also, many Peruvian agencies seem to equate AD with rural development in coca-growing zones.

**Drug-Control Institutions**

Until recently, with the emergence of CONTRADROGAS, there was no single institution coordinating drug control in Peru. That function, rather, was dispersed among several entities. Coordination was inadequate, and there was substantial duplication.

The Ministry of Foreign Affairs has a special division concerned with narcotics-related international treaties and agreements to which Peru is party. Until December 1996, the General Secretary of International Technical Cooperation (SECTI), under the Ministry of the Presidency, was UNDCP's official counterpart for signing project documents for Alternative Development. That counterpart now, however, is CONTRADROGAS, as specified in Legislative Decree No. 824, which further establishes a directorate to be chaired by a minister. The present designate is the Minister of Health.

The objectives of CONTRADROGAS, as stipulated in Decree No. 824: (1) prevention of drug consumption; (2) improvement of rehabilitation programs; (3) promotion of crop substitution; (4) creation of awareness of illegality of drug production, trafficking and consumption; and (5) encouragement of international financial support for national fight against drug trafficking. The actual role of CONTRADROGAS, and the way it articulates (replaces or complements) with other entities briefly described here, remains to be seen.

The Ministry of Industry, Tourism, Integration and International Commercial Negotiations (MITINCI) has a special division (DIQPF) for controlling chemical substances. The traffic in chemicals used to process coca into cocaine falls within its purview. The General Directorship of Medicines, Supplies, and Drugs (DIGEMID), within the Ministry of Health, controls the dispensing of narcotics for medical use as well as compiles statistics on narcotics use and abuse.

Most of Peru's drug control activities have come under the Ministry of the Interior. The Executive Office for Drug Control (OFECOD) is charged (Decree Law 22095, 1978) with coordinating all drug-related activities. But OFECOD's concerns have been mostly confined to interdiction (e.g., the seizure of drugs, chemicals, and the property of drug dealers). OFECOD also compiles statistics and forwards them to DIGEMID and
International Narcotics Control Board (INCB). Also within the Ministry of the Interior, under the National Police, is the Antinarcotics Police (DINANDRO). DINANDRO's Division of Investigation and Control of Chemical Substances (DICIQ) is charged with controlling chemicals used in drug processing.

Peru's armed forces have played an important role in drug control. Since 1990, the Peruvian Air Force has increased its presence in the Huallaga Valley, where it controls airports and intercepts trafficking airplanes. The National Superintendency of Customs has also become more active in Huallaga. But as already noted, a law in April 1996 (D.L. 824) removes the military (except for air and water interdiction) from drug control and replaces them with the National Police.

Also worthy of mention is the National Coca Company (ENACO), a state monopoly charged with buying all legal coca. ENACO’s further function is to regulate the planting, cultivation, harvesting, distribution, consumption, and export of coca and its derivatives.

The Institute for Alternative Development (IDEA), an autonomous authority, was created in 1991 by presidential decree to coordinate drug control activities. It was to implement Alternative Development in special zones, to formulate general strategies, and to coordinate public agencies. But IDEA never functioned, and the motivation behind it apparently lost force.

2.2 Interdiction and Law Enforcement

Interdiction is a necessary condition for supply reduction because it reduces coca prices, making coca less and alternatives more attractive. Interdiction in Colombia and along supply routes out of Peru appears to be a major factor behind the severe drop in the farm-gate coca price in Peru, a price now low for almost two years. (Coca is hard to rehabilitate after 18 months of neglect.) American drug-control officials now talk of an "integrated" approach, with Alternative Development and interdiction playing mutually supportive roles. The approach is showing success in Peru for the first time, they say.

But interdiction is a repressive function, and so must not target the same population as Alternative Development, which works with small farmers. The CORAH project is instructive here. Mounted under the Ministry of the Interior and funded by the US, it began the forced eradication of coca in Huallaga in 1981 and operated until about 1988, when farmer resistance and violence forced its suspension. Several CORAH workers were killed, and CORAH vitiated USAID's Alto Huallaga Special Project (PEAH), an Alternative Development effort working in tandem with it. From 1990 to 1993, ten CORAH workers eradicated seedbeds only, but this work was suspended in 1993 because of budgetary constraints and was not renewed until early 1996.

In Huallaga’s Tocache/Uchiza area, the police and CORAH eradicate only coca under two years old; older coca is protected by law, a police official said. He further said that it was legal to plant coca; he did not eradicate coca planted for personal consumption but rather only that destined for the drug trade. There is no forced eradication in Apurímac.

Interdiction and law enforcement (including eradication) are repressive functions. This repression should be directed at drug traffickers (to interrupt marketing) and not at small farmers if Alternative Development as a means to supply reduction is to be successful.
3. Strategy

3.1 UNDCP’s Approach to Alternative Development in Peru

3.1.1 Huallaga

During the coca-boom years, when the name Huallaga was a metaphor for violence, the upper valley, where cacao and coffee had long been traditional, was the destination of massive migrations from the sierra. During most of the period covered by this review, levels of violence were high, with bloody struggles between drug traffickers, Shining Path, and the Peruvian Army. Project-execution personnel were much at risk.

UNDCP/UNIDO interventions began in 1984 (No. 465) in Tingo María with installation of a cacao-processing plant at the long-established Naranjillo Cooperative. The new plant and technical assistance led to an expansion in cacao plantations. The project soon began to work with other product lines and to build and strengthen farmer organizations. Project 459 began “rural development” and increased support to the organizations at a time when the violence drove GOP agencies from the region, leaving UNDCP virtually alone. The tendency during the period was to concentrate on production rather than marketing, which led to some failures (achiote, hierba luisa). UNDCP has continued to strengthen the organizations, investing heavily in the effort.

A need for high rates of return to compete with coca led to the introduction of new technologies and the creation of bulking centers and agroindustrial plants to capture value added (oilpalm, palmhearts, fruits, cacao, coffee, tea), all turning on community-level Committees, Cooperatives, and Associations. Enhancing management and entrepreneurial capacities received priority.

Work began with women in 1992-1993. Nine Associations were created, with about 2,000 members. The women produced fruit juice and marmalade for sale, and raised small livestock and cultivated family vegetable gardens.

Major achievements include the establishment of ASLUSA, an agroindustrial plant in Uchiza for the processing of palmhearts and tropical fruits. The plant is now exporting palmhearts to France. OLPUSA, an oilpalm processing plant is nearing completion near Pucalpá. Already mentioned is the work with Naranjillo. AD interventions planted or rehabilitated about 10,350 has of crops and created 150 Committees, with numbers of beneficiaries reaching 6,000 families in a total population of 50,000.

3.1.2 Convención and Lares

UNDCP began working in the upper valleys (ceja de selva) of Convención and Lares in 1985, as Peru was experiencing the worst political and economic crisis of its history. The drug objective was to contain the expansion of coca. Coca in these valleys, unlike in Huallaga, dates from pre-Inca times. Agrarian movements and reforms of the 1950s and 1960s abolished the haciendas there and organized local peasants into politicized
rural syndicates (*sindicatos*) and marketing cooperatives.

Like coca, coffee has been a major crop since hacienda days, with cacao less important than in Huallaga. And unlike in Huallaga, there has been no forced eradication. Although these valleys have not known the violence of Huallaga, the MRTA did enter in the 1980s, posing a threat to personnel briefly forcing the UNDCP to act indirectly through the cooperatives.

The fall in coffee prices in the mid-1980s sparked a debate within the syndicates of whether to look for economic substitutes for coca or to push for legalization of all coca grown. Legal coca was purchased by the National Coca Company (*Empresa Nacional de la Coca*-ENACO), a state monopoly with close ties to the syndicates. Fearing that illicit coca would spread over the valley, ENACO asked UNFDAC for help.

Help took the form of AD/PER/84/466, with components of agricultural diversification, infrastructure, agroindustry, and marketing. The program worked with individual farmers who volunteered to reduce their coca. But reduction did not sit well with many farmers and went against the policies of *Federacion Provincial de Campesinos de la Convencion y Lares* (FEPCACYL), which grouped the syndicates. Coordination between UNDCP, ENACO, and FEPCACYL was poor, and the project failed to accommodate local organizations. The initial diagnostic was inadequate, and the project did not operate with a systems perspective. In sum, the period was one of learning, and among the critical lessons: the need to work closely with grassroots organizations.

With AD/PER/88/454 in 1988 begins a second stage, one in which the mistakes of the first were corrected and in which Alternative Development (as now understood) came to be practiced. The concept of economic substitution replaced that of coca substitution, and the economics of new production technologies became a concern. Diagnostics improved, and the project identified the needs and wants of the people in order to penetrate the communities. Thus began improvements in productive and social infrastructure (roads, potable water, health care, education).

The coffee-price fall and other factors had weakened most of the coffee cooperatives, making them non-functional. The project began to strengthen those with promise, and to create Associations for non-coffee lines (cacao, honey, cochineal, wool). It moved away from working with sole farmers and began to direct technical assistance to the grassroots entities to make them the executing agents. Scarce project resources, threats from the MRTA, and concerns for sustainability favored this approach. Local "promoters" were trained as extension agents.

The project introduced "social promotion" (*promocion social*) to strengthen (or create) local organizations and to promote the idea of Alternative Development. There was still much resistance from peasant organizations (and now from ENACO), which advocated the universal legalization of coca production. And many farmers still saw the project as a ruse for forced eradication (well underway in Huallaga). Suspicion and lack of trust reigned. During this period, the local executing counterpart changed from ENACO to *Corporacion de Desarrollo de Cusco* (CORDECUSCO).

UNDCP activities in the valleys entered a third phase with the inception of AD/PER/93/749 in 1993. The local executing counterpart became the INKA-CUSCO Regional Government.
The period emphasized diversification and the improvement of agroindustrial processing for coffee and cacao in order to increase value added. Much effort went into strengthening further the farmer organizations, training leaders in good management and in how to capture financial resources for marketing and operating costs. Rotating credit funds enter.

The project incorporated women at this time, upon advice from UNDP, and statutes of the cooperatives and associations were revised accordingly. Through the Women's Program, women were trained as extensionists. Women cultivate collective vegetable gardens to improve the family diet and are organized into women's committees to engage in activities enhancing family income—the production and sale of fruit nectars, edible mushrooms, and medicinal herbs. Women were not well received at first, and problems continue to affect the Program.

Over the period here under review, interventions have renovated, rehabilitated, or installed 4,658 has. of coffee and 2,102 has. of cacao. They have reduced 3,000 has. of coca and have benefitted 5,000 families. Thanks to TA, management training, credit facilitation, and marketing help, COCLA is now exporting quality coffee to Europe and is the only entity in the region with a commercial credit line. Post-harvest treatment has enabled an export-price increase. But the real achievement is the cultivation in farmer minds of the concept of post-harvest improvement as a means to price increase.

APROCAV now has a multiple agroindustrial complex, with bulking center, dryers, administrative offices, a warehouse, and facilities for making cacao bars (pasta). COCLA and APROCAV are discussing forming a partnership.

3.1.3 Apurimac-Eno

The history of the Apurimac Valley recalls that of the Convención and Lares Valleys. Both coffee and cacao date from the turn of the century, with coffee dominating the upper area and cacao the lower. There were haciendas in the valley before the agrarian reforms, and the early 1970s saw heavy colonization. Shining Path entered the valley in the 1980s and is a menace there today. With the fall in coca prices, it is estimated that 40% of the population has left.

UNDCP began to work in the valley in 1995 (AD/PER/95/939) to reduce coca, applying experiences gained in the other two regions. The project was careful to analyze and use existing social organizations in the valley in planning an intervention. These include the influential DECAS (Defensa Civil Antisubversiva), or Civil-Defense Groups, formed by the Pagos (communities) and supported by the military to combat Shining Path. They also protect project personnel. The project links with the Comité de Desarrollo Valle Rio Apurimac-ENE, a coordinating entity for regional development.

The project has used the basic model developed in the other regions, improving the production and marketing of coffee and cacao (existing crops) and strengthening three major cooperatives (Unión Selvática, Quinachu, and Rio Apurimac) and their parent organization (VRAQUS S.A.). Farmers within the cooperatives were further organized into Producer Committees. The project hopes to enable VRAQUS to play the role that COCLA plays in Convención and Lares, or that Naranjillo plays in Huallaga. Unlike in the other two regions, the project here has not formed special committees for women but rather has included them as members of the Producer Committees.
Because of recent project beginnings in this region, it is premature to speak of achievements. Also, the evaluation team did not visit the region.

3.2 Approaches of other Donors

The U.S. Government is the major bilateral donor for AD work in Peru. The U.S. began in Huallaga in 1981 by funding both CORAH and PEAH, the latter an AD effort to diversify crops through public-sector support for introducing improved technology. After much violence due to a perceived link with CORAH, PEAH was changed in 1986 to a community development effort. But levels of violence and income from coca growing rose over the period 1986-1991. Poor roads and bridges, a lack of agricultural services, and a lack of knowledge of alternatives stymied efforts. The project was again changed in 1993 to support GOP in AD through community participation and strengthening of local government. In the field, farmers commented to us on PEAH, saying that little today remains of the interventions.

In 1995, the two governments signed an assistance agreement which, among other things, makes available $US 44 million (mostly via USAID) for AD over five years. The executing counterpart is INADE. The project promotes infrastructure (mostly), technical assistance, land titling, and credit, and targets Apurimac, Hullaga, and other areas. It works through local municipalities, which sign monitored accords (which USAID describes as an “experiment”) with cooperating communities that agree (1) not to increase coca production, (2) to reduce gradually the coca they have, and (3) to participate in rural development efforts.

Communication between UNDCP and USAID has improved, notably in Apurimac, though it remains informal and at the regional level. All parties agree that there is greater openness now and more sharing of information. In Apurimac, USAID efforts seek to build upon rehabilitation work begun by UNDCP. But differences in approach remain: unlike USAID, UNDCP demands no formal, verifiable commitment to coca reduction, arguing that the management of viable alternatives will preempt coca naturally. The eradication concept, which many farmers associate with the use of force (and CORAH), is a delicate one. USAID and UNDCP also differ in their mode of implementation: USAID uses a GOP entity to work directly with farmers, whereas UNDCP uses OPS to work with farmer organizations.

The German approach (GTZ) is philosophically akin to that of UNDCP. The strategy is to promote rural/regional development and diversification in coca-growing zones, the assumption being that this will lead to coca reduction; the strategy does not include conditioned interventions. GTZ now has three AD projects under execution: one to develop methodologies for promoting AD in insecure zones, another to strengthen concepts and institutions for agricultural research in coca-growing zones, and a third to promote organic coffee in appropriate areas.

The Peru-Canada Counterpart Fund (Fondo de Contravalor), in the name of rural development, has invested directly about US $3,000,000 in UNDCP-beneficiary entities, including a loan to a palm-oil processing plant near Pucallpa and loans for UNDCP/OPS-created credit programs with local producer organizations. The Peru-France Fund has lent money for a palm-cabbage processing plant (now exporting to France) in the Uchiza region. And the Fondo Peru-Japan has lent to producer associations for rotating credit funds.
3.3 Assessment and Lessons Learned

3.3.1 Assessment

A basic socioeconomic model, which we think is viable, has evolved for working in all the zones. Local organizations, usually cooperatives, have been strengthened when present and viable, and when new, new organizations—producer associations—have been created around a dominant crop. These entities have then been given a capacity to provide technical assistance to members, who in turn have been organized into producer committees at the community level. As part of these committees are local Promoters trained as extensionists and who link with the technical assistance arm of the parent organization.

Agroindustries have been created to complement the bulking function of the cooperatives or associations and to provide value added. Sometimes the industries are mounted through those entities, sometimes through new and separate entities having the status of small corporations (sociedad anónima). Above all, the industries must be entrepreneurial in character, and this places them potentially at odds with Cooperatives and Associations, usually expected by members to have a social welfare orientation.

UNDCP/OPS have also added a credit component to the model. This may be credit to individual producers, often in the form of a rotating credit fund. Or it may be credit to the cooperative or association, usually to enable the timely purchase of product from members.

One organization in each valley—a cooperative in all cases—has been selected and strengthened to take the lead in promoting improved production and (especially) marketing.

The model has a missing piece: the farmer organizations do not link “upward” to regional or national level institutions. Some of those institutions, which fled the coca-growing zones during the violent 1980s, are now slowly returning. The challenge is to look for such links.

One observes that the implementation strategy has not been that of integrated rural development in the true sense. The thrust instead has been on production and, eventually, marketing (ignoring some early “door-opening” activities—building health posts and schools). A lack of resources in part explains this, forcing personnel to direct them where the returns would be highest. (And, one could argue, the drug problem is at heart an economic problem—an incomes problem—and so the solution must be primarily an economic one.)

At the outset of intervention, production concerns dominated marketing ones. A more balanced concern from the beginning would have been desirable. Projects subsequently began to deal with marketing and have had some laudable successes. Yet beneficiary marketing concerns emerged strongly during our field visits. The ideal way to treat them is to promote greater diversity instead of focusing only on one or two crops—here, cacao and coffee. But searching for diversity is not easy when one tries to match production possibilities under given agroecological conditions—highly variable over small distances in these regions—with market potential in a quest for viable product lines.

The projects have improved as regards beneficiary participation. Diagnostics now take
account of local agroecological and socioeconomic realities, and projects look at pre-existing social organizations and try to use them rather than create parallel ones. But participation is tricky in drug-control efforts. Pressure to find economic alternatives quickly—alternatives that can compete in international markets—often leads to the promotion of technologies and socioeconomic models that ensure the production and marketing of those alternatives. (Not just any technology will enable this.) This “big bang” approach can lead to diagnostic surveys seeking to fit technologies and models to local realities rather than to let the realities determine the technologies and models. Technologies and models rather than local realities thus become the departure point.

This is a subtle matter, but we think that interventions have in some measure moved in this “top-down” fashion, which would otherwise (in rural development) imply less beneficiary participation, even resistance, than a “bottom-up” approach. But the fall in coca prices has brought desperation, with the result that farmers are now very receptive to alternatives. Also, beneficiaries have not been the poorest farmers, so it has been easier to work with high-impact models and technologies.

In this context, one observes that the overall investment (US $22,000,000) benefits a relatively small number of families (6,000). In the case of the oil-palm plant in Pucalpa (Huallaga), per-family costs reached US $6,000, which only a high rate of return can justify. The “big bang” approach requires large investments, which means the organizations and processing plants should be opened up to new members, at least in the name of social justice.

Interventions over the years have achieved a series of intangible results, the most important of which we list below. These emerged from our interviews with beneficiaries in Huallaga and Convención and Lares:

A—The creation and strengthening of farmer organizations. Training has been given in the exercise of the roles of entrepreneur, extensionist, and promoter.

B—A change of mentality among farmers, helping them to appreciate the importance of investing in the production process as a way to improve product. Interventions have shown that crops other than coca can be produced, and have provided the technologies to enable the improvement.

C—Farmers now value the importance of organization and legal activity vis-à-vis a regional drug economy. They can dialogue with the government and other entities in pursuit of their own needs and interests. And organized farmers are much easier for outside entities to work with.

D—Organizational achievements are highly significant in Huallaga, where as many as 80% of beneficiaries are from elsewhere. UNDCP work with organizations has helped to create a sense of community and self-validation through community participation. This is a highly important result.

E—Interventions have shown farmers that crops other than coca can be produced, thus breaking the morbid dependence on coca, whose production many farmers in Huallaga now see as a chimera. Farmers have greater confidence in themselves.
F. In Huallaga, interventions have enhanced self-esteem among women, showing them that they can produce and contribute to family income. They know they have good ideas and are useful in life beyond cooking and caring for the children. This sense of independence and self-worth is important in a society characterized by male dominance and strong machismo. The women bore unduly the extreme violence and family disruption of the drug years.

G. UNDCP interventions have shown that AD can work, and there is good anecdotal evidence that it has influenced GOP policy, leading GOP to favor AD as a way to work with coca farmers.

3.3.2 Lessons Learned

A. Improve existing crops first rather than introduce exotic crops. Failures of early actions will be seized upon by opponents of AD to discredit it among farmers.

B. Diversity is the ultimate key to market security.

C. Need good diagnostics, a systems approach, and participatory involvement. Need to know agroecological as well as socioeconomic reality.

D. Bombarding a coca-growing population with the message that they are contributing to an illicit activity can be effective. The message affects self-esteem and appeals to the moral side of coca farmers. Transmitting this message should be a complementary activity.

E. Use existing organizations if at all possible, do not create parallel ones.

F. Do not clash with organizations formed around coca production.

G. Always consider marketing when working with alternative crops or livestock. Do not begin with production and ignore markets until later. Marketing should be a major consideration before trying to promote technologies. Marketing failures, especially early ones, have a high cost and will be used by opponents of AD to discredit it.

H. It is extremely difficult to change the attitude of small farmers producing only coca and dependent on it. Working with them is not productive if one is trying to introduce lines competitive with coca. Farmers should have other crops, even though they may not cultivate them at the same time of AD intervention.

I. Working with permanent crops (tree crops) or livestock has a stabilizing influence, committing farmers to a site and keeping them there so they will not leave and plant coca elsewhere should coca prices rise.

J. One great advantage of coca is that it gives three harvests per year—four under some conditions. Income is distributed over the year. This helps to explain farmer
attachment to coca. AD interventions must also consider this farmer need.

K—Women embody the family values in Latin America, and often are the family’s ethical repository. Working with women is an important way to strengthen the family and discredit illicit activities. AD projects should introduce gender at the outset, not toward the end. The concept is often much resisted in this cultural setting, and so takes time to settle in.

L—There should be a plan for sustainability (an “exit strategy”) at the outset of projects, which should begin working toward that end. IDA, FUNDEAS, and MINGA, for instance, should have been created earlier.

M—Providing free agricultural inputs as a way to attract interest in AD is a questionable practice; it foments dependency and leads to unrealistic expectations, which can turn to disillusionment and antagonism once the free inputs are withdrawn.

4. Impact

Coca cultivation in Peru has declined significantly since 1987 (see Annex B). Opinions variously attribute the decline to interdiction on different levels, to the route of Shining Path, and to AD arising from a shift in GOP policy toward identifying drug traffickers rather than peasant farmers as the enemy.

AD has contributed significantly to a reduction in coca cultivation in recent years (1992: 129,100 has; 1996: 94,400 has.—27%; source: US), mainly because of a sustained fall in coca prices (see Annex C). In Huallaga, where low farm-gate prices and competitive alternatives have played a part, reduction has been even greater (1992: 71,500 has; 1996: 39,400 has.—45%; source: US). Reduction in zones of direct UNDCP-project influence in Huallaga has also been substantial (1987: 24,720 has; 1995: 8,840 has.—67%; source: UNDCP). Among beneficiaries there, the area in coca fell from 8,343 has. in 1987 to 387 has. in 1996 (95%; source: UNDCP). In Convención and Lares, where there was legal coca and AD contained expansion and kept out drug traffickers, UNDCP/OPS cites 850 has. reduced by direct substitution and 2,500 has. contained.

Evidence also points to increased incomes among most of the 9,500 beneficiaries in Huallaga and Convención-Lares, though income figures are lacking. A recent study there (José Lazarte Farfán, UN/OPS, Lima) indicates that an investment of US $17,440,000 (= $33,450,000 in 2000) will have cumulative benefits of $81,440,000 in the year 2000. Yielding the returns are technology packages producing permanent crops, which are transformed and exported.

The sharp fall in coca prices explains most of the decline in coca growing, combined with higher production costs. Looking at coca-leaf price trends over the last eight years reveals two sharp drops (see Annex C), the first in 1989, after the Colombian Government declared war on the Medellín Cartel (which controlled most of the trafficking in Peru) following the murder of presidential candidate Galán. At the same time, the anti-drug base at Santa Lucía (Huallaga) began operations. Prices remained low until mid-1991, when the Cali Cartel increased its presence in Huallaga, thus driving prices back up. They fluctuated seasonally until mid-1995, when pressures—again in Colombia—on the Cali Cartel lowered them. At the same time, the Peruvian Air Force, with US help, began air interdiction, virtually ending the air smuggling route between
Peru and Colombia. With some fluctuations, farm-gate prices have stayed low.

Prices for coca paste show the same behavior (see Annex D). Comparing figures for Peru and Colombia, one notes that prices have risen since 1994 and remained high in Colombia, whereas those in Peru have fallen. This points to a shift in coca cultivation and processing away from Peru and toward Colombia.

These price shifts correlate closely with interdiction events, thus revealing clearly the effect of interdiction on coca prices and coca cultivation. One must conclude that interdiction has played an important role in coca reduction in Peru. But other factors have also played a part, including a fungus (*Fusarium oxysporum*—a result of extensive coca monocropping) that has ravaged coca in Huallaga in its move down the valley. And as already noted, AD also has contributed to supply reduction by providing profitable alternatives. It is increasingly accepted today by those involved in supply-reduction that an integrated strategy (as the Americans now call it) is required, with interdiction targeting traffickers and AD targeting small farmers.

But this finding means that the conventional indicator of AD success—hectares reduced—is not meaningful since there is no way to establish the weight of AD in the reduction. Hectares reduced measures the results of the integrated strategy—and any other variables bearing on supply reduction (e.g., the fungus cited above). There is a need for other indicators to measure the success of AD. Some broad candidate categories: contribution of coca to family income; relative importance of coca at the local/regional level; and strength of social structures. (See Annex E for a fuller discussion on indicators as well as of methods of gathering data on area under coca.)

5. Sustainability

5.1 Sustainability of Social Organizations

The program has placed much emphasis in all regions on the creation or strengthening of organizations—Committees, Cooperatives, Associations, and Agroindustries, thus enabling them to seek assistance on their own. In all cases, one pre-existing organization with a sound footing in its region has been selected to play a leading role, often as an exporter, and to support the others. In Huallaga, the lead entity is the Naranjillo Cooperative, in Convención and Lares it is COCLA. Organizational strengthening has been the basis of sustainability strategy. Many of the Committees will likely survive, as will some of the Cooperatives, Associations, and Agroindustries, while others will survive only with assistance, and yet others will disappear.

Projects have not involved government agencies in their sustainability strategy but rather have sought sustainability through strengthening local organizations, as just indicated. There has been little government presence in project coca-growing zones, and that limited presence has been weak.

Participation of the private sector might increase the chances of sustainability in the case of the agroindustries; such involvement is worth pursuing, and would certainly be in line with current GOP policy.

The organizations (described below) MINGA, FUNDEAS, and IDA are also to play an important role in sustainability, but they emerged late in the intervention cycle, and so are all new. While “ownership,” or the degree to which members identify with an
organization, is an issue in all project-supported entities, it is the more so in the case of these. While there is commitment and a sense of identity at the “top,” at least for now, it is much less so at the “bottom.” If these entities are to survive and play the envisioned role, UNDCP must support them into the future.

5.2 Economic Sustainability

Interventions have done a commendable job with organizations, the work being a major achievement; and project-introduced product lines are viable and profitable, but sustainability over the longer term depends on world market prices. The lead entities, Naranjillo and COCLA, will likely survive; some of the smaller and newer ones may not. Product lines include tree crops, which are permanent and further enhance sustainability, as does the provision of value-added through agroindustry. Attention needs now to be given to risk avoidance, probably through diversification as a hedge on market-price volatility.

Beneficiary complaints were numerous of the barriers posed by government neoliberal macroeconomic reforms, which make it difficult for the entities to compete. The reforms have brought new taxes as well as the elimination of government credit and export-incentive tax breaks (see Annex F). The challenge is daunting for young organizations and small industries in remote areas, faced with bad roads and volatile markets.

5.3 Environmental Sustainability

Environmental degradation in some of the intervention zones is extreme, much of it caused by intense coca monocropping. Some of the soils have been rehabilitated for alternative crops, others are beyond rehabilitation. Soil quality is a barrier to expansion of the agricultural frontier in many degraded areas.

Another barrier, notably in parts of Convención and Lares, is declining rainfall and soil erosion, both linked to extensive deforestation (often to plant coca) on the steep upper slopes of deep valleys. This problem may worsen, adversely affecting the performance of newly introduced technologies (for coffee, cacao, citrus). And there is the problem of water pollution from the transformation of coca leaves into paste.

6. Role of UNDCP

6.1 Interaction of UNDCP and Other Agencies

UN Agencies

Given the minimal contribution of UN agencies other than UNDCP to Alternative Development, coordination is not a relevant issue. There was talk of coordination with World Food Program, but they left Peru when it became a middle-income country. UNIDO once executed UNDCP-funded projects (as UNOPS does today) and conducted a marketing study of alternative crops. But the study was theoretical and inadequate. FAO, an executing agency in competition with UNOPS, is not involved in Alternative Development. UNDP executes a World-Bank funded land-titling program, but except for Quillabamba, the coca zones are not included.
Non-Governmental Agencies

Peru is not an ideal setting for working with NGOs, as the term is usually understood. The leftist bent of many NGOs in Peru has led GOP to be suspicious of them and reluctant to work with them. Only those registered with GOP can receive donor funds. With some exceptions, NGOs have not played a major role in UNDCP projects.

UNDCP has worked closely with the Comisión Andina de Juristas, a highly respected forum for information exchange on the regional drug problem. UNDCP/OPS technical staff have contributed to their publications.

UNDCP signed an agreement with CIP to acquire biological-control technology, which was used to set up a firm (ECOBIO) owned by four cooperatives near Quillabamba. The firm now works with coffee and hopes to expand to other crops.

The UNDCP/OPS introduced several farmers in the Quillabamba zone to an irrigation program operated by CARITAS. Although the UNDCP/OPS have no formal agreement with CARITAS, this type of linkage points to the role of project staff in finding other help for UNDCP/OPS-supported organizations (cooperatives, associations), who in turn initiate the requests. The numerous cases of this are among the project achievements.

UNDCP in Huallaga created in late 1996 an NGO, the Centro de Integración Género y Desarrollo Alternativo “Centro MINGA,” made up of leaders of project-created women’s committees and those who advise them. MINGA, through the professionals advising it, hopes among other things to attract resources to promote the active participation of women within the family and community and to strengthen the family. It also hopes to integrate women’s organizations formed by UNDCP/OPS into a national network, beginning with those in Huallaga.

Also in Huallaga, the current project is supporting the Fundación para el Desarrollo Agrario de la Selva (FUNDEAS), begun in 1993 and reformulated in 1996 to meet project needs. Made up of the National Agrarian University of the Selva (Tingo Maria) and project-created farmer organizations, FUNDEAS is to fill the chronic agricultural research and extension gap in the region, thus helping to sustain interventions.

In the Quillabamba region, the Instituto de Desarrollo Agrario (IDA), formed in 1994, is supported by UNDCP/OPS and is made up of three Associations, four Cooperatives, and a unifying Central, all either created or strengthened by UNDCP. IDA hopes to be the local voice for developing the region as well as to guide that development. It is to play a key role in sustaining interventions.

6.2 Future Role

The UNDCP approach to date in Peru has pushed agricultural production to show that there are viable alternatives. There has been little diversification and little spread beyond direct beneficiaries, who are likely not to return to coca should the price rise. The approach has shown results, at least over the short term.

A very different approach would be to mobilize others to do AD, with UNDCP ceasing to execute projects. A host of institutional issues bears on this approach. Among other things, there would have to be policy support and a coordinating body to plan and design interventions. The Peruvian experience (with policy and coordination) alone
suggests that UNDCP’s efforts to lead a mobilizing effort might not work.

And yet another approach, the one we favor, would combine the above two. UNDCP risks losing credibility if it confines its efforts to mobilization and excludes execution. Mobilization needs to occur most at the regional level, where UNDCP could mobilize efforts as it executes. But here a caveat. This mobilization will be more effective if pursued with a low profile and little concern for claiming UN ownership. External funds are best mobilized through local institutions, who prepare and execute projects. It is not necessary—and may be counterproductive—for UNDCP to execute projects under the UN flag, effectively denying donors recognition for their efforts.

UNDCP should focus on doing what it has done best: introducing technologies, strengthening local organizations, improving marketing, and creating value added. All activities, including those of UNDCP, should unfold within regional development plans, and strategic interventions should be directed to problems identified by farmers.

7. Conclusions and Recommendations

Strategy of Intervention

The basic strategy has three main components: (1) Creation or strengthening of farmer organizations; (2) introduction of technology packages; (3) and organization of the marketing function (including bulking, grading, and transformation). We think this strategy is viable.

Farmer Organizations: These are basic entities for introducing technologies and creating a capacity for technical assistance, thus securing an impact at the farm level. It is not possible to have AD without them. Projects working to introduce technologies through other than grassroots entities have failed. It is important to use existing entities and not create new ones, if possible.

Technology packages: UNDCP learned that it was best to begin working with permanent crops dominant in the regions (cacao and coffee). Through technologies and an efficient community-based system for giving technical assistance, UNDCP/OPS achieved the production of export quality products.

Organization of the Marketing Function: UNDCP/OPS began with a production-driven approach, tending to ignore market potential, which led to some failures. They have now moved toward achieving value-added, as markets permit. Value-added is important, for without it market price is not competitive with coca. And it is also a way to secure a market. Important to the strategy was (1) the provision of funds to improve or install plants; (2) the enhancement of entrepreneurial capacity; and (3) the provision of rotating funds for working capital. The forms for exercising the marketing function, always operated as businesses, vary from cooperatives, to associations, to small firms. The overall strategy made possible the establishment of stable international marketing links.

Gender: In the projects’ milieu, women are the repository of family and moral values as well as are economic producers. This importance was formally recognized only in 1992-93, when the Women’s Program began. There has been some resistance to gender, and results have been mixed. The strategy has shifted from working with women separately to working with both sexes in
the same organization. The validity of this is yet to be shown. There seems to be a need for further understanding of gender roles; whether women are in the same or in different organizations, there must be a recognition of women's distinctive roles. And evidence suggests a need for training of some project staff in how to deal with the gender question.

Coca cultivation is not illegal in Peru. It is of signal importance that a 1991 law declares that peasants are not drug traffickers and cites AD as the way to eradicate coca. Experience has shown that forced eradication harms AD. Interdiction, which should not target coca farmers, is a necessary complement to AD because it disrupts the marketing chain and lowers farm-gate coca prices.

UNDCP projects rely on voluntary eradication. Experience has not demonstrated AD interventions conditioned by eradication contracts to be more successful than non-conditioned interventions as practiced by UNDCP.

It is hard for AD to work with the poorest farmers if it is looking for lines competitive economically with coca. This competition demands "big bang" technologies whose performance requires larger land holdings and superior agroeconomic conditions, which the poorest farmers lack. This big-bang approach tends to slight diversity and farmers' risk-avoidance orientation.

The big-bang approach also has implications for beneficiary participation. Diagnostic surveys (the beginning of participation when operating in a farming systems mode), for example, seek not to gather information to guide technology development but rather to fit "big bang" technologies to local conditions. The approach is "top down" rather than "bottom up," and beneficiary participation is in some measure compromised.

Impacts of Alternative Development

AD has contributed to a significant reduction in area cultivated in coca nationally in past years, mainly because of a drop in coca prices (1992: 129,100 ha; 1996: 94,400 ha--27%; source: US). In Huallaga, that reduction has been more pronounced; lower coca prices and the introduction of competitive alternatives have contributed (1992: 71,500 ha; 1996: 39,400 ha--45%; source: US). Also in Huallaga, there has been a substantial reduction in zones of direct project influence (1987: 24,720 ha; 1995: 8,480 ha--67%; source: UNDCP). Among project beneficiaries there, area planted to coca dropped from 8,343 ha in 1987 to 387 ha. in 1996 (95%; source: UNDCP). In Convención and Lares, where there was legal coca, AD contributed mostly to the containment of coca expansion and to the exclusion of drug traffickers. There, UNDCP/OPS claim 850 ha. reduced through direct substitution, and 2,500 has. contained.

A reduction in area under coca cultivation, however, is not an adequate indicator of the success of AD. This is because reduction is the result of a combination of factors, including interdiction and AD. Coca reduction is thus an overall goal to which AD contributes. There is a need for other indicators to measure the success of AD. Some broad candidate categories: contribution of coca to family income; relative importance of coca at the local/regional level; and strength of social structures (see Annex E). There is a need for baseline data, strong monitoring, and the systematization of data (which is voluminous and often of high quality, but not always accessible). We would suggest the instituting of a monitoring and evaluation function. And beneficiaries should
play a key part in the function (perhaps with semi-annual meetings to discuss progress).

As a result of UNDCP/OPS interventions, evidence points to increased incomes among most of the 9,500 beneficiary families in Huallaga and Convención and Lares, though income figures are lacking. Figures for Convención and Lares (from a recent study) indicate that total costs of US $17,440,000 (equivalent to US $33,450,000 in the year 2000) will have created cumulative benefits of US $61,440,000 through the year 2000.

Projects broke farmers' sense of dependence on coca, changing their attitudes and showing them that there are alternatives—that life could exist without coca.

Projects created and strengthened local organizations, which served not only to mount production and extension efforts but also to resist drug traffickers, often allied with subversive elements.

Projects contributed importantly to convincing GOP of the viability of AD; they showed that it could be done.

**Sustainability**

**Social Sustainability:** A significant number of grassroots organizations (i.e., farmer committees) will likely continue beyond the interventions. Projects have enabled some second-level organizations (cooperatives, associations) to continue without outside help, having given others the management capacity to find that help, and having worked with yet others that will not survive without further assistance (and may not survive with it). The survival of all these organizations much depends on whether members perceive benefits to membership. Third-level organizations (IDA, FUNDEAS, MINGA) emerged only recently and will need continued support if they are to be sustained.

**Economic Sustainability:** Project-introduced product lines are viable and profitable, but sustainability over the longer-term depends on world market prices. These lines include tree crops, which are permanent and further enhance sustainability—as does the provision of value-added through agroindustry. Further attention needs to be given to risk avoidance, probably through diversification as a hedge on market-price volatility.

The chances that project beneficiaries would return to coca should its price rise have definitely been reduced. But non-beneficiary farmers as well as new migrants would be vulnerable to such a price rise. (In the case of migrants, this eventually points to a need to address poverty in the human expulsion areas in the sierra.)

**Interaction and Cooperation with Other Entities**

Within the UN system, few entities have worked in activities of use to AD, so cooperation has been of little consequence. Cooperation of non-UN organizations has taken the form of support directed at project-supported entities on an ad hoc and case-by-case basis. Such complementary support, however, has contributed significantly to the success of interventions. Until recently (GTZ and UNDCP), there was no cooperation in the planning and executing of activities; cooperation stopped with the exchange of information.

The recent emergence of CONTRADROGAS offers the prospect of strategic planning and coordination of AD interventions by GOP. Time will tell whether this happens.
UNDCP's executing strategy has not much involved government agencies. UNOPS currently executes UNDCP projects directly. Key to UNDCP's strategy has been the focusing of resources directly on farmer organizations as a way to sustainability in a setting characterized by the limited presence and weak capacity of government agencies. This strategy has resulted in a missing link between local-level activities and regional- or national-level institutions.

**The Role for UNDCP?**

In considering a role for UNDCP in AD in Peru, it helps to ponder two extreme approaches:

- **The "big bang" approach:** This approach has been described above. It concentrates on agricultural production, and its objective is to show that there are viable alternatives. There is little diversification, and the spread effect is minimal since only direct beneficiaries are likely not to return to coca should the price rise. Any regional impact is thus doubtful. But it does show results with the target population, at least over the short term. UNDCP can argue that sustainability is the responsibility of others.

- **The mobilizing approach:** The main objective of this approach is the mobilization of others to do AD; UNDCP ceases to execute projects. A host of institutional issues bears on this approach. There must, for example, be policy support and a coordinating body to plan and design interventions. The Peruvian experience (with policy and coordination) alone suggests that UNDCP's efforts to lead a mobilizing effort might come to naught. In sum, the approach is too theoretical.

**A third way:** Our position is that UNDCP should engage in both. UNDCP risks losing credibility if it confines its efforts to mobilization and excludes execution. Where mobilization needs most to occur is at the regional level; doing AD in a region would give UNDCP leverage to mobilize efforts there and perhaps elsewhere.

**Minimal Conditions for Conducting Alternative Development**

- Government policy recognizing that farmers are not drug traffickers and are legitimate candidates for AD.
- The presence of interdiction (a form of repression) to disrupt marketing chains and drive farm-gate drug prices down and keep them there; but interdiction must be directed at drug traffickers, not at peasant farmers.
- The absence of forced eradication within AD project areas.
- Minimal security in AD zones to enable technical staff to enter and work.
- Agroecological potential (to support alternatives) in AD zones.
- The presence of farmer/community organizations, either pre-existing or developed by AD personnel.
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<th>Source</th>
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<td>BMZ (Amier/Robert)</td>
<td>1994</td>
<td>Hauptbericht zur Evaluierung des Vorhabens &quot;Alternative Entwicklungsmöglichkeiten mit Landwirtschaftsorganisationen im Oberen Huallagatal, Peru&quot; Treuhandprojekt mit UNDCP BMZ PN 91.7989.6 (UNDCP AD/PER/92/601), Juni 1994, Frankfurt/M. und Ursy</td>
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<td>1995</td>
<td>Informe Final de Sistematización del Proyecto Alternativo de los Valles de la Convención y Lares. CODEVA, Quillabamba/Cusco Sept1995</td>
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<td>1995</td>
<td>Sistematización y Validación de las Experiencias de los Proyectos del UNDCP en el Huallaga, Peru. Tomo II Validación de las Experiencias. Lima, Sept1995</td>
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<td>Technical Information Paper TIP 5, Vienna 4Nov1993</td>
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<td>GTZ</td>
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<td>Documento de Proyecto &quot;Proyecto Piloto para el Desarrollo de Métodos destinados a Fomentar el Desarrollo Alternativo en Zonas de Inseguridad&quot; Eschborn Nov.1994</td>
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<td>GTZ</td>
<td>1995</td>
<td>&quot;Orientación de la Investigación Agraria hacia el Desarrollo Alternativo&quot; Informe del Seminario Taller, Lima Marzo 1993</td>
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<td>USAID/Peru</td>
<td>1995</td>
<td>Draft Project Assistance Completion report Upper Huallaga Area Development Project (527-0244), Lima March 23, 1995</td>
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<td>USAID/Peru</td>
<td>1995</td>
<td>Alternative Development Project (527-0348) CY 1995 Report, Lima</td>
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1996 Alternative Development Project, Lima

1996 USAID Special Objective is to reduce illicit coca production in target area of Peru. Lima April 1996

1996 Alternative Development Project.

Project Summary Upper Huallaga Agricultural Development Project. Loan No. 527-T077
Names of Persons Consulted

**United Nations Drug Control Program, Vienna**

Amberg, Ricarda: Programme Officer, Division for Programme Planning and Support/Planning and Evaluation Section

Bastagli, Francesco: Director, Division for Treaty Implementation and Policy Development

Buddenberg, Doris: Economist, Technical Services Branch/Supply Reduction Section

Fondaumière, Bernard J. de: Deputy Executive Director and Director, Division for Programme Planning and Support

Kornevall, Christian: Director, Division for Operations and External Relations

Lale-Demoz, Aldo: Chief, Operational Activities Branch/Regional Section for Latin America and the Caribbean

Miango, Susan: Interagency Affairs Officer, Resources Mobilization and Interagency Coordination Service/Interagency Coordination Section

Noyan, Sumru: Chief, Operational Activities Branch/Division for Operations and External Relations

Pansieri, Flavia: Chief, Division for Programme Planning and Support/Planning and Evaluation Section

Storr, Peter: Chief, Technical Services Branch/Division for Treaty Implementation and Policy Development

**United Nations Drug Control Program, Lima**

Albertin, Cristina: Assistant Director

Eichorn, Stefanie: Associate Expert

Fasullo, John: Regional Alternative Development Advisor

Vandenberghhe, Patrice: Director

**Office of Project Services/United Nations Development Program**

Aguila, Juan de: National Director

Diaz, Celso: Technical Director
Hernandez, Tito: Technical Director
Hurtado, Fernando: Director Técnico del Proyecto in Valles de Convención y Lares.
Lazarte, José: Consultant
Vázquez, Juan: Jefe Administrativo
Wiese, Johannes: Chief Technical Advisor

Other Agencies
Allen, Kerry R.: Advisor, Narcotics Affairs Section, U.S. Embassy
Anduaga, Javier: Oficina de Planificación, Ministerio de Agricultura
Chávez, Juan: Proyecto GTZ/IICA
Crow, John M.: Chief, Narcotics Affairs Section, U.S. Embassy
Dominguez Aguero, Natán (Major): Policía Nacional, Uchiza (Huallaga)
Figueroa, Antonio: Regional Coordinator, Fondo Contravalor Peru-Canada
García de Romaña, Alberto: Regional Coordinator, Fondo Contravalor Peru-Canada
Garnica, Luis: INRENA
Gil Ruiz, Juan: Executive Secretary, CONTRADROGAS
Gonzalez Reátegui, Tomás: Vice-Ministro de Agricultura
Graham, James F.: Peru Representative for Alternative Development, Convenio USAID-INADE, Winrock International
Maxey, Michael: Chief, Office of Local Governments and Alternative Development, United States Agency for International Development (USAID)
Nintzel, Hanspeter: First Secretary, German Embassy
Ortiz Zavaleta, Gerson (Captain): Policía Nacional, Uchiza (Huallaga)
Paulsen, Hartmut: Director, German Agency for Technical Cooperation (GTZ)
Plaza V., Victor: Chief, Instituto Nacional de Desarrollo (INADE)
Ríos del Aguila, Olga: Directora Regional, Ministerio de Agricultura, Ucayali
Soberón, Ricardo: Comisión Andina de Juristas
Villachica, Hugo: Consultant in Alternative Development
Villanueva A., César: Gerente de Proyectos, Fondo Contravalor Peru-Canada

Yale Morales, José (Col.): Jefe, Control de Almácigos de la Hoja de Coca, Control y Reducción del Cultivo de Coca en el Alto Huallaga (CORAH)

Focus Groups

Huallaga

Farmer organization leaders from Puerto Inca (Huánuco Department), San Alejandro (Ucayali), and Oil-Palm Producers (Ucayali): 15 men, 7 women. Meeting held in Neshuya. Among those present:

Comité Central de Palmicultores de Ucayali:

Acosta Cosure, Martín: Presidente
Alvarado Paúcan, Vicente: Dirigente
Oré Orbezo, Héctor: Dirigente
Retis Retis, Armando: Dirigente

Comité Central de Productores Agropecuarios de Puerto Inca:

Flores, Manuel: Administrador

Comité Central de Productores Agropecuarios de San Alejandro:

Velarde Pérez, Jorge: Presidente

Asociación de Mujeres Campesinas de Ucayali:

Gárate, Lucy: Presidenta Base San Alejandro
López Wesember, Verónica López: Presidenta Base Palmicultores

Farmer organization leaders from Uchiza: 10 men, 2 women.

Tocachi:

Castillo Araujo, Oscar: Presidente, Consejo de Administración de la Cooperativa Agraria Tocache.

Fabian Certero, Henry: Director, Proyecto Especial Alto Huallaga

Germany Torones, Eduardo: Alcalde, Provincia Tocache

Grandeza A., Carlos: Agricultor

Grandez Montejo, Edith: Presidenta, Asociación de Mujeres Campesinas Tocache-Uchiza
Gutierrez, Belermina: Directiva, Comité de Mujeres Productoras de Riberas del Huallaga

Macedo Sinti, Lili: Presidenta, Comité de Mujeres Productoras de Riberas del Huallaga

Pérez U. Juan Miguel: Gerente General, Cooperativa Agraria Tocache

Ruiz Moncada, Emilio: Director, Microregión Alto Huallaga

Vásquez Villalobos, Hector: Director, Agencia Agraria

Vela Ríos, Antero: Directivo, Cooperativa Agraria Tocache

Velasquez, Lister: Agricultor

Vigo Albarrán, Isaac: Agricultor

Tingo María:

Cooperativa Naranjillo:

Arrieta R., Agripina: Secretaría, Junta Envasadora “Porvenir”

Cornelio Nuñez, Eusebio: Presidente

Ferrer León, Vilma: Presidenta, Envasadora “Porvenir”

Gomez Bernal, Carlos: Primer Vocal, Consejo de Administración

Gonzalez García, Hugo: Secretario, Consejo de Administración

Mayna Inga, Rodo Luis: Jefe de Planta

Palomino Malpartida, Edgar: Vicepresidente

Portocarrerero, Javier: Vocal, Consejo de Administración

Silva Vela, Luis: Presidente de la Triple AAA-Aucaguacu

Suárez Gonzales, Anselmo: Extensionista Agrícola

Fundación para el Desarrollo Agrario de la Selva (FUNDEAS):

Albitres Alva, Luis: Director Ejecutivo

Arévalo, Enrique: Coordinador de Investigación, Universidad Nacional Agraria de la Selva, Agricultural Research Service, Convenio UNAS-ARS

Loayza Torres, José: Profesor, Universidad Nacional Agraria
de la Selva

Parraga Cordero, Dante: Gerente de Promoción de Inversión

Quispe Cajas, Carlos: Gerente, Subregión Huánuco

Ronda Claros, Hugo: Subregión Huánuco

Centro MINGA (Centro de Integración Género y Desarrollo Alternativo)

Arrieta Rodríguez, Agapina: Secretaria de Mujeres Campesinas de Jardine de Té

Calderón Carrillo, Rosa: Asistenta de Campo, Santa Lucia

Cohen de Figueroa, Dora: Presidenta, Central de la Asociación de Mujeres Rurales de San Martín (AMURUSAM)

Cruz López, Catalina: Presidenta, AMUCOA

Gárate Rodríguez, Lucy: Presidenta, Central Cocemucasa, San Alejandro

León Ferrer, Vilma: Presidenta, Asociación de Mujeres Jardine de Té

López Wesember, Verónica: Presidenta Central “COCEDAPU”

Quiro Chosna, Nelly: Asistenta de Campo, Sector Nueva Independencia

Silva Martel, Judith: Directora de Salud y Educación, Puerto Inca

Torres del Castillo, César: Director de Proyectos Agropecuarios y Agroecológicos, San Alejandro

Convención and Lares Valleys

Calderón, Roberto: Técnico

Dueñas Cabrera, Olger: Director Regional de Planificación y Presupuesto, Región INKA, Cuzco

Gonzalez, Alcides: Técnico

Rojas Gamarra, Arnaldo: Regidor, Distrito de Echarati

Asociación de Productores de Cacao (APROCAV)

Focus Group: 10 men and 1 woman from constituent Comités

Asociación de Fruticultores (AFRUCY, and empresa PROFUCY)

Ardiles, Redy: Presidente
Focus Group: 10 men

Asociación de Productores de Cacao de los Valles de la Convención y Yanatile (APROCAV)

Alvarez Salas, Percy W.: Vocal
Basualdo Mendoza, Antenor: Presidente
Castañeda Campana, Abel: Gerente
Terrazas Aguilar, Martín: Dirigente
Torres Torres, Humberto: Fiscal

Central de Cooperativas Cafetaleras (COPLA)

Olivieras Gutiérrez, Froilan: Presidente
Vasco, Rómulo: Gerente Financiero

Asociación de Mujeres Campesinas "Micaela Bastidas"

Avispe de Bolivar, Teófila: Secretaría
Awanoca Villar, Alberto Bernard: Asesor
Meza Gutierrez, Toribia: Fiscal
Pezo viuda de Frisandro, Juana: Vicepresidente
Valdez Palomino, Eulalia: Coordinadora "Programa Mujer"
Villafuerte Collado, Esperanza: Presidente

Instituto de Desarrollo Alternativo (IDA)

Basualdo Mendoza, Antenor: Fiscal
Chevarria Lazo, Sandra: Gerente
Echegaray Farfán, Manuel: Presidente
Solís Alagon, Ebert: Secretario

Asociación de Productores de Ovinos de Pelo (APROPEL)

Echegaray Farfán, Manuel: Presidente
Mar Farfán, Juvenal: Coordinador
Suni Gutierrez, Olger T.: Secretario
Asociación de Apicultores de la Convención (APILAC)

Solis Alagon, Ebert: Presidente

Serrano Martel, Ramón

Comité de Productores Agrícolas de Mandor, Comité de Señoras, and representatives from Cooperativa de Mateo Macaba y Cooperativa Maranura

11 men and 6 women

Cooperativa Maranura and Empresa de Control Biológico (ECOBIO)

8 men and 1 woman

Apurimac Valley

Bocangel, Hiderico: Gerente General de la Cooperativa Valle Río Apurimac y Coordinador Centro Experimental Pichari

Pacheco Peña, Cesar: Coordinador Técnico del Proyecto

Quispe Valdez, Pedro: Gerente de la Cooperativa Agraria Cafetalera “El Quinacho”
ACRONYMS

AD: Alternative Development
AFRUCY: Asociación de Fruticultores de Yanatíle
AI: Amnesty International
APILAC: Asociación de Apicultores de La Convención
APROCAV: Asociación de Productores de Cacao de los Valles de la Convención y Yanatíle
APROPEL: Asociación de Productores de Ovinos de Pelo
ASLUSA: Agroindustria Santa Lucía
BID: Banco Interamericano de Desarrollo
BM: Banco Mundial (World Bank)
BMZ: German Federal Ministry of Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)
CADA: Cooperación Asistente en Desarrollo Alternativo
CAH: Cooperativa Alto Huallaga
CAN: Cooperativa Agroindustrial Naranjillo
CAT: Cooperativa Agraria Tocache
CATER: Centro de Asistencia Técnica y de Extensión Rural
CCPCSM: Comité Central de Productores de Cacao de San Martín
CCPPI: Comité Central de Productores de Puerto Inca
CCPU: Comité Central de Palmicultores de Ucayali
CCPU-SL: Comité Central de Productores de Uchiza-Santa Lucía
CCSA: Comité Central de San Alejandro
CJT: Cooperativa Jardines de Té
CP: Counterpart
CEDRO: Centro de Información y Educación para la Prevención del Abuso de Drogas
CICAD: Inter-American Drug Abuse Control Commission
CIP: Centro Internacional de la Papa
COOAH: Cooperativa Agraria Alto Huallaga
COPUID: Comité de Prevención del Uso Indebido de Drogas (Ministerio de Educación)
COCEPU: Comité Central de Palmicultores del Ucayali
COCLA: Central de Cooperativas de la Convención y Lares
CORAH: Control y Reducción del Cultivo de Coca en el Alto Huallaga
DEA: Drug Enforcement Administration (United States)
ECOBIO: Empresa de Control Biológico
FAO: Food and Agricultural Organization
FUNDEAS: Fundación para el Desarrollo Agrario de la Selva
IDB: BID (Inter-American Development Bank)
GOP: Government of Peru
GTZ: German Agency for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit GmbH)
INADE: Instituto Nacional de Desarrollo
INCB: International Narcotics Control Board
INRENA: Instituto Nacional de Recursos Naturales
KfW: German Bank for Reconstruction (Kreditanstalt für Wiederaufbau)
MRTA: Movimiento Revolucionario Tupac Amaru
NGO: Non-Governmental Organization
OFECOD: Oficina Ejecutiva de Control de Drogas (Ministerio del Interior)
OGD: Observatoire Géopolitique des Drogues
PEAH: Proyecto Especial Alto Huallaga (UHAH--USAID)
PNUFID: Programa de Naciones Unidas para la Fiscalización de la Droga
PROFUCY: Procesadora Fruticola de Yanatilé
PRONAMACHS: Programa Nacional de Manejo de Cuencas Hidraulicas en la Sierra
SECTI: Secretaría de Cooperación Técnica Internacional
TA: Technical Assistance
UHAH: Upper Huallaga Area Development Project (PEAH--USAID)
UNDP: United Nations Development Program
UNDCP: United Nations Drug Control Program
UNFDAC: United Nations Fund for Drug Abuse Control (predecessor of UNDCP)
UNIDO: United Nations Industrial Development Organization
UNO: United Nations Organization
UNOPS: United Nations Office of Project Services
USAID: United States Agency for International Development
USG: United States Government
WB: World Bank
ANNEX A

Evaluation Terms of Reference
THEMATIC EVALUATION OF
THE IMPACT OF ALTERNATIVE DEVELOPMENT ACTIVITIES IN PERU

INTRODUCTION

Background

1. Peru is the world's largest coca leaf producer, with an estimated total sown area in 1995 of 115,000 hectares, providing a potential harvest of 185,000 MT of coca leaves. Coca leaf production was relatively stable in the 1980's and increased somewhat in the early 1990's. Since 1992 production has declined in the main coca producing area of Upper Huallaga as a consequence of a fungus infection, increased production costs and lower coca prices. However, production has expanded in other areas, particularly the Apurimac valley, Central and Lower Huallaga, Pichis-Palcazú, Aguaytía, and the Puno jungle area.

2. Approximately 17,800 hectares (producing about 10,000 MT of coca leaves) are cultivated for purposes defined as licit under Peruvian law. The remainder are illicit. Harvested coca leaves are converted to cocaine base and, increasingly, to cocaine hydrochloride. Coca leaf prices experienced a drastic decline in 1995: from US$ 70.00 for one "aróba" (11.5 kgs) to US $5.00 for one "aroba". Prices have increased marginally during early 1996 over 1995. The sudden drop in coca leaf prices is basically a consequence of increased and successful interdiction efforts in Colombia and Peru, as well as increased coca cultivation in Colombia. The fall in prices has had an important effect on the farmers who depend economically on coca cultivation: it has strengthened their interest in returning to legal crop cultivation.

3. National drug control policy has so far prioritized interdiction measures. The Government strongly supports alternative development as a supply reduction strategy. However, to date related projects have been financed mainly through foreign assistance. The Fujimori Government, in 1991, approved several decrees and resolutions recognizing alternative development as an appropriate mechanism for the control of coca cultivation. The Government recognizes coca farmers as important interlocutors in the rural rehabilitation process. The "National Plan for Drug Prevention and Control 1994-2000" comprises five key priority areas, one of which is alternative development. As foreseen in the plan, in April 1996, the Government approved the establishment of the national drug control coordinating body "Contradrogas", headed by the Minister of Health. It is envisaged that one of the technical departments within Contradrogas will be responsible for alternative development.

4. In alternative development, UNDCP and the United States (USAID) are the prime partners in the country. Smaller complementary assistance has been provided by Canada and the European Union through Counterpart Funds and the German Agency for Technical cooperation (GTZ). Over the past eleven years
(1984-1995) it is estimated that the international community has invested US $85 million (US$40 million from UNDCP) in alternative development activities in Peru. These activities include the provision of agricultural support services and credits for the cultivation, processing and commercialization of alternative crops, infrastructure support to health and education facilities and road improvements.

5. The effectiveness of the combined alternative development activities (of the donors concerned) in Peru has not been subject of previous comprehensive assessments. In many areas of activity, the measurement and sustainability of what has been achieved remain matters of concern, while the ability to build upon successes achieved continues to be subject to both external factors (government support and international funding) and local conditions (development of integrated area development plans).

Reasons for evaluation

6. The Impact of Alternative Development Activities in Peru was chosen by the Executive Director for evaluation because of its potential to provide both UNDCP and the international community with valuable information for use in the development of future policies, strategies and approaches. The thematic evaluation is being undertaken pursuant to programme advisory note PAN/1/Rev. 1 of 14 September 1993 on Evaluation Policy and Procedures.

Scope of the evaluation

7. The evaluation will cover alternative development activities undertaken in Peru during the period 1984 - 1995.

PURPOSE

8. The purpose of this thematic evaluation is to assess the impact of alternative development efforts in Peru on the illicit cultivation of coca leaf. In so doing, the various strategies employed and the sustainability of results will be examined. The evaluation will take a broad look at alternative development from 1984 to 1995 and include a review of UNDCP interaction and collaboration with governmental activities and programmes funded by multi- or bilateral sources. In particular, the evaluation will examine:

(i) The impact of alternative development on the illicit cultivation of coca leaf, in particular, the extent to which it has resulted in a reduction in production and/or prevention of new production;

(ii) The appropriateness and adequacy of the alternative development strategies adopted and implemented, including the rehabilitation of traditional crops and the introduction of new commercially viable alternative crops; the promotion of cooperative and other social structures supportive of alternative development efforts, taking into account the gender perspective; the function of legislation, law enforcement and community-based voluntary reduction of coca growing areas;
The sustainability of the results achieved in terms of a lasting reduction in the production of the illicit crop, including an analysis of social structures and economic alternatives to coca production developed through the projects and of the degree to which these are likely to continue after project termination;

The nature of the interaction and cooperation between agencies in the United Nations system and other organizations, including non-governmental organizations and the extent to which they contributed and may continue to contribute to the maintenance and enhancement of results achieved in the control of illicit crop production;

In light of its findings and conclusions, the evaluation may make recommendations on: (i) the appropriateness of the alternative development strategies employed; (ii) further measures required to ensure sustainability of results; (iii) ways and means to enhance results through cooperation among agencies of the United Nations system and other organizations and institutions.

RESPONSIBILITY FOR THE EVALUATION

The evaluation will be conducted by two evaluators contracted as consultants. One of the evaluators will be designated team leader and should have extensive experience in alternative development and evaluation. The second team member should also have significant experience in alternative development. One evaluator should have a background in rural development, with knowledge of social organizations. Experience in gender analysis would be an asset. The other evaluator should have a background in rural development/economics. Proficiency in Spanish is required by both evaluators. The evaluators are not participating in the evaluation as representatives of any party, but should use their independent judgement. They should not have been directly involved in any of UNDCP’s alternative development activities in Peru during the past five years.

The evaluation will be conducted in conformity with these terms of reference and under the overall guidance of the Division for Programme Planning and Support/ Planning and Evaluation Section.

METHODOLOGY

The methodology for the evaluation shall consist of an analysis of data and information available from UNDCP, the Government of Peru and other concerned governments and organizations; interviews with UNDCP headquarters and field office staff, Peruvian Government officials, project staff beneficiaries and representatives of other concerned governments and organizations; and case studies of two UNDCP project sites, in Huallaga and La Convención y Lares. The projects, which will be subject to in-depth study, were chosen on the basis of their ability to provide the evaluators with a balanced view of alternative development, including insight on successful approaches, less successful approaches, practical considerations and problems encountered in alternative development work.

Extensive preparation for the evaluation will begin with the collection of data by the UNDCP Alternative Development Advisor in Peru. Such data will
include a listing of all alternative development projects in Peru for the time period concerned; the amounts invested in each project and by which donor; a summary of results obtained for each of the projects; collection of relevant reports and information which would not necessarily be available at headquarters; and any other relevant information considered appropriate. The Advisor will also assist in preparing the groundwork for the two case studies. The data collected and further information on the site visits will be provided to the evaluators during the briefing in Vienna. The evaluation will then be conducted in three phases: (i) data collection and analysis; (ii) case studies; and (iii) conclusions and report writing.

**Phase 1**

(i) Orientation by the Division for Programme Planning and Support/Planning and Evaluation Section (DPPS/PES);

(ii) Review and preliminary analysis of documentation. Collection of additional material;

(iii) Consultations with concerned UNDCP offices;

(iv) Orientation by UNDCP Peru Country Office;

(v) Analysis of data; collection and review of additional documentation and data (Peru);

(vi) Interviews with key Peruvian Government officials and donor representatives (CIDA, GTZ and USAID);

**Phase II**

(i) Case study visit to Huallaga and La Convención y Lares;

(ii) Analysis and additional information gathering as required;

(iii) Debriefing in Lima;

**Phase III**

(i) Preparation of draft report including findings, conclusions and recommendations;

(ii) Debriefing in Vienna;

(iii) Finalization and submission of the report.
EVALUATION REPORT AND FOLLOW-UP

14. The evaluators will complete the evaluation by 5 March 1996, at which time the team leader will submit the final report to the Director, Division for Programme Planning and Support (DPPS).

15. The evaluation report shall be composed of: (a) an executive summary; (b) a short background; (c) an analysis of the topics under the above "Purpose" section and other relevant issues which may come to the attention of the evaluation team; and (d) conclusions and recommendations. The annexes to the report will include these terms of reference and a list of offices visited and persons met.

16. The report shall be in English (with Spanish translation) and shall not exceed 25 pages in length, excluding annexes. Pages should be numbered consecutively with Arabic numerals. The report should be typed in 1 ½ spacing and in the A-4 format. The text should also be submitted on diskette in a computer-readable file in Wordperfect format.

17. Subsequent steps for the handling of the evaluation report will be governed by the provisions of programme advisory note PAN/1/Rev.1 of 14 September 1993 on Evaluation Policy and Procedures. Questions concerning the form or style of the evaluation report should be referred to PES.

TIMETABLE

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<tbody>
<tr>
<td>2 February</td>
<td>- Arrival of evaluators in Vienna;</td>
</tr>
<tr>
<td>3-6 February</td>
<td>- Briefing for evaluators and review of documentation in Vienna;</td>
</tr>
<tr>
<td>7-8 February</td>
<td>- Travel to Lima;</td>
</tr>
<tr>
<td>10-28 February</td>
<td>- Briefing at UNDCP Lima Office; research; interviews with Peruvian Government Officials and donor representatives; Visits to 2 project sites; analysis of data; drafting of report; debriefing;</td>
</tr>
<tr>
<td>1-2 March</td>
<td>- Travel to Vienna;</td>
</tr>
<tr>
<td>3-5 March</td>
<td>- Debriefing at UNDCP HQ; presentation of findings, conclusions and recommendations; finalization of the report;</td>
</tr>
<tr>
<td>5-6 March</td>
<td>- Depart Vienna.</td>
</tr>
</tbody>
</table>
Annex B

Peru: Coca Figures 1996
Annex C

Variación de Precios y Costos por Kg. de Hoja de Coca (US$) --Junio 89-Enero 97
DE HOJA DE COCA (US$) - JUN. 89 - ENE. 97
VARIACION DE PRECIOS DE COSTOS POR KG.
ANNEX D

Pasta Básica Bruta y Lavada--Variación Precios, Julio '89-Enero 97
Gráfico I - Pasta Basica Bruta y Lavada
Variación Precios . Julio 89 - Ene. 97

US $ x Kg


ALTO HUALLAGA
ANNEX E

Indicators and Data-Gathering Methods
Indicators and Data-Gathering Methods

Dr. Bernhard Amher
(Unedited Version)

It has to be questioned if "reduction of coca areas" really could be a valid indicator to measure success or failure of AD projects. Obviously there is a tendency to mix up overall goals, project purposes and expected output. In a logical way of thinking, a typical planning framework should respect a vertical logic of objectives to clarify what the project is intended to do, and with what means and ends.

Area cultivated in coca, or coca reduction are indicators to measure the impact of combined efforts of different things like interdiction, alternative development and others. Alternative development is supposed to contribute to the supply reduction of drugs and to secure sustainability of reduction efforts. It thus can not directly be made responsible for achievements outside the scope of the project results.

The relationship of a project (and it's contribution) has to be seen in a hierarchy as it contributes to achieve the Overall Goal, defined as the supply reduction of drugs. One component of supply reduction is the reduction of coca-area. The purpose (objective) of AD projects contributes to this overall-goal by establishing the socioeconomic and technological bases for (or initiating the process of ) sustainable development (without drug-cultivation). The purpose of the project is achieved through the sum of concrete results (output) for the concrete action (input) that had to be undertaken.

```
Overall Goal

Project Purpose

Project Results (Output)
 R1 - R2 - R3 - R4 - R5
(different results)

Project Activities (Input)
 R1 A1R2 A1...
 R1 A2R2 A2...
 R1 A3R2 A3...
 R1 A4R2 A4...
(different activities for each result)
```
A simple example for the vertical logic would be starting from the institutional mandate of UNDCP ("Prevention and Reduction of Drug Abuse"), where supply reduction and demand reduction are the two mayor lines toward it. Alternative Development and interdiction efforts and (maybe in some places) eradication form the basis for the first one. From the American side this is called an integrated approach. But it has to be clear that integrated in this context does not necessarily mean a close cooperation between interdiction and Alternative development; experience has shown that this often can have negative repercussions for the work with farmers.

Prevention and Reduction of Drug Abuse

Supply reduction

Interdiction (fighting drug trafficking)

Alternative Development (initiate sustainable rural development processes)

Eradication (forced)

Introduce new technologies

Strengthen Social Structures

Promote marketing

This logical framework seems to be widely accepted now, suggesting that it no longer makes sense to measure impact only in terms of reduced coca hectares!

Thus "extent of coca reduction" might be a valid indicator for the overall goal. But even for the overall goal an area-related indicator (hectares) does not really reflect the impact in all cases. At least it ignores import factors like production intensity (technology, number of harvests per year) and productivity (tons/ha/year), which implies the necessity to establish at least regional indices to adjust hectare-figures to the reality. Otherwise real output figures of coca production can easily vary by a factor of 4-6. Regarding coca yields, UNDCP noted differences in productivity ranging from 300 kg/ha in Quillacamba to an estimated peak of 3.3 MT/ha. in Apurimac. This reflects extreme differences in cultivation techniques and technical standards of different producers. Any estimate of national coca leaf production, therefore, is necessarily vague.

Only if the approach is oriented towards direct substitution of coca by other crops can the "area-indicator" be valid. But still a broader land-use-pattern approach, identifying a complete set of land-use types (mono-cultivation of coca, market crops, permanent crops etc.) and giving full-scale data on a regional base, is preferable. For monitoring purposes a valid indicator might be the development for different land-use types over the years-- % of subsistence agriculture, % of market orientated production, or % of coca cultivation.

The focus of alternative development should be on peasant farmers, thus putting their conditions to the fore. What is needed is a series of more direct impact-orientated indicators:

Dependency of farmers' family income on coca cultivation
Establishing by means of a baseline-survey income figures of representative groups and comparing the relation "coca-income vs. other income" over time. The changing composition of peasant income--e.g., 60% coca and 40% non-coca becoming 40% coca and 60% non-
about the figures. For Apurimac valley, an aerial photo survey was done last year which resulted in quite good colored aerial-foots. On the basis of these photographs, UNDCP as well as NAS/USAID are now carrying out a detailed interpretation of coca-growing areas in Apurimac valley. It is expected that this exercise will look not only at coca, but other land-use patterns in the zone as well. Thus later comparisons of different land-use patterns (and crops) will permit a more accurate estimation of the changing importance of coca.
ANNEX F

Pre-Reform Benefits Enjoyed by Cooperatives
Benefits Enjoyed by Cooperatives before the Neoliberal Reforms

The management of Naranjillo Cooperative, Tingo María (Huallaga), gave the evaluation team the following list of pre-reform benefits. This cooperative, the strongest one in the region, is heavily indebted and is now giving priority to paying off its debts.

1--Incentivo Tributario a la Exportación, conocido como CERTEX equivalent al:

- Manteca de Cacao 26.6% del valor FOB.
- Licor de Cacao 26.6% del valor FOB.
- Polvo de Cacao 29.94% del valor FOB.

2--No se pagaba el Impuesto Mínimo a la Renta.

3--No se pagaba el Impuesto a la Renta.

4--No se pagaba el I.G.V. (Impuesto General a las Ventas).

5--No se pagaba el Impuesto Selectivo al Consumo a los Combustibles.

6--No se pagaba Carga Instalada por el consumo de la Energía Eléctrica.

7--Los agricultores tenían crédito de sostenimiento y capitalización para la siembra del Cacao y el Café, en la actualidad ha sido eliminado.

8--Las Cooperativas tenían crédito para acopio en Campaña de Café y Cacao por parte de la Banca Estatal, en la actualidad no cuenta con este crédito.

EN RESUMEN, NO TENEMOS NINGUN APOYO Y TENEMOS QUE COMPETIR EN IGUALES CONDICIONES CON LAS EMPRESAS PRIVADAS.