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1. BACKGROUND AND OVERVIEW OF THE DRUG AND CRIME SITUATION

1.1 Miscellaneous information: Political structure (2005)

Official name: Republic of Peru

Form of State: Presidential Democracy

The Executive: The President is elected for a 5-year term and may not be immediately re-elected. The President appoints a Council of Ministers.

Head of State: The elected President is currently Mr. Alejandro Toledo. He came into office in July 2001, after winning a second-round election in June 2001. His term of office expires on 28 July 2006.

National legislature: The Congress consists of a 120-member single chamber, which can be dissolved once during a presidential term.

Legal system: Courts of first instance exist in each of the provincial capitals. The Supreme Court sits in Lima. Other specialized tribunals operate in Lima, including the anti-corruption and anti-terrorism tribunals.

Recent national elections: April 2001 (presidential and congressional), June 2001 (presidential run-off) and November 2002 (regional, municipal). The next elections will be held in April 2006 (presidential, congressional and municipal).

National Government: President Alejandro Toledo leads the Government. His party, Perú Posible, holds 31 (2005) of 120 seats in Congress (14 elected congressmen have changed affiliation to the ruling party since 2002). During his presidency, his party has formed alliances with the Frente Independiente Moralizador and Renacimiento Andino, and has received the support of the congressman elected under the banner of Todos por la Victoria.

1.2 Economic background

Peru’s estimated population in 2005 was 27.9 million, of which 50.3 per cent are female and 72.6 per cent reside in urban areas. United Nations projections suggest that the population will rise to 30.5 million by 2010. The rate of total population growth has slowed down from 1.7 per cent in the period 1996-2000 to 1.5 per cent in the period 2001-2005. It is expected to decelerate even more toward the end of the decade. This will produce a steady rise in the average age of the population, from 21.6 (years of age) in 1995 to 24.7 in 2005 and 26.5 years in 2010. A decreasing dependency ratio and increased participation of women in the labour market will make the labour force grow more rapidly than the population between 2005 and 2010. (Source: INEI 2004.)

Peru has a dual economy combining a relatively modern sector on the coastal plains and a subsistence sector in the mountain and jungle areas. These two areas are typically isolated from the rest of the country due to lack of sufficient road infrastructure and poor communication services. Economic power has traditionally been in the hands of an elite sector of mostly European descent.

Services account for 65 per cent of gross domestic product. Industry, including mining, accounts for 26 per cent and agriculture accounts for 8 per cent. Mining is important for the balance of payments. The manufacturing industry is fairly diverse. To a large extent it is dedicated to
consumer goods production — such as food, fishmeal, textiles, petroleum and gas.

According to official statistics (INEI: Censos Nacionales 1993), the service sector employs 50 per cent of the economically active population in Peru. However, the figure conceals a harsh reality. Most of those working in the service sector are characterized by a precarious existence selling low-value goods in street markets, or driving unlicensed taxis, or working as domestic helpers. The adjustment programme applied in the 1990s led to a sharp reduction in formal employment, which had already declined in the 1980s. According to the Peruvian Institute for Statistics and Information (INEI), the unemployment rate in Lima reached 8.7 per cent as at December 2004, whilst underemployment in the same period was 32 per cent. According to the Government, underemployed people are those whose remuneration is not enough to cover the cost of the basic needs of a family.

Peru has been mainly dependent on primary product exports. These represent the bulk of its export earnings, with mining and fisheries production being the country’s two major traditional export categories. Mining exports have risen in recent years as a result of a significant growth in the volume of mineral products, especially gold, whereas industrial, agricultural and fisheries exports evidenced a clear drop. This dependence on the export of primary products exposes the economy to shocks from volatile commodity prices and weather conditions.

Economic growth in 2004 was much higher than originally expected. Growth hit 5.1 per cent compared to the projected 4 per cent. Surprisingly, this considerable upturn was led by the non-primary manufacturing sector, which grew by 5.8 per cent. Private investment grew 9.4 per cent in 2004. This was also unexpected as it was not only considerably higher than first estimated but also much more widespread. While private investment was led by a few mega-projects (Antamina mining, Camisea gas, etc), medium-scale investment also grew significantly, particularly in agro-industry, infrastructure, construction and retail businesses.

Regarding poverty, the latest INEI survey indicates that in 2001, 54.8 per cent of the Peruvian population was poor, with an income below the cost of the minimum food basket (US$ 42 in the Amazon and US$ 75 in Lima). Some 24.4 per cent of the country’s total population lives in extreme poverty (INEI: 2004).

Besides extreme poverty, the most urgent problems of Peru include the lack of credible institutions and confidence in the rule of law. High unemployment, underemployment and weak banking and industrial sectors are also main problem areas. Corruption is problematic in the public sector, including the judiciary, which provides poor protection for personal and property rights. The country’s public education and healthcare systems are outdated and need to be modernized in order to increase job opportunities, narrow income gaps and reduce poverty.

The Peruvian economy grew steadily during the 2002-2005 period. According to Central Reserve Bank (BCRP) estimates, Peruvian exports hit record highs in 2004, exceeding 2003 exports of US$3.3 billion. Peru’s macro-economic situation continues to be good despite the continuous political and social instability. However, key sectors such as education, health and internal affairs have insufficient budgets to invest in major urgent reforms. By mid-2004, Peru started negotiating a Free Trade Agreement with the United States of America. This has produced much controversy. Some experts agree it would boost Peruvian exports while others maintain Peru is not yet prepared to enter into an agreement of this kind. Negotiations are expected to conclude in September 2005.
1.3 Political background

The current constitution, approved by referendum on 31 October 1993, establishes a presidential regime with a strong executive, elected for five years. A 120-member single chamber legislature is elected at the same time as the President with the same five-year tenure. Currently, centralization is still very strong and regional and municipal authorities have gained little power, despite the decentralization process that started in November 2002.

Following the resignation of former President Fujimori and his two vice-presidents, the president of Congress at the time, Mr. Valentin Paniagua, became interim president on 22 November 2000. The latter ensured free and fair presidential and congressional elections in April and June 2001. On 28 July 2001, he transferred power to the newly-elected president, Mr. Alejandro Toledo.

The Toledo administration committed itself to a process of deep decentralization. Regional and municipal elections were held on 17 November 2002. The government party, Perú Posible, won a majority in only one of the 25 regional provinces. The opposition party, APRA, formerly led by ex-President Garcia, holds a majority in 12 provinces, as well as in most of the country’s coca growing areas. The decentralization law was approved shortly before the election. It regulates the framework, competence and financing of the regional governments.

President Toledo’s administration has been endeavouring to reinstall democracy, to reappraise the corrupt system of the former regime, and to improve the human rights situation. During President Paniagua’s transitional government, the National Anti-Corruption Initiative, the Truth and Reconciliation Commission (examining thousands of alleged human rights abuses over the last 20 years) and the Constitutional Reform Commission were created. Peru was reinstalled under the jurisdiction of the Inter-American Human Rights Court. The armed forces, the police and the judicial system started deep restructuring processes, and many officials with tainted backgrounds have been dismissed since April 2001. New army, air force and navy heads were appointed. In May 2001, the president of the Supreme Court and nine senior judges were removed from office over alleged links with the former intelligence advisor Vladimiro Montesinos, who has since been convicted for various corruption-related crimes and is being held in prison. He has also been charged with drug trafficking, arms trafficking and human rights violations, among other crimes. An international arrest warrant has been issued against the former President Alberto Fujimori, who lives in exile in Japan.

In 2005, following nearly four years of President Toledo’s administration, Peru is beginning to show signs of sustainable economic growth. The economy grew 5.1 per cent in 2004, net reserves amounted to over US$ 13 billion, and inflation was successfully contained (less than 3.5 per cent in 2004). The economic forecast for the 2005-2006 is promising and growth indices are expected to rise even further.

The political and social situation, however, is more problematic. From the very beginning of his term in office, the President and his immediate entourage have been involved in a series of scandals, which have undermined the administration’s political credibility. The President’s image was affected by the mishandling of compromising situations involving family members, added to the fact that he has not been able to fulfil many of the promises made during his election campaign. There have been periods during President Toledo’s presidency when approval ratings dropped to as low as seven per cent (APOYO). In 2005, this low approval rating prompted the opposition to demand that he step down.
At times, the Government has shown little capacity to confront social demands. Serious disturbances involving entire provinces forced the government to step back from originally-promised programmes, consequently undermining the authority of the central government. Unions dealing with agriculture, education, construction and coca cultivation, among others, held frequent demonstrations and strikes — some of which turned violent. A mob in Ilave, a small town in the province of Puno, exacted a form of popular justice by brutally lynching their mayor, whom they believed to be corrupt. Other mayors narrowly escaped death in the district of Molino, in the province of Huanuco and in Asilo in the province of Puno. Roadblocks nationwide have been a common occurrence, as entire communities resorted to this type of action to protest against various policies.

Immersed in a situation of discredit and isolation, the present government administration is directing its efforts to counteract the climate of mounting discontent, at least for its remaining period in office. These policies, directed mainly at reforming the armed forces and the slow and inefficient judiciary, have met with resistance and have made little progress. Public safety is a growing concern, affected by rising rates in street crime and the possible resurgence of limited terrorist acts. This crisis of good governance may deepen even further during the presidential pre-election period, from September 2005 to April 2006.

1.4 Drugs and crime background

Peru is the largest country in the Andean region. It covers over 1.3 million km² of Andean highlands, subtropical Amazon forest and Pacific coastline. The climate is determined mostly by elevation and geographical latitude and longitude. Weather in the highland areas is cool and dry. The coast has a temperate climate throughout the year, and the Amazon valleys are always hot and humid.

Peru has traditionally been a coca-leaf-producing country. It was considered to be the major coca leaf supplier for the illicit manufacture of cocaine in the 1980s and the first half of the 1990s. Coca growing in some of the eastern valleys of Peru predates the arrival of Europeans by hundreds of years. It was used for chewing, medicine, and rituals. In the 1960s, the Government opened up the eastern Amazonian valleys to settlement with highway and other construction programmes. Large numbers of impoverished Andeans migrated to this area in search of a better life. Beginning in the 1970s, organized crime (responding to growing world demand for cocaine) promoted coca cultivation among the migrants. Coca spread quickly during the 1980s, especially in the Huallaga Valley. In that area, traffickers, guerrillas and peasant farmers soon were involved in a vicious scenario of shifting alliances. Peasant families became dependent on coca cultivation and processing as well. Abuse of cocaine paste or “pasta básica” and cocaine started to affect the population mainly in the capital city. The Government became concerned with the links between the illicit-drug industry and the Sendero Luminoso (Shining Path) terrorist group, which endangered political stability.

In the early 1990s, the Government embarked on a strategy to break up the coca grower/terrorist nexus. Fighting the drug traffickers proved to be successful. In contrast to the 1980s, a phased approach was used in the 1990s to meet these objectives. In the 1980s, the Government attempted to solve the problem of coca cultivation by means of crop eradication. This was not successful. New areas under cultivation exceeded those eradicated, while more and more farmers supported the terrorist movements. The strategy was re-directed in the 1990s. The penal code was amended and the cultivation of coca (though not its processing) was de-facto de-criminalized in 1991. This reduced the support of the farmers for the Sendero Luminoso and enabled the Government to concentrate on fighting the terrorist movement. Once the terrorist threat was eliminated by the mid-
1990s, the Government concentrated on fighting drug trafficking, mainly by interrupting the existing air-bridge, which the Colombian drug cartels had established to ferry Peruvian coca base to Colombia for processing of powder cocaine.

Coca production decreased substantially from 1995 onward. By 1997, Peru was no longer the largest coca leaf producer. At present it is the world’s second largest producer, after Colombia and ahead of Bolivia.

These changes resulted from a combination of factors. First, the fungus known as *la seca-seca* (*Fusarium Oxysporum*) adversely affected yields. This caused a 50 per cent plunge in the profitability of the crop in some areas. Second, the Cali and Medellin cartels were dismantled, leaving the coca processing and trafficking activities in Colombia in the hands of smaller operators. To ensure a better control of the availability of raw material (hindered by air force control of clandestine flights), quality and cost, these new operators chose to grow coca in Colombia. The corresponding reduction in demand for coca leaf and paste in Peru largely explains the fall in farm gate prices that followed. These low prices discouraged many farmers from rehabilitating their coca plantations.

This situation, however, changed. Before long drug trafficking in Peru was reorganized. Capacity to process coca paste into cocaine was developed. The national market expanded so it could act as a buffer to absorb export fluctuations. New export routes were explored and established. To a great extent, Peruvian coca activity became independent from Colombia. The process was, of course, encouraged by a sustained demand for cocaine in markets overseas and in the region, where initiatives to decrease demand had not achieved the expected results. Demand increased the price of coca leaf and kept it at a high level. The simultaneous sharp fall of traditional alternative product prices caused many peasants to go back to growing coca.

Overall levels of crime and violence in Peru are relatively high by global standards. Organized crime is largely linked to drug trafficking. In contrast to the once large Colombian drug cartels, Peruvian drug traffickers have been organized into smaller compartmentalized groups, locally known as “firmas” (firms). Until the mid-1990s, Peruvian firmas were subordinate to Colombian drug cartels and had few international marketing contacts. More and more refining laboratories have emerged in Peru. Currently, there are more than 20 major firmas actively operating in Peru, in addition to a large number of smaller trafficking groups and some international groups. Coca leaf is collected from farmers by small groups, who then carried the leaves in small amounts to clandestine laboratories for processing into coca paste or cocaine.

1.5 Drug control policy

The Peruvian Government has signed all three United Nations drug conventions and adheres to the objectives set out therein. However, the Government applies a rather selective interpretation of these conventions.¹ In the 1990s, the Government abstained from eradicating mature coca crops. It

¹ At the international level, coca leaf is a controlled substance under the 1961 Convention. Peru is a party to all three UN drug conventions, including the Single Convention of 1961. Peru’s legislation has been justified by the authorities vis-à-vis the international community on the grounds of a specific stipulation of the 1988 Convention. The 1988 Convention refers to traditional uses in the context of eradication (article 14, paragraph 2): “The measures adopted [referring to eradication] ...shall take due account of traditional licit uses where there is historic evidence of such use...” However, the 1988 Convention is far from condoning such uses. In the same article, the 1988 Convention makes it clear that “measures taken pursuant to this Convention shall not be less stringent than ...under... the 1961 Convention” (article 14, paragraph 1). Under the 1961 Convention, coca leaf is a Schedule I substance, together with cocaine, heroin etc. The production and use of these substances is to be “limited to medical and scientific purposes” (article 4 of the 1961 Convention) and, in the case of the coca leaf, “for the preparation as a flavouring agent which shall not contain any alkaloids” (article 27).
followed this course to avoid exacerbating social tensions in coca-growing areas, and to avoid deepening rural poverty. By contrast, cultivation of opium poppy and cannabis is illegal and is subject to immediate eradication wherever detected.

During this period, the main focus of Peru was to disrupt the air-bridge to Colombia. This led to a decline in coca leaf prices and thus to a large-scale “voluntary” abandonment of coca fields over the period 1995-1998. This policy proved to be successful from a drug control perspective. It is likely that more was achieved through voluntary abandonment than would have been possible by concentrating on forced eradication measures (IDA, 1999). Falling prices were attributed to anti-drug trafficking law enforcement measures rather than Peru’s interpretation of the legality of growing coca leaf under Peru’s penal code. Coca leaf growing is not considered illegal, although its processing and trafficking are sanctioned. Accordingly, during this period drug traffickers lost credibility in the eyes of the farming community, while authorities regained respect through alternative development initiatives.

An unfortunate side effect of efforts to disrupt cross-border transportation routes was an increase in domestic availability of coca paste — and thus consumption of drugs. Traffickers dumped coca derivatives into the domestic market. Demand reduction efforts then became a higher priority but unfortunately did not prove to be sufficient.

In view of this situation, eradication was re-introduced during the second half of the 1990s with the aim of reducing the coca-crop areas. Eradication has remained a delicate and controversial issue: academics suggest that it might have contributed to the rising price of coca leaf in the late 1990s (IICA, 1999).

Until the end of 1995, coca-crop eradication was limited to seedbeds. This changed, however, when, in 1997 and 1998 the Government stepped up its forced eradication of coca crops in national parks and other public areas. This resulted in a net eradication of 1,256 hectares in 1996, 3,462 hectares in 1997, and 7,834 hectares in 1998. During 1999, the Government broadened its interventions and increasingly eradicated coca at the level of small-scale farmers whenever there was evidence of illegal processing (i.e. ‘maceration pits’). Some 6,400 hectares of coca crops were eradicated in 2001 and 7,134 hectares in 2002; 11,312 hectares in 2003; and 10,257 hectares in 2004 (Peru Coca Cultivation Survey June 2005). Eradication at the farm level is in line with international obligations of Peru. Nonetheless, coca farmers have perceived this form of eradication to be arbitrary. The practice has presented a risk for the Government as it could mean losing the support of coca growers and influential coca-growing syndicates. In 2002, the Government launched a proclaimed “self-eradication” programme through which farmers received aid and were paid in exchange for eradicating their own coca crops.

In order to promote alternative development and demand reduction activities, and integrate them into the broader drug control context, the Government established the Drug Control Commission (CONTRADROGAS) in 1996. To underscore its importance, the Commission was headed by a board, which includes five Ministers appointed by the President. They were responsible for designing a comprehensive drug control strategy, and for multi-sector coordination of alternative development and drug demand reduction programmes. They represented the Government in international efforts to fight drugs. At the operational level, the Executive Secretariat of the Commission was responsible for the implementation of policies. CONTRADROGAS established sub-offices in the main coca-producing areas. These offices were staffed with liaison and monitoring officers to ensure coordination among local actors.

With assistance from UNODC, and in response to the outcome of the June 1998 UN General
Assembly Special Session on Drugs, in which Member States proclaimed the principle of “shared responsibility”, CONTRADROGAS formulated an ambitious “National Plan for Alternative Development and Drug Demand Reduction” (1998-2003). The plan covered a broad range of activities that supplemented the interdiction efforts of Peru. Following the 1998 Brussels Donors Consultative Group meeting, 19 donors pledged a total of US$ 270 million to support the implementation of the Plan.

The transitional government of President Valentín Paniagua (2000-2001) replaced some of the authorities of the Commission. However, it did not introduce major changes to the drug control strategy adopted by the Alberto Fujimori administration in the 1990s.

In the second half of 2001, new government administration of President Toledo took steps to restructure the National Drug Control Commission. Its name was changed to DEVIDA (National Commission for Development and Life without Drugs). Other changes were aimed at improving and broadening multi-sectoral coordination, enhancing DEVIDA’s political standing and extending its agenda to other issues. These include interdiction, eradication, money-laundering and environmental affairs. Additional ministries, such as the Ministries of Agriculture, Education and Internal Affairs, were included in its board of directors.

DEVIDA is implementing the 2002-2007 national drug control strategy, based on principles of broad participation, long-term goals, shared responsibility and full respect for human rights. The strategy includes drug abuse reduction and rehabilitation, alternative development and environmental protection, law enforcement and drug interdiction and related crime control.

In September 2002, the Government initiated the “self-eradication pilot programme”. Coca-growing communities were given the opportunity to decide whether or not to participate in the self-eradication programme, which remains under supervision of the special project of Control and Reduction of Coca Crops in the Upper Huallaga valley (CORAH). Participating communities could avail themselves of a six-month subsidy under the programme. However, if a community decides not to participate, eradication is executed without compensation. The self-eradication programme has been under implementation since late 2002.

Coca growers in Peru are gathered principally in two organizations, disputing leadership and political concessions. One is led by Nancy Obregón and Elsa Malpartida in the Huallaga Valley, and is supported by the National Federation of Peruvian Coca Producers (Confederación de Productores Agropecuarios de las Cuencas Cocaleras del Perú - COMPACCP). Another is the Junta Nacional de Productores de Hoja de Coca en el Valle del Monzón (Huanuco Province) an organization led by Iburcio Morales. The Monzón Valley is known for its permanent anti-drug control stand. This is a no-man’s land where law enforcement operations are insufficient and coca crops and the production of narcotics remains widespread and uncontrolled. A third coca-growers’ organization is located in the south-eastern part of the country in the valleys of La Convención y Lares where the Federación Provincial de Campesina (FEPACYL), led by Genaro Cahuana, has its stronghold. He maintains this union as the “sole” producer of legal coca, since their entire coca leaf production is sold to a secured and legal market — namely, the National Coca Company (Empresa Nacional de la Coca – ENACO).

Of these three coca-growers’ organizations, the first two are the most belligerent, particularly with respect to regular eradication operations being carried out by the armed forces in the Huallaga Province. They stir up strikes and constant protest marches to pressure the Government into ceasing eradication. Notwithstanding their belligerent stance, in 2003 one of the organizations (COMPACCP) signed an agreement with the Government to facilitate the compliance of Supreme
Decree Nº 044-PCM-2003, under which coca growers would submit to the gradual and voluntary eradication of all coca crops.

Coca growers who form part of this organization have since rejected the agreement with the Government and no longer are complying with the obligation to eradicate their illegal coca crops. Moreover, they are now demanding the unconditional legalization of coca growing. According to 2004 coca survey of UNODC, the reactivation of coca leaf farming and the consequent increase in coca leaf production has contributed to the strengthening of these organizations and the empowerment of their leaders. The national slogan “coca or death” is becoming widespread and could potentially turn into a crippling impediment for development programmes.

1.6 Crime

According to a comparative study conducted by the Peruvian Institute for Economy (Instituto Peruano de Economía – IPE, 2005), Peru has the highest property crime rate in South America. According to a survey carried out by Apoyo, 79 per cent of Peruvians consider poverty and unemployment to be the main causes of crime. Some 50 per cent of Peruvians consider “lack of moral values” to be a significant contributor to crime, while 25 per cent believe that crime is also the result of a lack of adequate legislation. Some 23 per cent believe crime results from an inefficient police force. According to the same survey, an estimated 16 per cent of Peruvian homes have been broken into at least once and 51 per cent of the population have fallen victim to street assaults or attacks within the past 12 months. Since 2002, INEI polls show that 93 per cent of the population ranks delinquency within the first four highest concerns among the population.

In 2002, William Bratton surveyed the problem of security and crime in the city of Lima. His report (November, 2002) refers to the reigning state of impunity as one of the decisive factors affecting security and causing frustration amongst the population with respect to the incapacity of the State to fight crime. People are reluctant to cooperate with the police because they consider that criminals are not punished as they should be. The report also indicates that much crime goes unreported. This reflects a total lack of trust in the police apart from the high cost in terms of time and money to obtain police services and justice. Every case involves long, drawn-out processes in addition to frequent bribes demanded by police and other officials.

According to the Financial Intelligence Unit (FIU), between September 2003 and March 2005 financial offences have involved over 162 million soles (around US$ 50 million). The real total could be as high as one billion soles (around US$ 307 million). Escalating crime levels in Peru are perceived to be closely linked to corruption and inefficiency in the police force and, in particular, judicial system.

Peruvian prisons currently house an estimated 29,581 inmates. This represents 0.11 per cent of the entire population of the country (ratio of 1:944). Some 9,390 (31.7 per cent) of the prisoners are between the ages of 20 and 29 and 10,918 (36.9 per cent) are 30 to 39 years of age. Another 3,513 inmates range between the ages of 40 and 49 and 1,586 are over 50 years old.

According to data provided by the National Prison Institute (INPE), 69.15 per cent of the prison population (20,456 inmates) have not been sentenced, although some 11,401 (55.7 per cent) of these inmates have been tried but not sentenced. The same source also registers 928 inmates who have been in jail for 3 to 5 years, and 195 for 5 to 10 years, before receiving their sentences. More alarming still is the fact that there are 39 people who have been held prisoner for 10 to 20 years without having been tried or sentenced.
Terrorism:

In 2003, the Supreme Court of Peru ruled that some of the anti-terrorism laws of the country were unconstitutional and violated basic human rights. This in effect overturned convictions against some 3,000 individuals convicted of terrorism in Peru. The Constitutional Court was examining legislation allowing rebel suspects to be detained and tried for treason by military tribunals overriding the guarantees of protection for suspects and accused persons, and setting aside the basic principles of justice. These controversial measures were passed under the former government administration to fight terrorism in the 1990s and had been systematically criticized by human rights organizations. The decision of the Supreme Court brought Peru’s judicial rulings on terrorism cases more in line with rulings of the Inter-American Court of Human Rights, the legal arm of the Organisation of American States. Many terrorists were retried. While convictions have been obtained in some cases, some 1,600 individuals suspected of terrorist or treasonous acts must be re-tried. However, many witnesses who had previously testified against them are no longer available or no longer have incentive to testify.

Local government authorities blame Sendero Luminoso (Shining Path) for heightening tension among coca-growers, who produce the raw material used to make cocaine, and hindering normal development of national anti-narcotics efforts in the Alto Huallaga Valley. According to government intelligence sources, there are Sendero Luminoso squads operating in the provinces of Huanuco, San Martin and Ucayali in the north and in the jungle regions of Junin and Ayacucho to the southeast. These areas form the backbone of the coca-growing region.

The link between drug trafficking and terrorism is becoming increasingly evident. The regrouped factions of the Sendero Luminoso terrorist group are regaining strength in the Apurimac-Ene river valley and other areas, in partnership with drug traffickers who supply them with arms and other resources. Sendero Luminoso is training new recruits, while regional and municipal officials have been reporting this to Congress, demanding a stronger Governmental presence in the area. There have been several recent minor terrorist (or subversive) incidents, and police forces have detected a series of terrorist squads. Two of the worst attacks were a car bomb in front of the United States Embassy in March 2002 and the hijacking of a group of about 70 workers of the Camisea gas station in June 2003. At present, according to INPE, 1,077 inmates have been accused of terrorism and 616 of treason.
2. STATISTICS

2.1 General statistics summary

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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (million)</td>
<td>2003</td>
<td>WDI</td>
<td>27.1</td>
</tr>
<tr>
<td>Population growth (annual %)</td>
<td>2002</td>
<td>WDI</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Economic Development</td>
<td></td>
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<tr>
<td>GDP growth (annual %)</td>
<td>2002</td>
<td>WDI</td>
<td>4.9</td>
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<tr>
<td>GDP (current million US$)</td>
<td>2002</td>
<td>WDI</td>
<td>56,517.1</td>
</tr>
<tr>
<td>GDP per capita, PPP (current international $)</td>
<td>2002</td>
<td>WDI</td>
<td>5,010.0</td>
</tr>
<tr>
<td>Imports of goods and services (% of GDP)</td>
<td>2002</td>
<td>WDI</td>
<td>17.3</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>2002</td>
<td>WDI</td>
<td>16.4</td>
</tr>
<tr>
<td>Agriculture, value added (% of GDP)</td>
<td>2002</td>
<td>WDI</td>
<td>7.9</td>
</tr>
<tr>
<td>Total debt service (% of GNI)</td>
<td>2002</td>
<td>WDI</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour, Poverty and Unemployment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour force, total (millions)</td>
<td>2002</td>
<td>WDI</td>
<td>10.4</td>
</tr>
<tr>
<td>Labour force, female (% of total labour force)</td>
<td>2002</td>
<td>WDI</td>
<td>31.9</td>
</tr>
<tr>
<td>Labour force, children 10-14 (% of age group)</td>
<td>2002</td>
<td>WDI</td>
<td>1.7</td>
</tr>
<tr>
<td>Living on less than $1 a day (PPP) (% of people)</td>
<td>2000</td>
<td>WDI</td>
<td>18.1</td>
</tr>
<tr>
<td>Income distribution ratio, (20% richest / 20% poorest)</td>
<td>2002</td>
<td>HDR</td>
<td>18.3</td>
</tr>
<tr>
<td>Unemployment, total (% of total labour force)</td>
<td>2002</td>
<td>WDI</td>
<td>8.7</td>
</tr>
<tr>
<td>Unemployment, female (% of female labour force)</td>
<td>2002</td>
<td>WDI</td>
<td>10.0</td>
</tr>
<tr>
<td>Unemployment, male (% of male labour force)</td>
<td>2002</td>
<td>WDI</td>
<td>7.5</td>
</tr>
<tr>
<td>Unemployment, youth total (% of total labour force 15-24)</td>
<td>2002</td>
<td>WDI</td>
<td>15.2</td>
</tr>
<tr>
<td>Unemployment, youth female (% of female labour force 15-24)</td>
<td>2001</td>
<td>WDI</td>
<td>13.9</td>
</tr>
<tr>
<td>Unemployment, youth male (% of male labour force 15-24)</td>
<td>2001</td>
<td>WDI</td>
<td>12.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literacy rate, adult total (% of people 15 and above)</td>
<td>2002</td>
<td>WDI</td>
<td>85.0</td>
</tr>
<tr>
<td>Literacy rate, adult female (% of females 15 and above)</td>
<td>2002</td>
<td>WDI</td>
<td>80.3</td>
</tr>
<tr>
<td>Literacy rate, adult male (% of males 15 and above)</td>
<td>2002</td>
<td>WDI</td>
<td>91.3</td>
</tr>
<tr>
<td>Comb. gr. enrunt. ratio prv., scnd. and tert. schools (%)</td>
<td>2002</td>
<td>HDR</td>
<td>88.0</td>
</tr>
<tr>
<td>Net intake rate grade 1, fem. (% of off. school-age pop.)</td>
<td>2000</td>
<td>WDI</td>
<td>83.4</td>
</tr>
<tr>
<td>Net intake rate grade 1, male (% of off. school-age pop.)</td>
<td>2000</td>
<td>WDI</td>
<td>83.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health expenditure, public (% of GDP)</td>
<td>2001</td>
<td>WDI</td>
<td>2.6</td>
</tr>
<tr>
<td>Improved sanitation facilities (% of population w. access)</td>
<td>2000</td>
<td>WDI</td>
<td>71.0</td>
</tr>
<tr>
<td>Improved water source (% of population w. access)</td>
<td>2000</td>
<td>WDI</td>
<td>80.0</td>
</tr>
<tr>
<td>Physicians (per 1,000 people)</td>
<td>1997</td>
<td>WDI</td>
<td>0.9</td>
</tr>
<tr>
<td>Contraceptive prevalence rate (%)</td>
<td>2002</td>
<td>HDR</td>
<td>69.0</td>
</tr>
<tr>
<td>Births attended by skilled medical staff (%)</td>
<td>2002</td>
<td>HDR</td>
<td>59.0</td>
</tr>
<tr>
<td>AIDS deaths per 100,000 people, estimate end 2003</td>
<td>2003</td>
<td>UNAID</td>
<td>15.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radios (per 1,000 people)</td>
<td>1997</td>
<td>WDI</td>
<td>268.8</td>
</tr>
<tr>
<td>Television sets (per 1,000 people)</td>
<td>2002</td>
<td>WDI</td>
<td>172.5</td>
</tr>
<tr>
<td>Telephone mainlines (per 1,000 people)</td>
<td>2002</td>
<td>WDI</td>
<td>66.0</td>
</tr>
<tr>
<td>Internet users (per 1,000 people)</td>
<td>2002</td>
<td>WDI</td>
<td>93.5</td>
</tr>
</tbody>
</table>

Unweighted average for available countries computed by UNODC, 10 October 2004.
2.2 Drugs

<table>
<thead>
<tr>
<th>Peru Basic Statistics</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total coca cultivation</strong></td>
<td>44,200 ha</td>
<td>50,300 ha</td>
</tr>
<tr>
<td>Upper Huallaga</td>
<td>13,600 ha</td>
<td>16,900 ha</td>
</tr>
<tr>
<td>Apurimac-Ene</td>
<td>14,300 ha</td>
<td>14,700 ha</td>
</tr>
<tr>
<td>La Convencion y Lares</td>
<td>12,340 ha</td>
<td>12,700 ha</td>
</tr>
<tr>
<td>Elsewhere</td>
<td>3,940 ha</td>
<td>6,000 ha</td>
</tr>
</tbody>
</table>

Average sun-dried coca leaf yield from UNODC study in 2004

- In Upper Huallaga (except Monzon): 2,988 kg/ha
- In Apurimac-Ene: 3,627 kg/ha
- In La Convencion y Lares: 1,457 kg/ha

- Weighted average sun-dried coca leaf yield: 1,650 kg/ha
- Potential production of sun-dried coca leaf: 72,800 mt
- Potential production of cocaine: 155 mt
- Percentage of world’s illicit cocaine production: 24%
- Average farm-gate price of sun-dried coca leaf: US$ 2.2/kg
- Potential farm-gate value of sun-dried coca leaf: US$ 304 millions
- Weighted average sun-dried coca leaf yield: 1,457 kg/ha
- Potential production of sun-dried coca leaf: 10,602 mt
- Potential production of cocaine: 144 mt
- Percentage of world’s illicit cocaine production: 28%
- Average farm-gate price of sun-dried coca leaf: US$ 3.0/kg
- Potential farm-gate value of sun-dried coca leaf: US$ 68.5 billions

Potential production of cocaine: 190 mt

- Percentage of world’s cocaine production: 28%
- Average farm-gate price of coca leaf: US$ 2.8/kg
- Potential farm-gate value of coca leaf: US$ 304 millions
- Reported eradication of coca cultivation: 11,312 ha
- Reported seizure of coca paste: 4,366 kg
- Reported seizure of cocaine: 3,574 kg
- Reported opium poppy cultivation: 1,447 ha
- Reported seizure of opium latex: 433 kg

Source: Peru Coca Cultivation Survey June 2000

<table>
<thead>
<tr>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cultivation of illicit crops (in hectares)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opium poppy</td>
<td>873</td>
<td>748</td>
<td>1,361</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Coca plants</td>
<td>38,605</td>
<td>43,400</td>
<td>46,200</td>
<td>46,700</td>
<td>44,200</td>
</tr>
<tr>
<td>Cannabis</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Production in metric tons</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opium poppy</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Coca plants</td>
<td>69,200</td>
<td>46,248</td>
<td>49,260</td>
<td>52,549</td>
<td>50,790</td>
</tr>
<tr>
<td>Cannabis</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Potential manufacture (in metric tons)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heroin</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cocaine</td>
<td>175</td>
<td>141</td>
<td>150</td>
<td>165</td>
<td>155</td>
</tr>
<tr>
<td><strong>Seizures (in kg)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heroin</td>
<td>11,307</td>
<td>11,848</td>
<td>3,189.36</td>
<td>14,568.18</td>
<td>7,940.54</td>
</tr>
<tr>
<td>Cocaine</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Lifetime prevalence of drug abuse (per cent)**

- Cannabis | N/A | N/A | N/A | 5.8 | N/A | N/A |
- Cocaine paste | N/A | N/A | N/A | 2.1 | N/A | N/A |
- Cocaine | N/A | N/A | N/A | 1.8 [HW1] | N/A | N/A |

2.3 Crime

An independent national poll conducted by Apoyo Opinión y Mercado and the NGO Proética in September 2004 indicates that a large percentage of Peruvians view their country as either corrupt or very corrupt. Roughly 44 per cent of those polled perceived their country to be corrupt, while 47 per cent consider it to be very corrupt. About 43 per cent of those polled said that they believed Peru would be even more corrupt within the next five years.

After unemployment and poverty, Peruvians consider corruption to be their third highest concern, according to polls conducted in 2004. In 2002 and 2003, the same polls ranked corruption as the fourth highest concern among Peruvians polled — after unemployment, poverty and crime.

In 2003 and 2004, independent polls conducted revealed that Peruvians considered the judiciary to be the most corrupt institution, closely followed by the national police, the Congress, the central government and local municipalities.
Comparative table showing DIRINCRI PNP achievements for the period January – May 2003/2004

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>REPORTED CRIMES</th>
<th>CRIMES RESOLVED</th>
<th>DETAINED</th>
<th>CONFISCATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>per cent</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>JAN-MAY 2003</td>
<td>6,532</td>
<td>5,477</td>
<td>826</td>
<td>132</td>
</tr>
<tr>
<td>JAN-MAY 2004</td>
<td>6,068</td>
<td>3,972</td>
<td>852</td>
<td>142</td>
</tr>
</tbody>
</table>

Since the year 2000, the national police have registered 89 kidnappings. The number of reported and investigated kidnappings, while steady from 2001 to 2003, almost doubled during.

Kidnappings investigated by the national police from 2000 to 2004*

*does not include transitory (momentary) kidnappings

Source: Peruvian National Police, Division for the Investigation of Kidnappings.

The above chart does not include what the national police define as transitory or short-lived kidnappings (i.e. when the victim is abducted and forced to withdraw cash from an ATM machine or is otherwise robbed). There were 197 of these incidents reported and investigated between 2000 and year-end 2004, and the total number has been steadily declining (i.e., 63 reported incidents in 2000 compare to 19 incidents in 2004).
2.4 Economic statistics

Demographic profile (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Males</th>
<th>Females</th>
<th>Age profile (per cent of total population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>23.53</td>
<td>11.7</td>
<td>11.8</td>
<td>0-14: 35.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15-64: 59.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65+: 64.4</td>
</tr>
<tr>
<td>2000</td>
<td>25.66</td>
<td>12.7</td>
<td>12.9</td>
<td>0-14: 33.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15-64: 61.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65+: 64.3</td>
</tr>
<tr>
<td>2005</td>
<td>27.83</td>
<td>12.7</td>
<td>15.1</td>
<td>0-14: 30.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15-64: 63.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65+: 65.6</td>
</tr>
<tr>
<td>2010</td>
<td>30.52</td>
<td>15.1</td>
<td>15.4</td>
<td>0-14: 28.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15-64: 65.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65+: 65.8</td>
</tr>
</tbody>
</table>

Source: UN population projections.

MAIN ECONOMIC INDICATORS IN 2004

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year-ago forecast</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (%) Chg</td>
<td>4.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Non primary sectors gross aggregated value</td>
<td>3.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Non primary manufacturing (%)</td>
<td>3.0</td>
<td>7.2</td>
</tr>
<tr>
<td>Exchange rate (S/. for US$)</td>
<td>3.45</td>
<td>3.28</td>
</tr>
<tr>
<td>Fiscal deficit (% of GDP)</td>
<td>1.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>2.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Exports (US$ million)</td>
<td>10,300</td>
<td>12,547</td>
</tr>
<tr>
<td>Surplus (US$ million)</td>
<td>1,500</td>
<td>2,720</td>
</tr>
<tr>
<td>RIN (US$ million)</td>
<td>11,100</td>
<td>12,631</td>
</tr>
</tbody>
</table>

Source: BCR, INEI, APOYO Consultoría

MAIN MACROECONOMICS INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2004 (e)</th>
<th>2005 (p)</th>
<th>2006 (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Real sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (%) Chg</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Gross value added</td>
<td>4.0</td>
<td>4.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Primary sectors gross aggregated value</td>
<td>2.8</td>
<td>4.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Non primary sectors gross aggregated value</td>
<td>5.1</td>
<td>4.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Domestic demand</td>
<td>3.8</td>
<td>4.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Private investment</td>
<td>3.0</td>
<td>3.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Public investment</td>
<td>9.4</td>
<td>10.0</td>
<td>11.8</td>
</tr>
<tr>
<td>II. Prices and exchange rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual inflation (YoY % Chg)</td>
<td>3.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Annual devaluation (%)</td>
<td>-5.6</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Exchange rate ($ for dollar)</td>
<td>2.57</td>
<td>2.57</td>
<td>2.37</td>
</tr>
<tr>
<td>III. Public sector</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Overall balance (% of GDP)</td>
<td>1.3</td>
<td>1.3</td>
<td>-1.2</td>
</tr>
<tr>
<td>IV. Foreign sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>12,300</td>
<td>13,200</td>
<td>14,000</td>
</tr>
<tr>
<td>Imports</td>
<td>10,600</td>
<td>11,100</td>
<td>12,300</td>
</tr>
<tr>
<td>Trade balance</td>
<td>2,700</td>
<td>2,100</td>
<td>1,700</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>-0.5</td>
<td>-0.4</td>
<td>-1.1</td>
</tr>
<tr>
<td>International reserve</td>
<td>12,631</td>
<td>13,700</td>
<td>13,800</td>
</tr>
</tbody>
</table>

Source: BCR, APOYO Consultoría

* Estimate

** Project
3. DRUG SITUATION

3.1 Coca leaf cultivation and production

Through its Illicit Crop Monitoring Programme (ICMP), UNODC has been supporting the Peruvian Government since 1998 in the implementation and fine-tuning of a national coca crop monitoring system. As a result, UNODC has been publishing annual reports since the year 2000.

The total area under coca cultivation in Peru was 50,300 hectares in 2004. This represents an increase of 14 per cent, compared to the estimated 44,200 hectares in 2003 (Peru Coca Cultivation Survey June 2005).

The significant expansion of the coca frontier is mainly attributed to the rapid and massive expansion of coca crops in the Upper Huallaga area, and to the rising number of new coca crops in San Gaban. Together, these two coca valleys registered 5,500 hectares more than in 2003, accounting for 90 per cent of total national growth (6,100 hectares).

In the period between June 2003 and January 2004, UNODC conducted a study on coca leaf yields on 13 properties including a total of 55 plots. These plots were located in the Upper Huallaga area (none in the Monzon area), Apurimac-Ene, La Convencion y Lares. Close examination of the results revealed that plots within the Apurimac-Ene area produced the highest yield (3,627 kg per hectare), compared to those within the Upper Huallaga area (2,988 kg per hectare) and in the La Convencion y Lares area (1,457 kg per hectare).

Coca cultivation in Peru, 1994 – 2004 (hectares)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Hectares</td>
<td>8,600</td>
<td>15,300</td>
<td>14,400</td>
<td>18,800</td>
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<td>38,700</td>
<td>13,400</td>
<td>16,200</td>
<td>16,700</td>
<td>14,200</td>
<td>50,300</td>
</tr>
</tbody>
</table>

Sources

United States Department of State
National Monitoring System Supported by UNODC
3.1.1 Opium poppy cultivation and production

Opium poppy has been illicitly cultivated in Peru for over 50 years. Historically, cultivation of opium poppy has been practiced on a small scale, mostly in the province of Cajamarca. The current
situation, however, according to DIRANDRO (the anti-drugs police), shows poppy cultivation to be increasing, while poppy eradication efforts conducted by the police have also been reinforced. Poppy fields have been detected in the provinces of Cajamarca, Huanuco, San Martin, Amazonas and Piura. Confiscation of poppy latex has also increased, both in terms of frequency and volume, confirming an increased degree of production. The organizations dealing in poppy latex apparently are using different exit routes leading to the northern coast (Tumbes, Piura, Lambayeque), from where the latex is exported to foreign markets.

The UNODC-supported national illicit crop monitoring system has not yet established a reliable methodology to detect and monitor poppy crops in Peru. Poppy cultivation, however, was considered negligible in 2004. Notwithstanding this, CADA’s report of August 2004 stated there could be some 223 districts with good soil conditions for opium poppy cultivation in the provinces of Amazonas, Piura, Cajamarca, La Libertad and San Martin.

In 2004, DIRANDRO estimated total poppy crops to be in the order of 1,500 hectares. This reflects a certain degree of stability as the latest available data dating back to 2001 reported 1,400 hectares of poppy crops. While still negligible, there is growing concern over potential poppy production capacity in the country.

### Reported opium poppy cultivation in Peru, 1994 – 2004 (hectares)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>475</td>
<td>599</td>
<td>649</td>
<td>720</td>
<td>652</td>
<td>873</td>
<td>748</td>
<td>1,361</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1,447</td>
</tr>
</tbody>
</table>

Source: DIRANDRO

DIRANDRO reported an annual opium latex yield of about 8 kg per hectare, and a conversion rate of 10 kg of opium latex for 1 kg of heroin. Based on these estimates, heroin production would be around one metric ton, a relatively small output compared to neighbouring Colombia where heroin production was estimated at five metric tons in 2004.

### 3.2 Manufacture

Total coca leaf production in 2004 was in the range from 96,000 to 123,000 metric tons, with an estimated average of 110,000 metric tons of sun-dried leaves. This amount is equal to 76,500 metric tons of oven-dried coca leaf. Assuming that 375 kg of coca leaf is required to produce 1 kg of cocaine, the potential for cocaine production in Peru in 2004 was between 160 and 210 metric tons, i.e. a weighted average of 190 metric tons. The table below shows the calculation details.

### Potential cocaine production in Peru 1994 – 2004 (expressed in metric tons)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cocaine</td>
<td>460</td>
<td>435</td>
<td>325</td>
<td>240</td>
<td>175</td>
<td>141</td>
<td>150</td>
<td>160</td>
<td>155</td>
<td>190</td>
</tr>
</tbody>
</table>

Source: Peru Coca Cultivation Survey June 2005.

2 Considering an average of 57 per cent of water content for sun-dried leaves and 70 per cent of water content for oven-dried coca leaves.

3 DEA Operation Breakthrough 2003 -2004 in Peru.
Based on studies carried out by UNODC, yields have risen during the period 2001 and 2004. Although part of the data cannot be compared because of the different data-collection methods, UNODC has been able to gather information from the producers themselves. Information collected confirms that yields have improved due to better crop management practices.

Comparatively speaking, potential cocaine production calculations are considered to be less precise than coca crop extension calculations. This is basically due to the fact that there is very little data available to quantify exact volumes during the leaf-to-cocaine production process. For the time being, UNODC is limiting its research work to crop yield studies and only in three coca-growing areas. This type of work should be continued and expanded in the future.

Increasing difficulties in exporting dry coca leaf or coca paste to Colombia led to the emergence of processing facilities (laboratories) in the coca-growing valleys of Peru as well as in main cities. The use of portable laboratories to process cocaine has become particularly common in the central jungle area. From these laboratories, the drugs are transported via river to the borders or to the northern coast. Some large-scale production of cocaine has also started in Lima itself. During the period 1994 to 1998, an average of 17 laboratories were identified and dismantled. The number of laboratories discovered and dismantled has since increased to 72 in 2001 and to 238 in 2002.

3.3 Drug trafficking

The main areas producing coca and coca by-products (cocaine paste and cocaine) are the Upper Huallaga (in the north), the Apurimac Valley (in the centre), San Gaban and Inambari (in the south). Internal routes used to distribute drugs are as follows: drugs produced in the Upper Huallaga are generally transported to Lima, Chimbote, Chiclayo and Piura; drugs produced in the Apurimac-Ene valley are exported to Lima, Tacna and Andahuaylas; the San Gaban and Inambari regions have as outlets the city of Tacna on the Peru-Chile border and Bolivia.

External export routes include shipping drugs by sea and air from Lima to markets in the United States, Europe and Asia; from Tacna to Chile where there is an important consumption market, and because it serves as a transit point for onward transhipment to Europe and Asia; and from Piura, Chiclayo and Chimbote, mainly to the United States. San Gaban and Inambari export most of their coca and coca by-products to Bolivia. Recently, the customs checkpoint in Desaguadero (Bolivia-Peru border) reported a significant increase in the volume of coca leaf confiscated while in transit to Bolivia. Drugs produced in the Upper Huallaga area are also exported to Brazil (albeit on a smaller scale) via the Putumayo River.

3.4 Diversion of drugs and precursors

Some of the chemicals essential to the processing of coca paste (lime and lye) are produced domestically. Nonetheless, large amounts of chemicals identified in dismantled laboratories were found to have been imported from abroad. For instance, potassium permanganate, acetone, ammoniac and sulphuric acid, organic solvents and chemicals for the processing of cocaine, are imported legally from North America, Europe, other South American countries, South Africa and Asia. They are diverted and moved by land from the Pacific coast to the coca-growing areas. The Ministry of Industry (MITINCI) and the customs authorities supervise the import of licit chemical inputs, as well as their distribution to businesses in the country. Whether these enterprises are using the chemicals for licit purposes or for diversion is not clear and is out of the control of the Ministry. Furthermore, authorities suspect there is heavy smuggling of illicit precursors and chemicals. Unfortunately, neither data nor estimates are available on this subject. Smuggling and the entrance
of illicit precursors into the interior of the country apparently have increased over the last few years. Land and air control measures were stricter, more effective and systematic in the 1990s. In February 2004, Peru, Colombia and Brazil signed a border cooperation agreement targeting illegal border activities, including drugs and precursor chemicals trafficking. In July 2004, the Peruvian Congress enacted a new law to better control the precursor chemicals of cocaine.

3.5 Drug prices

The price evolution analysis for coca leaf and its derivatives shows three clearly defined periods — before 1995; 1995 to 1997; and after 1997. Before 1995, the expansion and growth of the area occupied by coca was constant as the worldwide demand for cocaine increased. Until 1995, Peru supplied 60 to 70 per cent of the coca leaf and derivatives for international drug trafficking (Source: WDR 2005). The rest was provided by Bolivia and Colombia. The price paid for coca leaf and derivatives was higher than production costs.

As of 1995, Colombia significantly increased its coca cultivation area, placing Peruvian production in second place worldwide. This situation, aided by interdiction actions implemented by the Peruvian Government (including small aircraft control and deactivation of clandestine landing strips), inhibited new expansion of cultivation by slowing demand. This caused a consequent drop in prices.

During the 1995 to 1998 period, in some areas, the price of coca leaf dropped to less than production costs (less than US$ 0.50 per kg of dried leaf). This resulted in farmers abandoning their coca-crops — according to United States figures, up to 60 per cent of the total coca crops.

Starting in 1998, local drug traffickers reorganized their processing locations and export routes. This coincided with a boost in the price of coca (which reached US$ 1.2 per kg of coca leaf). By 2000, prices reached US$ 2 per kg of dried leaf. According to the Peru Coca Survey Cultivation of June 2005, this trend continued into 2002, when prices averaged between US$ 2.2 and US$ 2.9 per kg of coca leaf. These improved conditions encouraged the rehabilitation of abandoned coca fields and the establishment of new crops with intensive cultivation methods.

In 2004, the annual average price of coca leaf per kg was US$ 2.8, which represents a 33 per cent increase over the annual average price registered for 2003 (US$ 2.2). Over the long-term, it can be said that coca prices have generally shown an upward trend, increasing gradually from the all-time low price recorded in 1996 (US$ 0.6 per kg), when demand was minimal. The average annual price for coca leaf for 2004 is the highest recorded since 1990 (Peru Coca Survey Cultivation, June 2005). The following table shows coca leaf monthly average prices dating back to 1990.
Coca leaf average price - 1990 to 2004 (US dollars/kg)

<table>
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</thead>
<tbody>
<tr>
<td>Jan</td>
<td>0.7</td>
<td>0.8</td>
<td>1.1</td>
<td>1.5</td>
<td>3.0</td>
<td>0.3</td>
<td>0.6</td>
<td>0.7</td>
<td>1.8</td>
<td>1.6</td>
<td>2.0</td>
<td>2.6</td>
<td>2.3</td>
<td>2.2</td>
<td></td>
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<tr>
<td>Feb</td>
<td>0.9</td>
<td>1.6</td>
<td>1.7</td>
<td>3.5</td>
<td>1.6</td>
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<td>0.3</td>
<td>0.6</td>
<td>0.7</td>
<td>1.4</td>
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<td>2.1</td>
<td>2.6</td>
<td>2.4</td>
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<td>2.1</td>
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<td>2.0</td>
<td>2.6</td>
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<td>2.6</td>
<td>1.3</td>
<td>1.6</td>
<td>1.7</td>
<td>0.5</td>
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<td>0.9</td>
<td>0.5</td>
<td>0.6</td>
<td>1.0</td>
<td>1.6</td>
<td>1.9</td>
<td>2.4</td>
<td>2.3</td>
<td>2.1</td>
<td>2.4</td>
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<tr>
<td>Jun</td>
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<td>1.3</td>
<td>1.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
<td>1.0</td>
<td>1.4</td>
<td>2.0</td>
<td>2.5</td>
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<td>2.0</td>
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<tr>
<td>Jul</td>
<td>0.4</td>
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<td>Aug</td>
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<td>0.9</td>
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<td>2.5</td>
<td>2.6</td>
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<tr>
<td>Nov</td>
<td>0.9</td>
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<td>2.6</td>
<td>1.3</td>
<td>4.3</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
<td>1.4</td>
<td>2.0</td>
<td>2.2</td>
<td>2.0</td>
<td>2.4</td>
<td>2.4</td>
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<td>1.0</td>
<td>3.5</td>
<td>1.3</td>
<td>3.0</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
<td>1.7</td>
<td>1.6</td>
<td>1.9</td>
<td>1.9</td>
<td>2.3</td>
<td>2.1</td>
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<tr>
<td>Average</td>
<td>0.76</td>
<td>1.46</td>
<td>2.46</td>
<td>1.97</td>
<td>2.48</td>
<td>1.19</td>
<td>0.65</td>
<td>0.78</td>
<td>1.21</td>
<td>1.74</td>
<td>2.02</td>
<td>2.32</td>
<td>2.48</td>
<td>2.22</td>
<td>2.66</td>
</tr>
</tbody>
</table>

Source: Peru Coca Cultivation Survey June 2005.

In 2004, the price of cocaine paste (washed coca paste) was estimated at US$ 640/kg, which translates into a 21 per cent increase over the price of US$ 530/kg in 2003. As in the case of coca leaf prices, cocaine paste prices in the Upper Huallaga were the highest in the country. The price of cocaine paste in 2004 was the highest it has been since 1999.

The annual average price for cocaine was estimated at US$ 890/kg. Cocaine prices have not been systematically recorded in the past, making it difficult to produce time series on cocaine price trends in Peru.

The larger coastal cities (Ica, Trujillo and the outskirts of Lima) continued to be the leading centres of cocaine production. In these cities, gross prices of cocaine ranged between US$ 1,300 and US$ 1,600 per kg, depending on the quality. Consumer prices registered roughly US$ 6/gram (or US$ 6,000/kg) for high quality cocaine and 3 to 4 US$/gram (or US$3,000 to 4,000/kg) for lesser grade cocaine.

As in the case of coca, opium poppy production may be on the increase. This responds to a number of factors, amongst which are a growing external demand, attractive prices (US$ 800 to US$ 1,000 per kg of latex), and the drop in the market value of other licit crops, such a coffee.

In order to assess the impact of illicit poppy cultivation, in 2002 UNODC created a database to monitor its evolution. The first stage includes identifying the exact areas of cultivation with remote sensing systems, while the second stage includes crop measurement.

### 3.6 Demand

The notable increase in drug consumption levels in Peru appears to respond to complex social factors, including urban migration caused by the economic crisis and terrorism in the provinces, public insecurity, and easy availability and low prices of drugs on the streets. All of these cause-and-effect factors are interrelated, forming a vicious circle and setting the conditions for encouraging further drug consumption.

During the past few years, more emphasis has been given to promoting and strengthening programmes designed to prevent and dissuade people from consuming narcotics. Both the
Government and civil society, supported by international cooperation agencies, are undertaking efforts to deal with the drug-consumption problem in Peru.

Peru now has two universities offering post-graduate courses in specialized anti-drug enforcement policies. DEVIDA, in its capacity as the lead institution on anti-narcotics issues, has also supported the creation of multi-sectoral committees in Lima and in 20 other cities nationwide. These committees are responsible for developing activities to sensitize local communities to the dangers of illicit drug consumption. In 2003, some 72,000 minors benefited from these community activities.

Work and coordination groups have also been established to address certain thematic areas. These groups are implementing preventive and treatment programmes in different work and study environments. They are working together with the armed forces to develop prevention programmes in the work place, in universities and other higher education centres. They also work with the Asamblea Nacional de Rectores (National Assembly of Deans) to encourage them to develop preventive programmes within universities. The treatment group has drawn up a Strategic Plan for 2003-2009 aimed at increasing drug abuse prevention and other services. A Municipal Consortium also has been established to fight against the use of narcotics and small-scale sale of drugs. In public schools, prevention programmes are being implemented as part of the school curriculum.

Improvements to the legal framework ensure that responsibility now falls on local governments (municipalities) to implement preventive and reduction programmes at the community level. This responsibility was included in Article 73 of Law No. 27972 of the Organic Municipality Law.

### 3.6.1 Consumption

Coca leaf consumption by Andean peasants is a customary and historical tradition. It is consumed on a daily basis, during farming activities and occasionally as part of rituals. In 1999, it was estimated that approximately 1.7 million peasants chewed coca leaves (Cabises). However, this figure has changed somewhat during the last few years, as has been shown by a more recent and highly reliable study carried out by DEVIDA – INEI (2002), which states that at least 4 million peasants chew coca at least once a year. Of these, 72 per cent live in the Andean highlands, 20 per cent in the coast and 8 per cent in the jungle. Ironically, the area with the lowest consumption rate is precisely where the coca leaf is grown. Traditional consumption, however, appears to be decreasing as young peasants are not so enthusiastic to take up this ancestral habit. Peruvian legislation recognizes coca-chewing ("chacchado") as a legal habit.

The consumption of illegal drugs is a far more serious and complex problem. Estimates suggest that 700,000 Peruvians have consumed cannabis and 251,000 have consumed cocaine paste, while some 210,000 have consumed cocaine at least once during their lifetime (DEVIDA-UNODC-2002).

Cannabis is the most-consumed drug, with 2 out of every 100 Peruvians consuming it during the past year. Cannabis consumption rates triple those of cocaine paste and cocaine. Cocaine consumption ratios in Peru were 1:100 in 2004. Youths are starting to consume drugs at the early age of 14.

Two UNODC-supported nationwide surveys were carried out to record the drug consumption of the population (between the ages of 12 and 64). These surveys have led to a more precise picture regarding general consumption trends and the magnitude of the problem. The first of these surveys was carried out in 1998 and the other in 2002. Following are the results of these studies:
Comparative chart on drug abuse prevalence

<table>
<thead>
<tr>
<th>Have you ever consumed:</th>
<th>1998</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol</td>
<td>94 %</td>
<td>94.2 %</td>
</tr>
<tr>
<td>Tobacco</td>
<td>71 %</td>
<td>68.0 %</td>
</tr>
<tr>
<td>Cannabis</td>
<td>5.6 %</td>
<td>5.8 %</td>
</tr>
<tr>
<td>Cocaine paste</td>
<td>3.9 %</td>
<td>2.1 %</td>
</tr>
<tr>
<td>Cocaine</td>
<td>1.7 %</td>
<td>1.8 %</td>
</tr>
<tr>
<td>Inhalants</td>
<td>1.4 %</td>
<td>1.0 %</td>
</tr>
<tr>
<td>Tranquilizers</td>
<td>4.8 %</td>
<td>6.5 %</td>
</tr>
</tbody>
</table>

Judging from the results, there is an evident increase in the consumption of cannabis and cocaine. By contrast, cocaine paste and inhalants have experienced slight decreases. Cocaine and barbiturate consumption show the highest growth rates (of nearly 1.5 per cent).

Understanding the incidence of drug consumption or percentage of new consumers is also fundamental. It is estimated that approximately 150,000 Peruvians began consuming illegal drugs during the course of 2002. Cannabis abuse rose between 1998 and 2002, whereas the consumption levels of the other substances on the list appear not to have varied significantly.

Comparative chart on drug abuse incidence

<table>
<thead>
<tr>
<th>Drug</th>
<th>1998</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol</td>
<td>49.8 %</td>
<td>52.8 %</td>
</tr>
<tr>
<td>Tobacco</td>
<td>15.6 %</td>
<td>12.1 %</td>
</tr>
<tr>
<td>Cannabis</td>
<td>0.2 %</td>
<td>0.7 %</td>
</tr>
<tr>
<td>Cocaine paste</td>
<td>0.2 %</td>
<td>0.2 %</td>
</tr>
<tr>
<td>Cocaine</td>
<td>0.1 %</td>
<td>0.1 %</td>
</tr>
<tr>
<td>Inhalants</td>
<td>0.2 %</td>
<td>0.3 %</td>
</tr>
<tr>
<td>Tranquilizers</td>
<td>1.2 %</td>
<td>1.1 %</td>
</tr>
</tbody>
</table>

Drug abuse incidence among adolescents and young people has increased, as confirmed by the different research studies. This is the segment of the population that consumes most drugs, and especially prefers cannabis. Young women between the ages of 14 and 16 have increased their alcohol, tobacco and cannabis consumption compared to previous years.

The number of inhalant users (those who sniff glue) is also on the rise. This is typically an industrial glue product (known locally under the commercial name of “terokal”). As such, it is considered a legal product — despite the fact that when inhaled it is a powerful hallucinogenic substance. The consumption of “terokal” is widespread particularly among abandoned children,
known locally as street children or “niños de la calle”. It is highly toxic. To sniff it, consumers put it in a plastic bag and place the opening over their mouth and nose. By inhaling and exhaling into the bag, they release the gas vapour of the glue and inhale it.

MDMA (Ecstasy) was introduced as a new drug in 1999. Its use is associated with rave-type events. Consumers are generally middle- or upper class youths.

Regarding illicit drug consumers, it is estimated that there are approximately 90,000 addicts. Of these, 40,000 are cannabis addicts, 23,000 are cocaine addicts, 15,000 are cocaine paste addicts and 9,000 sniff glue. Most of them are multi-consumers, using cannabis in addition to some other drug.

### Number of drug-dependent users by substance

**National Survey for the Prevention of Drug Consumption 2002 (DEVIDA-UNODC)**

<table>
<thead>
<tr>
<th>Substance</th>
<th>Number (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannabis</td>
<td>40</td>
</tr>
<tr>
<td>Coca base paste</td>
<td>15</td>
</tr>
<tr>
<td>Cocaine hydrochlorid</td>
<td>23</td>
</tr>
<tr>
<td>Inhalants</td>
<td>9</td>
</tr>
</tbody>
</table>

Drugs are consumed primarily by the country’s young people. Youth constitutes the most vulnerable segment of the population vis-à-vis consumption of narcotics, as shown by the *Estudio epidemiológico sobre el consumo de drogas en la población escolar de secundaria UNODC-Ministerio de Educación 2002*. Despite being the most consumed drug among Peru’s youth, youngsters do not see cannabis as being a dangerous drug. However, they do consider “Ecstasy” to be the most dangerous drug (35.7 per cent) followed by cocaine paste (21.5 per cent).

Among some of the reasons young people give for abstaining from drugs are: (i) ambition, (ii) to lead a successful life, and (iii) to live a healthy and meaningful life (23.2 per cent), followed by the desire to maintain parental support, love and protection (24.1 per cent), and finally having a well-defined personality and knowing how to say ‘no’ when offered drugs.

The main reasons given by youngsters to start drug consumption are: curiosity, followed by the idea that drug consumption will help them solve their problems, and lastly, weak character. This study also shows that adolescents receive most information on drugs through the media (31 per cent), followed by family and relatives (20 per cent) and the Internet (4.7 per cent).

### 3.6.2 Treatment and rehabilitation

At present, there are an estimated 100 treatment and rehabilitation centres dedicated to treating drug-dependent people. Residential-type clinics are the most common type of therapeutic
community facility. There are an estimated 2,900 beds available for this type of residential-type care nationwide. Cocaine paste, alcohol and coca ine are the most commonly consumed drugs used by people seeking admission to these rehabilitation facilities.

Regarding the rehabilitation centres, it was found that 90 per cent of the facilities are available only to male addicts over the age of 18. There are only five rehabilitation clinics for minors. Some 71 per cent of the country’s rehabilitation clinics are located in Lima and Callao. Out of these, only 50 per cent are formally registered institutions and 41 per cent are currently in the process of registering their services.

There is a basic legal framework in place that regulates the operation of rehabilitation clinics. The Health Ministry and DEVIDA oversee the implementation of these regulations. The regulations require that clinics have specialized staff, structured programmes, adequate infrastructure and internal rules and procedures. Rehabilitation clinics also are required to have a team of professionals capable of providing top quality services. In Peru, 51 per cent of the rehabilitation clinics typically employ staff consisting of health professionals and trained, rehabilitated addicts.

Most rehabilitation clinics are privately owned. There are only four public hospitals offering these specialized services and one single state-owned therapeutic community. There is only one 24-hour hotline for drug addicts and this is run by CEDRO, the leading NGO in drug prevention. Four CADES (ambulatory facilities) have been established during the last few years. Therapeutic community-type services do not form part of the health system of the State, nor have they been incorporated into the formal health services network.

3.7 Costs and consequences

According to Peruvian authorities, the country spends yearly about US$ 600 million in the fight against drugs, adding up all internal and external sources. Although a significant amount, it falls short of what DEVIDA estimates to be the full cost of the entire 2002-2007 national anti-drugs strategy — namely, US$ 1.2 billion. That said, the lack of a formal system to account for anti-drugs and crime expenditures makes it difficult to arrive at precise real expenditure figures. Specific anti-drug programmes, such as supply and demand reduction activities, are funded mainly by the international community, as shown in the table below.

![Graph showing funding for anti-drug programmes](image)

Source: DEVIDA, 2005.
In 2003, the last year for which data is available, total investment in prevention and rehabilitation programmes carried out by the Government, civil society organizations and international cooperation agencies amounted to US$ 5.5 million.

According to DEVIDA, during the period 1995 to 2004, the country received in total some US$ 338.6 million from bilateral and multilateral international sources for drug control. The National Alternative Development Programme accounted for US$ 66.9 million in 2004, whereas coca eradication activities accounted for US$ 4.1 million in the same year.

The impact of drug abuse on drug-dependent people can be measured by low productivity and deteriorating health. However, the negative impact on family and the community has serious social implications. According to ILO, although alcohol and drug-related problems affect only 10 per cent of employees, these problems account for 80 per cent of all work-related problems. Behaviour disorders in addicts may induce them to steal, assault, commit crimes and cause accidents. A recent opinion poll taken among young people showed that 70 per cent of those interviewed consider that drug use is the main problem that they have to face (APOYO, 2005), whereas 22.8 per cent consider that gangs are the most frequent problem where they reside. Lima has 13,000 gang members and there are 6,000 gangs nationwide (national police, 2004). A considerable percentage of street robberies and assaults are perpetrated by drug users to finance their consumption.

Street dealing of drugs is a criminal activity that is increasing in all cities, causing violence, insecurity, and social disorders in communities. Entire families engage in street dealing, using methods such as “home-delivery” and Internet shopping. They are also developing marketing strategies in places where school children and youth frequently congregate, including outside school premises. Criminal bands engaged in street dealing do not hesitate to eliminate community leaders who dare to confront them. Further, they actively promote corruption in the police forces and the judiciary to enable them to operate with impunity. Although many municipalities put on a brave fight, their resources are usually insufficient to confront the problem.

The economic impact of the coca-cocaine industry varies among coca growing areas. According to USAID, the legal economy in coca growing areas generated US$ 54.3 million (2002), while the coca economy generated US$ 59.8 million (2003).

According to UNODC, the income generated by coca cultivation and drug trafficking within Peru is estimated at US$ 200 million. These resources are partly “reinvested” in other criminal activities, such as smuggling, copyright piracy, small arms traffic and human trafficking. Illicit proceeds are also reinvested in the legal economy, generating economic distortions and disloyal competition with legitimate economic actors. The economic power generated by drug traffickers is at the origin of many institutional and political corruption cases.

The coca valleys of Peru are frequently subject to social violence resulting from: (i) the alliance of subversive movements involving drug trafficking, (ii) the confrontations between coca farmers and police forces and crop eradication teams, and (iii) the strikes, demonstrations and roadblocks perpetrated by coca farmers’ unions. As a consequence, the population in coca growing regions is more likely than others to feel distressed and depressed. They tend to react violently when confronted with anything that scares them or which they consider offensive (UNICEF, 2005). Collectively, the society becomes unhealthy and distrustful. Many drug traffickers provide subversive groups with arms and money in exchange for protection and safe passage for drug shipments. Peasant farmers are vulnerable to these alliances.
Ecological damage is another devastating consequence of the coca-cocaine industry. It is estimated that deforestation or the serious degradation of eco-systems related to coca cultivation and cocaine production has reached 900,000 hectares nationwide, although no rigorous study has yet been carried out on this subject. The enormous quantities of waste produced by chemicals used for the production of coca base into cocaine on land and in rivers has generated vast contamination of soil and water, endangering agriculture and the health of people and animals. Land erosion and desertification are other direct consequence of indiscriminate coca cultivation.

Peru has been spared the HIV/AIDS link to drugs, due to the fact that there is little use of injected drugs. UNAIDS estimates there are 76,000 HIV/AIDS cases in Peru (2004), and 70 per cent to 75 per cent of these cases are located in Lima and Callao. Most cases appear to result from sexual transmission. However, there is a probable link between drug abuse and HIV in Peru due to unsafe sex, but no precise studies exists at present on this subject.

4. CRIME SITUATION

4.1 Main characteristics

Peru is confronted with a number of dynamics with respect to crime. Drug trafficking, human trafficking, money-laundering, corruption and terrorism are all very real issues in the country. Courts are overloaded with a disproportionately high number of defendants in cases involving massive levels of corruption, at all levels of government, resulting from the fall of the Alberto Fujimori administration. The identification and recovery of assets lost through numerous acts of corruption has become a high priority for officials, in particular anti-corruption prosecutors.

Human trafficking also has emerged as an issue which requires much more coordinated attention from both governmental and non-governmental institutions. While some progress has been made, through the establishment of an inter-institutional commission, governmental officials and representatives from non-governmental organizations recognize that there is still much to be done with respect to the prevention, investigation and prosecution of human trafficking, as well as providing protection for victims.

Money-laundering investigation efforts have been bolstered by the increasingly active efforts of Peru’s new Financial Intelligence Unit (FIU). In just over two years, the FIU has helped to identify over US$ 160 million in potentially illicit assets. While this is a clear measure of progress for the Government of Peru in the fight against organized crime, concern remains over whether there will be successful prosecution, convictions and the permanent confiscation of these illicit assets.

4.2 Corruption

As of the end of 2003, the Government of Peru had some 139 cases involving 1,402 defendants being prosecuted in cases related to acts by officials under the Alberto Fujimori regime. By the end of 2004, the number of cases had risen to 175, with 1,492 defendants being prosecuted.

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4 In July 2004, 14,840 cases of AIDS were reported. This is below the Latin American average (0.5 per cent) and below the global average (1.1 per cent). (Source: **Oficina General de Epidemiología del Ministerio de Salud** and **UNAIDS**).
Ex-President Alberto Fujimori is considered to be a fugitive. The Government of Peru formally requested his extradition from Japan in July 2003 so that he can be prosecuted for numerous acts of corruption, as well as possible human rights violations. The Government of Japan has refused to extradite Mr. Fujimori on the grounds that he is a Japanese citizen.

Specialized ad hoc prosecutors dedicated to the investigation of cases involving acts of corruption during the Fujimori regime made progress in 2003 and 2004 in pushing for the repatriation of illicit assets and in gaining some degree of credibility with a public wary of governmental institutions. Because of such progress and reports of possible acts of corruption among officials in the current Government, the powers of the ad hoc prosecutors were broadened to allow for investigations of current acts of corruption. Notwithstanding this, the contract of the Chief Ad Hoc Prosecutor was allowed to expire and was not renewed at the end of 2004 after investigations were commenced against high-level government officials. Assistant ad hoc prosecutors subsequently resigned, and a new Chief Ad Hoc Anti-Corruption Prosecutor was appointed, along with new assistant prosecutors, all with short-term contracts.

The courts, with very limited resources and using an obsolete code of criminal procedure, have been slow to adjudicate the many corruption cases — some of which have over 30 defendants. As of the end of 2004, a final verdict had been reached in less than 20 of the over 170 pending cases.

### 4.3 Terrorism

Terrorism and other acts of subversion started in Peru during the 1980s. This plunged the nation into the most devastating internal armed conflict in entire the history of the Republic. The conflict has caused the highest loss of lives ever and the highest cost to the country. Socio-economic losses have been estimated at more than US$ 26 billion.

What originally sparked off this armed conflict was the decision of the Sendero Luminoso (Shining Path) to declare a “People’s war” on the rest of the country. Another terrorist organization, the Movimiento Revolucionario Tupac Amaru (MRTA), joined the armed conflict in 1984 and is considered responsible for 1.4 per cent of the victims. Urban and rural terrorist attacks were extremely violent, causing terror in their wake. The population was threatened by constant car bombs, massacres and executions carried out by terrorists for nearly two decades.

In June 2001, a Truth and Reconciliation Commission (TRC) was created in an effort to understand...
and explain these acts of violence and publicly denounce human rights violations and crimes committed by the terrorist or rebel groups. After 2 years of intensive work, the Commission concluded that approximately 69,000 victims died during the 20 years of armed conflict. The final report of the TRC describes a series of deficiencies with respect to the way the Government handled the rebel war. According to this report, the situation was mismanaged not only by the different governments but also by the judicial and legislative systems. New anti-terrorism legislation was established which “over-criminalized” acts of terrorism and allowed for trials in which judges wore hoods. Individuals, under these laws, could also be tried in different forums for the same conduct. These overbearing laws, and the convictions resulting from them, resulted in the overturning of many convictions, the release of many convicts from prison, and the need to organize new trials.

Following the capture and arrest of the top leaders of the Sendero Luminoso and the MRTA in 1992, terrorist attacks gradually became less frequent and the factions were eventually dismembered. However, the Sendero Luminoso did not disappear altogether, resurfacings in 2001. Armed groups have been identified in the Apurimac river valley, in Ayacucho, in the Ene valley located in Junín, in the province of Satipo, in the valley of Huallaga, in Huanuco and in San Martín.

<table>
<thead>
<tr>
<th>Number of terrorist or subversive attacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2003</td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>2001</td>
</tr>
<tr>
<td>Ayacucho</td>
</tr>
<tr>
<td>Huancavelica</td>
</tr>
<tr>
<td>Huánuco</td>
</tr>
<tr>
<td>Junín</td>
</tr>
<tr>
<td>La Libertad</td>
</tr>
<tr>
<td>Lima y Callao</td>
</tr>
<tr>
<td>Pasco</td>
</tr>
<tr>
<td>Piura</td>
</tr>
<tr>
<td>Puno</td>
</tr>
<tr>
<td>San Martín</td>
</tr>
<tr>
<td>Apurimac</td>
</tr>
<tr>
<td>Cajamarca</td>
</tr>
<tr>
<td>Ancash</td>
</tr>
<tr>
<td>Cuzco</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Internal Affairs, PNP.

New trials have since been reopened to process many accused terrorists. Sendero Luminoso terrorists are well organized in the local prisons. Terrorist squads have been detected in coca-growing areas and there is strong evidence of a link with drug traffickers. In 2005, there were a number of attacks directly targeting policemen and abundant anti-eradication propaganda was distributed. Systemized information and statistical data on this issue is scarce.

4.4 Issues of specific concern

4.4.1 Human trafficking

In 2004 and 2005, a number of different sources expressed concern over the existence of human trafficking (both international and internal) in Peru. Important cases were brought to the attention
of the public, including one case involving two women who had been trafficked from Peru to Japan by the Yakuza mafia. Interviews held with victims and UNODC officials revealed a high degree of credibility of these accounts and a connection between the Yakuza mafia and the Peruvian mafia in trafficking women.

Although poverty in Peru is considered to be a major catalyst for women and children who fall victim to trafficking (and prostitution\(^5\)), other factors include: (1) gender discrimination, (2) lack of access to education, and (3) cultural obligations to support the family unit.\(^6\) These, among other factors, have also generated an extensive black market in Peru for the falsification and forgery of official documents, including false foreign passports or false documents to assist individuals in obtaining real foreign passports. Women and children have reportedly been trafficked from Peru to Argentina, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, France, Gabon, Italy, Japan, Spain and South Korea.\(^7\) Many reports of internal trafficking also exist.\(^8\)

Traffickers in Peru have used different means to recruit victims, including the use of employment agencies, newspaper ads and the internet offering work abroad as domestic servants, barmaids, cruise entertainment assistants, models and/or the promise of marriage to a foreign national. Media news reported several cases in which the victim’s neighbour was the first contact or acted as the intermediary (sometimes in an effort to earn a “commission” or part of the future earnings of the victims).

**Human trafficking - routes according to victims**

![Human trafficking routes map](image)

Source: Approximation of map used in report *Trata de mujeres para fines sexuales comerciales en el Perú*, Organización Internacional para las Migraciones y Movimiento el Pozo, March 2005, at page 151.

Not enough is known to date, as to whether there are “established” trafficking routes or the direction of those routes, but it is clear that they are quite diverse. On the northern border with

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\(^5\) Prostitution is not a crime in Peru.

\(^6\) *Trata de mujeres para fines sexuales comerciales en el Perú*, Organización Internacional para las Migraciones y Movimiento el Pozo, March 2005.

\(^7\) *Id.*

\(^8\) *Id.*
Ecuador, cases have been reported of women and children being trafficked in both directions, and there are also reports that adolescents do not encounter much difficulty in crossing this border.\(^9\) In the case of women trafficked to neighbouring Brazil and Colombia, women reportedly have been trafficked by river from Iquitos, in the Amazon region of Peru, to the bordering towns of Tabatinga (Brazil) and Leticia (Colombia).\(^10\) On Peru’s border with Bolivia, trafficking (typically by land) appears to be going in both directions, to and from Peru. According to one report, the southern Peruvian town of Puno (on the edge of Lake Titicaca) “is an attractive tourist destination in which commercial sex is connected to mafias that operate on an international level, and where the increase in prosperity through commerce and services has produced an increase in the commercial sex industry.”\(^11\) It is widely considered that there are few immigration controls in place to combat trafficking in human beings in this area. On the southern border with Chile, the flow of trafficking moves from the border town of Tacna (Peru) – in which many employment agencies can be found offering jobs – to Arica (Chile).

With respect to internal trafficking, a number of cases have been reported to officials and to NGOs working to help victims. Some 25 per cent of these involve adolescents.\(^12\) Commonly, parents of children living in conditions of extreme poverty are often tempted to respond to offers of payment in exchange for allowing their adolescent child to work in another town. Several cases indicate that it is also the parents who, after not hearing from their adolescent child, begin to search for and occasionally successfully rescue them from situations of exploitation.

Issues considered by officials to be of primary importance in the fight against human trafficking include:

- Developing a better understanding of the nature of human trafficking in and through the country – e.g., by mapping of trafficking routes to better mobilize a response to the problem;\(^13\) and
- Better identifying the profile of victims and those involved in trafficking to create more targeted prevention and public information campaigns, geared towards dismantling trafficking networks and to seize and permanently confiscate their illicit assets.

### 4.4.2 Money-laundering

As a result of investigations carried out by anti-corruption prosecutors in conjunction with the assistance of foreign governments, some US$ 224,000,000 in illicit assets has been identified in foreign jurisdictions, including Luxembourg, Mexico, Switzerland and the United States, among others. To date, US$ 173,000,000 has been repatriated with the assistance of the Governments of Switzerland and the United States.

Investigations continue to attempt to identify and recover additional corruption-related assets produced by and attributed to illegal acts of former government officials, including trafficking in

\(^9\)Id.
\(^10\)Id.
\(^11\)Id., page 57 (translated from Spanish).
\(^12\)Id.

\(^13\)At least one international organization (Save the Children, Sweden) is considering providing support to Peru in the form of carrying out a study to identify trafficking patterns into, through, and out of Peru. The results of such a study could help authorities better identify strategies to respond to the problem.
arms, favouritism and privatization of State institutions, and the embezzlement and misuse of pension funds belonging to thousands of police and military officials.

Since the creation of the Financial Intelligence Unit (FIU) in 2002, that entity has identified over US$ 160 million in possible illicit assets. The FIU has submitted some 24 cases to the Attorney General for further investigation of possible money-laundering-related to drug trafficking, arms trafficking, kidnappings and other forms of organized crime.

### Cases submitted by the Financial Intelligence Unit to the Office of the Attorney General for possible investigation into money-laundering (September 2003 to April 2005)

<table>
<thead>
<tr>
<th>Cases</th>
<th>Amount Involved (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug trafficking</td>
<td>44,427,494</td>
</tr>
<tr>
<td>Contraband</td>
<td>309,000</td>
</tr>
<tr>
<td>Arms trafficking</td>
<td>26,015,129</td>
</tr>
<tr>
<td>Tax evasion</td>
<td>9,752,988</td>
</tr>
<tr>
<td>Corruption</td>
<td>4,814,860</td>
</tr>
<tr>
<td>Fraud</td>
<td>6,696,272</td>
</tr>
<tr>
<td>Kidnappings</td>
<td>15,459,000</td>
</tr>
<tr>
<td>Intellectual property violations</td>
<td>54,500,000</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>161,974,743</td>
</tr>
</tbody>
</table>

Source: Financial Intelligence Unit.

Anti-corruption prosecutors report much difficulty in obtaining mutual legal assistance from authorities in Panama with respect to elimination of bank secrecy on possible accounts that may hold corrupt funds in that country.

### 4.4.3 Issues of specific concern related to organized criminal activity

#### Corruption

In May 2004, a National Plan for the Integrated Reform of the Administration of Justice was proposed by a special commission (CERIAJUS).\(^\text{14}\) Many of the proposals centred on strengthening the fight against corruption, better use of the judiciary budget, accelerating the processing of cases, and improving the criteria for the selection of judges. In the area of fighting corruption, two recommendations were considered crucial: (1) creating anti-corruption tribunals (currently considered ad-hoc and temporary) permanent institutions; and (2) allocating adequate amounts of the national budget to the Public Ministry and to the courts to cover the costs of their logistical and human resource needs in the fight against corruption. Since the publication of the recommendations, the ad hoc anti-corruption tribunals unfortunately have remained provisional in

\(^{14}\) Comisión Especial de Reforma Integral de la Administración de Justicia, created by Law 28083, Art. 1.
nature, and the Government appears to have had much difficulty in reallocating budgetary resources to strengthen the needs of prosecutors and judges in the fight against corruption.

**Identification, recovery and distribution of illicit assets**

The efficiency and transparency of the system currently in place to recover and subsequently distribute illicit assets is an often-ignored issue. In Peru, the *Fondo Especial de Administración del Dinero Obtenido Ilícitamente en Perjuicio del Estado* (FEDADOI) is the main entity charged with the custody and distribution of illicit assets. This institution, however, has been the subject of much criticism with respect to questionable and delayed distribution of funds.15 Members of the judiciary and prosecutors have expressed concern over this. They have urged that any subsequent funds recovered through cases involving acts of corruption are distributed in greater measure to the anti-corruption institutions.

**Special investigation techniques**

While the use of the special investigation techniques is not obligatory under the United Nations Convention against Transnational Organized Crime or the United Nations Convention against Corruption, they are encouraged where possible. At present, Peru uses undercover operations and electronic surveillance only in drug-related cases. Special investigative techniques do not appear to be in use in corruption, human trafficking, kidnapping, piracy, terrorism or any other cases involving possible organized crime — although Peruvian law does permit their use in such cases.

5. **DRUG POLICY**

5.1 **National drug control framework**

5.1.1 **Main characteristics of national drug policy**

In 1994, Peru developed its first National Anti-Drugs Strategy, which covered three strategic areas: interdiction, alternative development, and rehabilitation and treatment of drug consumption. The strategy and its programmes were coordinated by CONTRADROGAS, the predecessor of the National Commission for Development and Life without Drugs (DEVIDA).

In 2001, the then-new government of Mr. Alejandro Toledo made the fight against drugs priority, in line with democratization, poverty reduction and socio-economic development. In July 2002, DEVIDA prepared the new “National Drug Control Strategy 2002-2007”. It differs from the 1994 strategy in that the new one includes an eradication component.

The 2002-2007 strategy includes:

- Reduction of drug consumption and rehabilitation of drug addicts;
- Interdiction of illicit drug trafficking and related crime;

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15 Corruption and other organized crime cases often rely on the evidence provided by those seeking witness protection, and therefore the support provided through a credible witness protection programme. In at least one case, the anti-corruption court entered an order for payments to be made to a key witness who provided testimony that allowed authorities to seize a large number of assets and identify key individuals involved in acts of corruption. FEDADOI, however, did not make payments to the key witness for over a year, and payments were disbursed only after the witness’ story was aired on national television.
• Alternative development, environmental protection and rehabilitation of damaged ecosystems; and
• Eradication of illicit crops.

The strategy is implemented through five programmes: prevention and rehabilitation, alternative development, environmental protection, eradication as well as interdiction, and money-laundering. The implementation of the first three programmes is the responsibility of DEVIDA. The last two are multi-sectoral programmes.

5.1.2 Conventions adherence


5.1.3 Legislation

The national laws and regulations of Peru related to drugs are generally in line with the United Nations conventions mentioned above. Specific legislation against crimes related to money-laundering, chemical substances and firearms are in line with these conventions as well as with CICAD Model Regulations. Peru has ratified the Inter-American Convention against Corruption, Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials as well as those on Mutual Assistance in Criminal Matters.

The General Drug Law of 1978 (Decree Law 22095 repeatedly amended and partially repealed) remains the fundamental instrument for drug control of Peru. It covers trafficking, processing, demand reduction and the cultivation of coca channelled by the national company ENACO, as mentioned in section 1.4 above. The General Drug Law is supplemented by the Penal Code Reform of 1991. Legislative Decree 753 of 1991 recognizes peasants who grow coca leaf as a socially and economically distinctive group — different from drug traffickers. The legal framework is institutionalized by Legislative Decree 824 of April 1996, (Law on the Fight against Drug Trafficking), which replaced the armed forces by the national police for drug enforcement. The law also established the drug control coordinating body CONTRADROGAS (now known as DEVIDA).

In 2002, the Government enacted a series of laws that form part of a penal and institutional reform. Laws 27765 and 27693 (Law against Laundering of Assets and Law of the Financial Intelligence Unit) enhance the existing legal possibilities against money-laundering and establish a Financial Intelligence Unit. Law 27817 (Law against Micro-commercialization of Drugs) establishes the offence of drug-related selling and related sanctions.

5.1.4 Drug control institutions

The first full-fledged national drug control commission was created in 1996. Its name was CONTRADROGAS (1996-2001). In 2002, the commission was renamed DEVIDA (Commission for Development and Life without Drugs). DEVIDA directs, coordinates, consolidates, and evaluates the anti-drug strategy at the national and provincial levels. It also represents the Government at international forums. Specifically, DEVIDA is responsible for the coordination of activities in the following areas: (a) prevention of drug consumption; (b) improvement of rehabilitation programmes; (c) promotion of crop substitution; (d) awareness-raising on the illegality of drug production, trafficking and consumption; and (e) encouragement of international financial support for the national fight against drug trafficking. The Executive President of
DEVIDA has the rank of minister.

The Peruvian Executive Office of Drug Control (OFECOD) is responsible for the planning, sectoral communication, supervision and management of anti-drug production and trafficking programmes. It is responsible of the destruction of seized narcotics, custody of other assets pending completion of forfeiture proceedings, and distribution of forfeited assets to Peruvian government agencies for use in counter-narcotics activities or other public purposes.

The principal Peruvian law enforcement agency is the Peruvian National Anti-Narcotics Directorate (DIRANDRO), which is part of the National Police (PNP). It is responsible for controlling and investigating illicit drug trafficking and executing interdiction measures.

Interdiction is essential to support drug-reduction policies. Between 1994 and 1996, DIRANDRO carried out actions to eliminate clandestine landing strips. This has had great impact in the fight against drug trafficking. As a result of this initiative, one of the main exit routes for coca paste at the time (towards Colombia) was considerably thwarted. This contributed to a decrease in demand, consequently in prices, and ultimately caused coca-growers to abandon their crops.

DIRANDRO carries out anti-drug operations, such as destroying maceration pits and laboratories, and apprehending drug traffickers. These operations are targeted to sectors that are centres of coca activity and include the Monzon, Aguytia, Tocache, Chontayacu (Uchiza), Aucayacu, and Apurimac-Ene river basins. This type of interdiction action generates little social reaction as it is directed at drug traffickers. However, the impact of these actions is short-lived.

5.2 Licit control (drugs and precursors)

A number of institutions are in charge of the control and investigation of licit and illicit drugs, precursors and chemical substances. The Ministry of Industry, Tourism, Integration and International Commercial Negotiations (MITINCI) has a special division (Directorate of Chemical Inputs and Supervised Products – DIQPF) for the control of chemical substances. It supervises the import and transport of licit chemical substances that are used for coca processing. The General Directorate of Medicines, Inputs and Drugs (DIGEMID) of the Health Ministry supervises the production of narcotics for medical and scientific purposes, the export and import of medical inputs and ensures that these substances are not diverted towards the manufacture of illicit products.

Other control activities are assigned to the Ministry of the Interior. DIRANDRO has a special Division of Investigation and Control of Chemical Substances (DICIQ). It is in charge of the investigation and control of the diversion of drugs, chemicals and precursors. The Executive Office for Drug Control (OFECOD) is responsible for the seizure of drugs and chemical precursors, as well as impounded goods, real estate and money resulting from illicit drug trafficking.

Among these four institutions, there is little coordinated action. The vast area of Peruvian territory, especially in the scarcely populated rainforest regions, makes the implementation of comprehensive control mechanisms difficult. However, control of chemical materials for coca processing, such as kerosene and cement, used to be stronger in the 1990s. At that time, interdiction and control measures were strictly enforced.

5.3 Supply reduction

The eradication of coca plants is performed manually by digging out their roots and pulling up whole plant from the soil. Specialized workers of the Special Eradication Project (Control and
Reduction of Coca Cultivation in the Upper Huallaga – CORAH), protected by armed police, are flown to the area by helicopter to carry out the eradication work. Coca growers in Peru are usually peasants who, because of lack of markets and other opportunities, turn to coca for their livelihood. Eradication of their coca fields causes despair in families left without any means to meet their basic needs. Coca eradication campaigns started in 1979.

Between 1983 and 1988, actions were intensified through the CORAH project, causing coca activity to move to other areas more difficult to access and control. Some 18,000 hectares of coca were eradicated at the time. However, in spite of (or as a result of) this action, the area under coca cultivation increased dramatically, making Peru the major provider for drug trafficking. In 1989, the Government suspended compulsory eradication. It was considered that this policy generated violence and terrorism. Moreover, the areas of coca cultivation had not been reduced, but rather increased and extended to other areas of the upper and lower tropical forests of Peru.

In the last few years, protests against eradication actions resulted in roadblocks and social unrest. After negotiations, the Government presented a new strategy of self-eradication coupled with alternative development programmes. This programme was initiated in October 2002, piloted in the Aguaytia area. The sudden interruption of income generation caused by eradication of coca makes alternative development more fragile, difficult and cost-intensive. The livelihoods of the peasants have to be assured until alternative development measures take effect. New markets have to be opened quickly in order to absorb alternative products in a more sustainable and fair manner than was previously the case.

The authorities have foreseen reaction patterns against eradication measures since the mid-1990s. In 1996, DEVIDA was established to promote alternative development, as well as activities to reduce demand and to integrate these activities into the broader drug control context. It is responsible for designing a comprehensive drug control strategy, multi-sectoral coordination of alternative development and programmes to reduce drug demand.

Alternative development is one of the five national programmes included in the National Drug Control Strategy 2002-2007 (5.1.1.). The objective is to generate a licit farming economy based on commercially-viable production lines to ensure the permanent abandonment by farmers of coca cultivation.

Alternative development models have evolved from simple “crop substitution” to a more holistic “integrated and sustainable development”. Projects include the construction of road infrastructure, the provision of basic social services and the development of social capital.

The National Alternative Development Programme is coordinated by DEVIDA and has the support of international technical assistance projects and programmes. The United States alone accounted for funds worth US$ 56 million in 2004. The European Commission executed around US$ 7 million in 2004. Other countries, such as Austria, Finland, Germany, Japan, Italy, the Netherlands, Sweden and the United Kingdom contributed with financing for specific projects. UNODC provided around US$ 3 million in 2004. The total international bilateral and multilateral cooperation for 2004 amounted to some US$ 70 million in 2004. During the period 1995 to 2004, Peru received about US$ 333.6 million for sustainable livelihoods programmes.

The sustainable livelihoods programme implemented by UNODC in Peru has its strategy grounded in five pillars:
(a) Diversification of licit and environmentally safe production in the project area and within the participating communities.

(b) Creation of added-value (crops and livestock) through improvement of production, generation of agro-industries and processing facilities; and sound marketing.

(c) Generation of farmers’ organizations with capacity to assume the complete production cycle up to successful commercialization.

(d) Cross-cutting integration of gender issues in all project activities, with full participation of the entire farmer family.

(e) Planning and implementation of project activities on the basis of shared costs among beneficiaries, government institutions, bilateral cooperation organizations and UNODC.

The programme placed particular emphasis on strengthening the technical, managerial and marketing skills of local farmers’ associations, enabling them to place high-quality products such as organic/specialty coffee, cocoa, palm hearts, palm oil, rice, fruits juices in national and international markets (Germany, the Netherlands, Spain, Switzerland and the United States). Main products have obtained “organic certification” and “fair trade” labels — essential requirements in opening export markets and achieving better prices.

Farmers’ associations have become models for, and cooperating partners with, several other regional, national and international organizations active in the area. They are able to conduct successful business transactions with foreign and domestic clients, avoiding intermediaries between producers and markets.

Programmes implemented through UNODC over the past 20 years have shown that alternative development is an essential and efficient method of generating sustainable, licit incomes to small farmers who would otherwise grow coca. In 2004, the farmers’ enterprises supported by UNODC (palm oil, organic cocoa, specialty coffees) generated US$ 36 million of income, mostly in export markets. However, alternative development programmes take a long time to produce the desired results.

In 2004, coca cultivation increased by 14 per cent with regard to 2003. Crucially, the illicit coca monitoring survey (UNODC 2005) showed that over 90 per cent of the new coca crops were produced in areas where no alternative development projects are implemented. On the other hand, areas with some level of access to sustainable livelihoods activities remained ‘stable’ in 2004, and in one case (Puno) actually delivered a year-on-year reduction in coca cultivation.

However, to be viable and sustainable, alternative development projects require the necessary infrastructure — such as roads, energy, schools and health facilities. In this regard it is important that the Government must also enforce law and order in areas undergoing alternative development. This is essential for economic and social development. Furthermore, the Government should provide its rural sector with a minimum of agricultural analysis and research. It should also operate an efficient agricultural extension service. Lastly, to have an impact, alternative development projects must be replicated to cover all potential coca-growing areas. This requires larger investments, not only for the alternative development projects per se, but also to provide the required environment, infrastructure and security.

Although there are many successful models to empower former coca growers to manage commercially-viable businesses, what is still mostly lacking is the replication of such models at wider geographic levels, involving also the private sector. The development of conventional rural
development endeavours is likely to interest international and/or national financial institutions, such as the Inter-American Development Bank (IDB) and the World Bank. None of these conditions has yet been met in Peru. A large part of the work carried out by UNODC in the country, besides the execution of alternative development projects, consists of advocacy and promotion, aimed at having all these steps implemented gradually.

5.4 Demand reduction

The “Programme for Prevention of Drug Consumption and Rehabilitation of Drug Addicts” is an integral part of the National Drug Control Strategy 2002-2007. The reduction of drug consumption and the development of healthy lifestyles represent the primary objectives of this strategy. Prevention programmes are carried out with schools, youth networks, NGOs and municipalities.

However, new investments are required to improve the quality and output of this national programme. Investments should be made in the following areas: improvement of the epidemiological information system and monitoring centre, strengthening of multi-sectoral coordination, prevention, counselling, treatment and social reintegration programmes, research, and community-based programmes for local authorities.

5.5 Money-laundering control measures

Peruvian authorities agreed on the need to change previous legislation so as to not only typify crimes concerning money-laundering from illicit drug trafficking, but also for other serious crimes such as corruption, arms trafficking, human trafficking, kidnappings and other forms of organized crime. In 2002, within the criminal and institutional reform package undertaken by the Government, two laws addressing these concerns were promulgated. Law 27765 (Law against the Laundering of Assets) broadens the base for prosecution of money-laundering. Law 27693 establishes a Financial Intelligence Unit, which gathers and analyses information related to suspicious transactions and, if necessary, forwards the results of these analyses to the Office of the Attorney General for possible further action.

5.6 International cooperation

International cooperation on drug-related issues includes extensive bilateral cooperation with the United States of America. The United States is the major donor in interdiction, eradication, and alternative development and also contributes to prevention programmes and institutional strengthening efforts (five-year budget of US$ 300 million). Furthermore, there are several debt-swap agreements under implementation with the Netherlands, Spain and Germany.

Bilateral cooperation agreements exist with many Latin American countries, including border control agreements with all countries bordering Peru. These agreements include alternative development, demand reduction and interdiction matters. They consist of information exchange and, in some cases, joint operations. Moreover, regional multilateral coordination initiatives take place through CICAD-OAS, as well as through UNODC-sponsored activities, such as workshops

16 Starting in 1999 and by now completed, US$ 5 million was invested in institutional strengthening.
17 US$ 5.35 million is invested in prevention and rehabilitation programmes that started in 2000.
18 The agreement on US$ 12 million started in 2002 and will be invested in alternative development in the Tocache-Uchiza region.
19 Including Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador and El Salvador.
on improving controlled deliveries, witness protection in drug cases and the use of undercover operations.

The National Plan for Alternative Development and Reduction of Drug Demand (as mentioned in section 5.3 above) was discussed at the 1998 Brussels Consultative Group of Donors meeting. Peru is a member State of the Andean Alternative Development Committee (CADA) and held the executive Presidency in 2002. CADA was created in 2000 in Lima for the promotion of alternative development strategies and policies.

Peru promotes and reinforces the CICAD-OAS Multilateral Evaluation Mechanism (MEM) as an instrument to monitor anti-drug efforts on a national scale. Both unilaterally and bilaterally, Peru is promoting the need to focus on joint anti-drug cooperation efforts so that these are carried out in an integrated and balanced manner, reducing the possibility of the balloon effect within the Andean region.

In October 2002, Peru signed a bilateral agreement with Colombia to combat the use of small aircraft to transport drugs across international borders. Moreover, and within the framework of the Andean Community of Nations (CAN), the country adopted the Compromiso de Lima, Carta Andina para la Paz y la Seguridad, through which member States reaffirm their commitment and adherence to the purposes and principles of the Charter of the United Nations and the Charter of the Organization of American States, and to the formulation of an Andean Community policy for securing and fostering trust among nations.

5.7 Cooperation with international bodies

The Peruvian Government is complying with its obligation to report to the Commission on Narcotic Drugs (CND) according to the resolution adopted by the General Assembly at its twentieth special session by completing the Biennial Report Questionnaires (BRQ) as well as the Annual Report Questionnaires (ARQ). Peru also works closely with the Inter-American Drug Abuse Control Commission (CICAD) of the Organisation of American States (OAS), and the Community of Andean Nations (CAN). Peru has replied to the 4th, 5th and 6th editions of the UN Survey on Crime Trends and the Operations of Criminal Justice Systems (latest data are available for 1997).

6. CRIME POLICY

6.1 National crime prevention framework

6.1.1 Main characteristics of national crime prevention strategy

Human Trafficking

Peru does not yet have a National Plan of Action to combat human trafficking, although this has been identified by officials as a high priority. While human trafficking may not be new to Peru, debate and discussion over the issue has grown dramatically in the last few years. This produced the creation in 2004 of the Permanent Inter-Institutional Working Group Against Trafficking in Persons.²⁰ The group is comprised of representatives from the Ministry of Internal Affairs, Ministry of Foreign Affairs, Ministry of Women and Social Development, Ministry for Labour and the Promotion of Employment, Ministry of Education, Ministry of Health, the Judiciary and the Public

²⁰ In Spanish, Grupo de Trabajo Multisectorial Permanente contra la Trata de Personas.
Ministry, as well as representatives from civil society. International organizations have also been invited to participate in Working Group meetings.

In January 2004, the Government of Peru also created the Department for the Investigation of Human Trafficking, under the direction of the Division for the Investigation of Kidnappings, within the National Police. While several police officials have been assigned to this new division, it does not have the physical resources or specialized training needed to effectively carry out its role to: (1) identify and dismantle trafficking networks, and (2) identify and seize illicit assets linked to those involved in human trafficking.

**Corruption**

Despite numerous reported acts of corruption that took place under the Alberto Fujimori administration, and the numerous cases being processed as a result of that corruption, Peru does not yet have a national plan of action or national strategy to combat corruption. Notwithstanding this, an extensive (albeit under-resourced) institutional framework has been created to investigate, prosecute and adjudicate acts of corruption.

Key officials have indicated that some of the main obstacles to the ability of the Peruvian judiciary to better adjudicate acts of corruption include primarily: (1) the lack of independence of anti-corruption judges – they may be removed at any time; (2) lack of basic physical resources – vehicles, computers, paper; (3) lack of qualified and independent experts to analyse the many financial documents found in case files; (4) weak penalties for acts of corruption; and, perhaps most important, (5) laws that require that prison terms resulting from convictions for acts of corruption must run concurrently – e.g., two convictions, each for 8 years, mean the total maximum prison term would be 8, not 16, years.

Specialized ad hoc anti-corruption prosecutors are also under-resourced and not considered to have the independence they need to carry out their role effectively. Specialized anti-corruption police units also suffer from a lack of basic physical resources.

**Money-laundering**

Since its creation in 2002, the Financial Intelligence Unit has made great strides in establishing efficient working relations with all of the entities that are obligated, by law, to report suspicious transactions. Cooperation agreements have also been established between the FIU and its counterparts in a number of countries, including: Andorra, Argentina, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Monaco, Panama, Paraguay, Spain and the United Kingdom. As of the drafting of this document, efforts were being taken by the FIU to secure cooperation agreements with counterparts in Australia, the Bahamas, Canada, Grand Cayman Islands, Italy, Russia, and the Ukraine.

Reciprocity exists in cases in which assistance may be required with the United States or Brazil. Peru became an EGMONT group member in June 2005. Notwithstanding the above, it should be mentioned that very few money-laundering convictions have been produced in cases other than those involving drug trafficking.
6.1.2 Organized Crime Convention adherence

Peru is a party to the United Nations Convention against Transnational Organized Crime and its three protocols. Peru has ratified the 12 major multilateral conventions and protocols that have been promoted by the United Nations to date, including the 1997 “International Convention for the Suppression of Terrorist Bombing”, and the 1999 “International Convention for the Suppression of the Financing of Terrorism”.

The Peruvian Government is promoting internal legislation to ensure total compliance with all Security Council international agreements and resolutions concerning terrorism.

6.1.3 Corruption Convention adherence

On 16 November 2004, the Government of Peru became the first South American country to ratify the United Nations Convention against Corruption.

6.1.4 Legislation

Corruption

The following laws relate to principal acts of corruption in Peru:

- Penal Code Article 381 – Nomination of unqualified individuals for public posts
- Penal Code Articles 376, 382 – Abuse of authority or public power
- Penal Code Articles 393, 394 – Reception of bribes by public officials in general
- Penal Code Articles 395, 396 – Reception of bribes by judges, arbitrators, prosecutors, related officials or their staff
- Penal Code Article 397 – Offering of bribes to public officials in general
- Penal Code Article 398 – Offering of bribes to judges, arbitrators, prosecutors, related officials or their staff
- Penal Code Article 400 – Influence peddling
- Penal Code Article 401 – Illicit enrichment
- Penal Code Articles 387, 388, 389 – Diversion of funds and embezzlement
- Penal Code Article 404 – Concealment, illicit protection of individuals subject to prosecution
- Penal Code Articles 365, 366, 371 – Obstruction of justice
- Law 27378 – Outlines circumstances and conditions under which individuals may be offered protection in return for acting as witnesses in cases involving acts of corruption.

Human trafficking

The Attorney General submitted in early 2004 a draft anti-human trafficking bill to the Congress. This bill would bring Peruvian law into greater consistency with the relevant Protocols to the United Nations Convention against Transnational Organized Crime. However, it has been delayed over concern that its provisions should be simply incorporated into other parts of Peruvian law, such

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as the Penal Code, rather than creating separate legislation for human trafficking. The
Congressional Commission on Justice and Human Rights has recommended modifying the penal
code to incorporate more precise provisions related to human trafficking.

In 2004, Article 182 of the Penal Code was modified, through Law 28251, to sanction – with a
penalty of 5 to 12 years in prison – the trafficking in persons. The Law defines trafficking as the
promoting or facilitating of the recruitment of a person for entry or exit from the country to perform
prostitution, be subjected to sexual slavery, pornography or other forms of sexual exploitation. If
aggravating circumstances exist, the prison term shall be no less than 10 years in prison. While this
definition is not as broad a that defined under the Protocol to Prevent, Suppress and Punish the
Trafficking in Persons, Especially Women and Children, officials have indicated there is political
will to bring the law into compliance with the obligations of Peru under the United Nations
Convention Against Transnational Organized Crime and its protocols.

The Penal Code does typify acts related to human trafficking, penalizing sexual tourism (Penal
Code Article 181), sex with adolescents (Article 179), and promoting or exploiting prostitution
(Articles 179, 180, 181). Migrant trafficking is typified as a crime under Penal Code Article 303.
Prostitution is not a crime in Peru.

As of the drafting of this document, no information was available indicating that anyone in Peru has
ever been tried and convicted for human trafficking, or that the assets used in connection with these
illicit activities have been seized or confiscated.

Terrorism
Peru has been supporting the work of the Inter-American Committee Against Terrorism (or Comité
Intraamericano Contra el Terrorismo – CICTE) and encouraging hemispheric cooperation efforts
to prevent, fight against and eliminate terrorism in all of its forms.

Peru forms part of the 12 United Nations conventions on terrorism. It is also a signatory to the Inter-
American Convention against Terrorism, which is currently undergoing an internal ratification
process in Congress.

The previous anti-terrorism legal framework of Peru included Decree Law 254751 (penalizing
terrorism) and Decree Law 256592 (creating the crime of treason). This system established
provided broad powers to investigate, prosecute and adjudicate any person for suspected acts of
terrorism or treason. Under these laws, life sentences were obligatory, violating a basic human right
of receiving a sentence proportionate to the crime committed. Police were also given broad powers
and trials were permitted with hooded judges (to avoid the potential for death threats against these
officials). Military tribunals were also empowered to try cases involving civilians. After outcries
from the international community over possible violation of basic human rights, and after review by
the Peruvian Supreme Court, many of the convictions obtained under these laws were overturned.

Some 1,600 individuals previously convicted under these broad laws must be re-tried, although
many of the prosecutors who had in-depth knowledge of the voluminous case files no longer work
with the Office of the Attorney General, and many of the witnesses are no longer available or
willing to testify.

Money-laundering
The Financial Intelligence Unit was created through Law 27693, amended by laws 28009 and
28306. Money-laundering in Peru is defined under Law 27765 and applies to all monies, goods,
effects or profits proceeding from an illicit origin. In this respect, the law is stronger than that required by the United Nations Convention against Transnational Organized Crime, in that the Peruvian law is not limited to investigating and prosecuting cases in which the original crime holds a maximum prison penalty of four years or more.

6.1.5 Crime control institutions

The National Police have specialized directorates for combating drug trafficking, corruption, terrorism, and a small under-resourced unit dedicated to investigating human trafficking and kidnappings. The anti-drug, anti-corruption and other divisions of the National Police also have small units dedicated to investigating the financial aspects of the crimes over which these institutions have jurisdiction. With the creation and the active efforts of the Financial Intelligence Unit, efforts need to be taken to avoid duplicity of any work, or to increasingly use the expertise available through the FIU in the investigation of money-laundering.

The Office of the Attorney General has specialized prosecutors dedicated to investigating and prosecuting drug trafficking, money-laundering and corruption cases. Specialized Ad Hoc Anti-Corruption Prosecutors, although not independent, also defend the interests of the State in cases of corruption related to the former Fujimori regime.

With respect to the judiciary, specialized anti-corruption courts exist, although they are, under current law, considered temporary. Aside from these specialized courts, cases involving most other forms of organized crime are handled by the regularly established criminal courts.

6.2 Extradition and mutual legal assistance agreements

Peru has agreements with several countries with respect to both extradition and mutual legal assistance, including the following:

- Colombia – “Agreement on judicial assistance in criminal matters” (1994)
- Venezuela – Agreement regarding execution of criminal sentences “ (1998)
- Guatemala – “Agreement on judicial assistance in criminal matters” (1998)
- El Salvador – “Agreement on judicial assistance
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