



ODCCP Studies on Drugs and Crime

GUIDELINES



ALTERNATIVE DEVELOPMENT IN THE ANDEAN AREA

The UNDCP Experience
Revised edition

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DEVELOPMENT
IN THE
ANDEAN AREA**

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New York, 2001

UNITED NATIONS PUBLICATION

Sales No. E.01.XI.4
ISBN 92-1-148143-0

The present guide is a revision of the publication *Alternative Development in the Andean Area: the UNDCP Experience*, published in July 2000. The changes made mostly include editorial amendments. However, part VI.E.3 on gender content, and annexes I, II, III and IV (including case studies and supplementary information on the countries) underwent more substantial revisions to incorporate new developments from the field in these areas.

This publication has not been formally edited.

Photographs UNDCP: Ms. C. Albertin; Ms. C. Casarotto; and UNDCP Country Office Colombia.

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PREFACE

The present guide is a revision of the publication *Alternative Development in the Andean Area: the UNDCP Experience*, published in July 2000. The changes made mostly include editorial amendments. However, part VI.E.3 on gender content, and annexes I, II, III and IV (including case studies and supplementary information on the countries) underwent more substantial revisions to incorporate new developments from the field in these areas.

The guide is based on experience accumulated by the United Nations International Drug Control Programme (UNDCP) during alternative development activities in the Andean area since 1985. It relies on field studies carried out in Bolivia, Colombia and Peru in 1997 and the subsequent processing of information provided by technical personnel who took part in the activities and projects, by government officials and by the beneficiaries interviewed.

UNDCP considers that it is appropriate, after completing 15 years of work and investing over 176 million United States dollars (US\$) in this region, to present the fruit of experience in systematic form. UNDCP sees learning from practice and the systematic analysis of the results achieved as both a precondition and necessity for guiding future programme development and decision-making. The purpose of presenting it in the form of a guide is to make all the findings and related considerations more accessible and easier to disseminate. Ultimately, it is hoped that this document will add greater knowledge of the UNDCP alternative development (AD) approach and experience and be used as an effective reference tool for guiding AD actions.

In this systematic presentation, it must not be forgotten that AD has been a very dynamic process of continuous experimentation and development, which has resulted from constant alteration and improvement of both the practical means of intervention in the field and the definition of concepts and priority criteria to apply. That is why emphasis will be placed on the relevance of adapting to the diversity of situations and national contexts, while identifying the common features of the various AD activities.

The scope of the guide is limited geographically to Bolivia, Colombia and Peru and thematically to AD applied to illicit production of coca leaf. This geographical area is currently the main world centre for production of raw materials for cocaine, since more than 98% of global coca-leaf cultivation is concentrated in these three countries, and it is also the region in which the UNDCP response has concentrated its efforts in the past decade. In this context the terms Andean area or Andean countries in the document refer exclusively to Bolivia, Colombia and Peru.

This document is intended for various stakeholders involved in AD to provide a means of obtaining and disseminating basic information about the UNDCP experience. It will be of particular interest to the following groups:

(a) Local governments and their technical staff will benefit from a summarized and synthetic presentation of the practical content of AD and the philosophy which guides UNDCP in this field;

(b) Cooperation agencies and organizations, including those of the United Nations system, will be provided with a clearer vision of the basic features of UNDCP intervention;

(c) Finally, United Nations technical officers, both in the field and at Headquarters, as well as academic and research communities, can treat this as an instrument of dissemination and exchange on the complex topics linked with AD.

Part

1

GENERAL OVERVIEW OF ALTERNATIVE DEVELOPMENT





GENESIS AND BACKGROUND

ALTERNATIVE DEVELOPMENT: DEFINITION AND EXTENT

I. GENESIS AND BACKGROUND

STARTING POINT

The principal determining factor leading to the application of alternative development in the Andean area was the steep increase in coca-leaf cultivation, beginning in the 1980s. Other factors prompting the surge of illicit drug cropping and dependency on an illicit drug economy included:

- (a) The crisis in traditional tropical agricultural production and other productive activities such as mining, left many families unemployed and without resources who were ready to undertake any type of work;
- (b) The existence of coca plantations and of traditional consumption in the region;
- (c) The increase in drug consumption in developed countries, which caused the price of coca leaf to increase;
- (d) The development and consolidation of drug trafficking as a determining factor which linked the producing zones and the markets of the north.

Owing to the combination of all these factors and the delayed response of the Governments concerned, increased coca production in the Andean area since the early 1980s has meant that entire regions formerly devoted to legal crop production have become important centres for illicit coca production and dominated by drug trafficking.

THE GRADUAL EMERGENCE OF ALTERNATIVE DEVELOPMENT

Against the above-mentioned background, AD appears as a response for local governments and the international community to attempt to incrementally counteract the international, national and local effects of the rapid expansion of illicit crops. The adopted approach and AD strategies are the result of proven practice, systematic reflection and evaluation conducted for several decades, in various contexts. The following briefly outlines the progression of the AD model and its main features. As AD activities in the Andean countries took place only from the early 1980s, much later than in the Asian countries, the evolution of the AD concept in the region has been more compressed in time.

Crop substitution

The origin of this type of strategy is found in the south-east Asian poppy-producing regions. The initial methodology, based on substitution by alternative crops, endeavoured to encourage crops which would generate similar income for the farmer to that produced by illicit crops. This initial focus was very restrictive and purely technical. It was based on the following two false assumptions:

- (a) There exist crops which are as profitable as illicit crops;
- (b) Alternative crops could be planted on the same land on which poppies and coca were grown and under production conditions such as those faced by small farmers.

Overall, as a social intervention model, crop substitution was a top-down approach, which sought to produce a change of behaviour in the farmers without ensuring them positive compensation to meet their own needs.

The extension to aspects of integrated rural development

As soon as the limits of the crop-substitution approach became apparent, the ensuing rural development strategy began to integrate complementary measures aimed at infrastructure development and the improvement of farmers' quality of life, commensurate to the basic needs and demands expressed by the target communities.

Income substitution and the progression towards the alternative development concept

However, it was not until the second half of the 1980s that the AD model evolved to make an impact in the productive sphere. Having learned first-hand from its practical experience in the field, UNDCP abandoned the crop-substitution method for "income substitution", as a broader and more realistic approach which tended to seek alternative ways of providing a livelihood for farmers without automatically entailing the substitution of one crop for another. In parallel, greater importance was given to the local and regional socio-economic factors which influenced farmers' attitudes, and, concomitantly, an attempt was made to integrate the marginalized, coca producing regions into the mainstream social and economic development of the country.

Emphasis thereafter shifted from focusing merely on technical and economic aspects (that would help replace coca/opium production with legal crops having the same yield) to a more integrated vision of the problem and long-term perspective regarding development of the area under consideration. It emphasized integrating AD local activities in regional and national development efforts. This new AD concept included complementary activities in the sphere of productive and social infrastructure development, provided support for marketing and the promotion of on- and off-farm employment opportunities and income-generating activities, and offered institutional support for the consolidation of institutions and organizations responsible for AD at national and local level.

II. ALTERNATIVE DEVELOPMENT: DEFINITION AND EXTENT

THE ALTERNATIVE DEVELOPMENT CONCEPT: A COMMON DEFINITION

Various experiments carried out in the field, in different contexts and conditions, have led to the gradual acquisition of know-how and a precise formulation of the AD concept. It is now possible to speak of an officially recognized definition of AD, endorsed by the General Assembly at its twentieth special session, devoted to countering the world drug problem together, held from 8 to 10 June 1998. In its resolution S-20/4 E of 10 June 1998 on the Action Plan on International Cooperation on the Eradication of Illicit Drug Crops and on Alternative Development, third preambular paragraph, the General Assembly defined AD as:

“... a process to prevent and eliminate the illicit cultivation of plants containing narcotic drugs and psychotropic substances through specifically designed rural development measures in the context of sustained national economic growth and sustainable development efforts in countries taking action against drugs, recognizing the particular socio-cultural characteristics of the target communities and groups, within the framework of a comprehensive and permanent solution to the problem of illicit drugs”

The foregoing general definition will be further analysed and described in the present chapter.

BASIC PRINCIPLES AND FORMS OF IMPLEMENTATION

The basic principles underlying alternative development

Start-up intervention to curb the “invasion” of and dependency on the coca economy in affected regions has been characterized by three important aspects, which also reflect the basic principles of an AD policy:

- (a) The need to achieve socio-economic pacification and stabilization of the areas affected by the domination and violence of drug traffickers;
- (b) The need for expediency, in order to proceed with the eradication of coca cultivation and the reduction of drug supply, in offering real subsistence alternatives, as in most cases farmers’ livelihood strategies depend on illicit crop production;
- (c) The necessity of ensuring collaboration between consuming and producing countries in addressing the drug problem in a balanced and coordinated approach.

The first point shows from the outset one of the particularities and, at the same time, one of the major difficulties of AD. It refers to the need for simultaneously balancing, in a complementary fashion, drug control and pacification objectives, on the one hand, and economic development and social stabilization objectives, on the other. The second point, which is to some extent the keystone of AD activities, connotes the principle of “necessary compensation” to help small farmers find and adopt alternative means of material subsistence* and economic and social development. The third point is the basis of the “shared responsibility” principle which presupposes that AD activities be co-financed by the drug-producing and drug-consuming countries.

Variations in forms of implementation

While there is a certain consensus among the various implementing agencies on the relevance and validity of these basic AD principles, there also is a great degree of variance in

* This is the origin of the term “alternative development” to describe the development activities in this particular context, with the intention of incorporating them into drug control.

their application. That projects apply these principles differently is not merely the result of an arbitrary choice of preference of approach; it stems rather from a need to adapt the AD model to a given local context and adopt commensurate solutions.

From the way in which the above-mentioned three basic principles are understood and implemented in each case, there have evolved the various AD strategies which have been put into practice in the zone since the 1980s by the various Governments and specialized bodies. For example, the form of combining drug control with development activities—both at the global level by the institutions present in the zone and in individual or collective contacts with the farmers, as well as the degree of conditionality imposed for access to the benefits of AD—are some of the basic aspects which determine the specific content of the experiments carried out in different countries by the various actors.

In the same way, the necessary compensation to farmers, mentioned above as the second basic principle of AD, can be understood either at the individual level and in a commercial sense (in the form, for example, of an economic incentive to abandon coca cultivation) or, conversely, at the collective level and as compensation of a more structural type (e.g. providing the necessary instruments and real prospects of development for the region). The way in which projects and activities are connected with local people and coca-leaf producers—who can be considered either as beneficiaries of assistance or as social and political partners—can also be a differentiating feature of various AD strategies.

The specific approach of the United Nations International Drug Control Programme

Each body involved in the AD field tries to apply its own specific framework and general philosophy that gives it an individual profile and specific image. Compared to other programmes, the UNDCP AD approach, within the national legal framework and drug control policy laid down by the Government of the country in which it is intervening, has been generally directed at:

- (a) Recognizing not only the need for simultaneous application of law enforcement and AD policies in the areas in which it is acting but also the advisability of strictly separating their respective instruments, criteria and institutions;
- (b) Perceiving help to farmers not as individual compensation but as a component of positive change in the economic and social structure of the region;
- (c) Encouraging direct participation by the farmers and communities in the design, planning and implementation of AD activities.

Although it is important to acknowledge that AD interventions by different actors and sponsors may take different forms, it is important nonetheless to recognize and systematize the UNDCP experiment to also try to show through it that there have been many common points and interlinking contributions with other organizations.

CONTENT AND OBJECTIVES OF ALTERNATIVE DEVELOPMENT

The following outlines the two principal and interrelated objectives guiding all AD interventions, namely the main objectives to which AD activities contribute, without claiming that they can achieve them alone:

- (a) To reduce the supply of raw materials for drug production;*
- (b) To consolidate a licit economy, allowing regions to return to the mainstream economic and social development of the country.

The particular objectives of AD projects are more specific and limited, and relate to various strategic components, which are combined and adapted differently depending on

*As will be seen in chapter VIII, an AD project alone cannot guarantee a reduction in the quantity of coca production, since other very powerful factors may intervene to counteract the beneficial effects of the project.

each case and the local situation. These components, which appear to a greater or lesser degree in all AD projects, may include:

- (a) Income substitution (economic and productive strategy);
- (b) Establishment of conditions of peace and legality (political strategy);
- (c) Strengthening of farmers' organizations (organizational strategy);
- (d) Improving the quality of life of the people involved (social strategy);
- (e) Dissemination of sustainable development models (environmental strategy);
- (f) Empowering women in the fight against drugs (gender strategy).

The first aspect, income substitution, is the central nucleus of all AD projects, but the other aspects are considered to be priority means for achieving the principal goals of AD.

THE THREEFOLD DIMENSIONS OF ALTERNATIVE DEVELOPMENT

By way of summary, the complexity of AD can be illustrated by the three interrelated dimensions which it covers:

- (a) The campaign against drugs;
- (b) The economic and social development aspect;
- (c) Participation by local people.

Alternative development as a tool in drug control

As a strategy directed at cutting down the supplies of the raw material, AD can now be considered as one of the basic features of drug control policy, both at national level in the producing countries and at the broader level of drug control worldwide. If AD is considered in this specific aspect, the project components which endeavour to strengthen the economic and social development of the target area do not appear as an end in themselves but simply as a way to approach the objectives of reducing the supply of raw material for drugs and re-establishing a legal economy in the producing areas.

This means, for example, that the specialized AD agencies do not, like mainstream development institutions, have as their ultimate objective medium-term and long-term development. Their action in the field will therefore be of a more partial and limited nature. This is a first important approach to take into account; it distinguishes AD interventions from mainstream development where drug cultivation is an absent phenomenon.

Alternative development in the framework of national and regional development policies

Apart from its dimension as an instrument in drug control, at the national level AD also appears as a specific development tool, applicable to illicit coca-producing regions. In this context, AD provides the opportunity for a country to halt the persistent tendency to keep the coca-producing communities marginalized and make them part of the national development process.

Therefore, as will be seen in chapter III, the treatment of the coca-producing areas requires special criteria, instruments and methodology in order to channel specific resources, with technical and financial assistance from foreign cooperation agencies. In particular, two types of problem arise:

- (a) The coordination, within each given area, between AD action and action concerning mainstream economic and social development (simultaneous or consecutive coordination as appropriate);
- (b) The relationship, at the national level, between AD processes carried out in targeted coca-producing areas and mainstream development processes carried out in the other regions.

The first aspect refers particularly to the conditions in which AD action and institutions gradually give way to general development activities applied in non-coca-producing areas, since its intervention is necessarily short-lived and has no further validity once the area has achieved a minimum of normality and can be treated henceforth in accordance with general criteria applicable to the rest of the country. The second aspect stresses that identifying AD as a specific intervention instrument may involve managing criteria, a volume of resources and even different institutions according to two types of area (coca-producing or “mainstream” development), which can lead to a certain dichotomy in the promotion of economic and social development at national level.*

Alternative development as a feature of development involving local participation

Seen at local level, AD activities are sometimes the only (or the chief) institutionalized intervention in isolated or difficult regions. These areas, despite having coca production which generates substantial individual income, do not have the economic infrastructure and basic services to provide the basis for real development and, consequently, have a fairly high level of basic needs which remain unmet. AD activities can therefore generate high expectations and create appropriate conditions for mobilizing the efforts of those who are motivated to improve their economic and social condition.

The possibility of attracting local support and commitment is even stronger in cases in which communities are firmly resolved, due to their experience of the violence associated with illicit drug cultivation and trafficking, to abandon their dependence on the coca-economy, provided that there are real alternatives. This situation is obviously very favourable to the success of an AD project, as intervention then embodies the aspirations of the local community and receives its active support.

A strategic keystone of any AD intervention, hence, is to ensure the participation, development, and organization of the local community in the planning, management and evaluation of AD activities**. In the same way, it is obvious that one of the keystones of action in the AD framework is the need to convince people and win them over to the idea of changing their activity, in parallel with an attempt to present other productive opportunities to them. In this way, AD activities have a certain social welfare aspect (not in the consumer sphere but in the production sphere).

*There are complaints, for example, that the coca-producing zones absorb too high a proportion of resources compared with the rest of the country (that they are “rewarded” in some way because they are illicit zones), although this argument can also be used as a means of pressure to try to reduce the Government’s financial participation in sustaining AD action.

** These general guidelines on relationships with communities will have to be adapted to each specific case since AD activities are undertaken in a very particular social environment and are essentially different from one zone to another.

Part 2

DETERMINING FACTORS IN
DESIGNING ALTERNATIVE
DEVELOPMENT ACTIVITIES





The context in which
alternative development
is applied

Framework of activities:
drug control policy and
conditionality

III. THE CONTEXT IN WHICH ALTERNATIVE DEVELOPMENT IS APPLIED

The coca-producing areas that are the target of AD interventions have specific characteristics at the local level which distinguish them from other zones and must be borne in mind when designing AD activities. Activities in the anti-drug campaign, moreover, are subject to the influence of external factors and particularly to variations in the coca market and in the strategies of dominant drug trafficking groups at the international level.

SPECIFIC CHARACTERISTICS OF COCA-PRODUCING AREAS

Where and how coca is produced

Coca-production models vary greatly from one zone to another, depending on the following three basic factors:

- (a) The nature and evolution of the farmers' colonization process (from the first farms to the current ones);
- (b) The level of intensiveness of the farming;
- (c) The degree of vertical integration of production.

The first settlements

Without going into the many studies on the origins of coca cultivation, it can be said that the siting of the most traditional plantations follows historical reasons linked with the proximity to traditional consumption areas (the high plateau) and appropriate agricultural and environmental conditions. This explains why development of the crop initially took place in the Bolivian Yungas, near La Paz, and in the valleys of La Convención and Lares, near Cuzco.*

In general, the ideal land for coca cultivation is the fringe of the high tropical forest, lying between 500 to 600 metres and 1,000 to 1,500 metres in altitude. However, there are exceptions, such as the Chapare region of Bolivia, where high-yield coca is cultivated. The alkaline content is higher there than in the lower tropical forest. Furthermore, the slopes are better for coca, including slopes steeper than 30°, since they allow better drainage. This coca-plantation morphology involves particular problems for AD, since it makes it difficult to restore the land and establish new crops.

Changes in the siting of coca cultivation

The boom in the coca market in the 1980s meant that new lands with characteristics increasingly different from the original ones were gradually occupied. In the beginning, coca cultivation in the high valleys expanded towards lower land of better quality and with gentler slopes, with the traditional crops being partly maintained where they had previously been, or advancing in the valleys towards new zones not yet colonized. In these cases, the settlements were almost always traditional ones with relatively developed forms of ownership and a stable social structure.

*In Colombia, there is a similar situation with cultivation in the Cauca valley, in the centre of the Muisca culture.

Later, or in some cases simultaneously, the crops moved towards the river beds of the low tropical forest. The less favourable conditions in the low tropical forest then had to be compensated for by more frequent land rotation, more intensive production or agro-chemical treatment.* The expansion took place in various forms,** as follows:

(a) First, with types of cultivation typical of family farming brought by individual colonists drawn by the coca boom and/or driven out by the agricultural crisis in their areas of origin. In these cases, coca was established both by relatively organized colonization (with a certain crop diversification and homogeneous medium-sized farms), and by other movements of spontaneous colonization, which involved small farms and tended towards one-crop cultivation;

(b) More recently, in the deeper tropical forests, in intensive farms of large size (over 1,500 hectares) in a single-crop system, organized directly by drug-trafficking circles with migrant farmers who shifted easily from one place to another.

Intensiveness of production

The second factor which determines the system of coca-production is the intensity of the farming. Through AD experience, a wider range of techniques for coca cultivation has been detected, with the extremes having the following characteristics:

(a) Traditional forms of cultivation: from 35,000 to 40,000 plants per hectare, the use of terraces and deep holes in transplanting, hand-weeding (with machetes), little or no chemical treatment and a plantation life of up to 20 or 25 years;

(b) Intensive forms of cultivation: over 250,000 plants per hectare, use of herbicides, intensive chemical treatment, the need for frequent land rotation and short plantation life (five or six years).

Information gathered by AD projects have made it possible to identify different farming systems concerning the role of coca cultivation:

(a) Unstable forms of cultivation in which the husband migrates to work on coca fields on his own account or for someone else. In this case, the family stays on the stable property in the high plateau or low valleys;

(b) Forms of intensive cultivation with high yields. The family participates in the work, although fundamentally the work is performed by contracted labour;

(c) Cultivation on semi-abandoned or low-yield land on which it is not possible to contract a large labour force. The work (essentially leaf-harvesting) must be done by the family;

(d) Traditional cultivation which is not predominant on farms as a whole. Normally, in such cases, coca occupies between a quarter of a hectare and 1 hectare. In these cases, the sale of coca leaf represents supplementary income for the household and, particularly, a cash flow, in which the woman's participation is more active and determining.

The degree of vertical integration

The third factor which determines coca farming relates to the degree of integration of cocaine production, that is, the number of stages in the processing which are carried out in the area and with the involvement of the farmers themselves (direct sale of the leaf, preparation of the basic raw or washed paste, crystallization processes etc.). It is estimated that over 60 per cent of the coca farmers sell their product in the form of basic paste (that is, already processed to a certain degree) and that the factors which encouraged greater

*Furthermore, there are reasons which explain the establishment of coca in the high parts of the valleys and on steep slopes, such as the greater security provided by more inaccessible land and the greater proportion of land ownership by farmers installed in the low parts of the valleys.

**Obviously, the coca boom meant that farming models were not totally homogeneous: along with the predominant forms in each area, there were always other forms of marginal land use by farmers, without property deeds and on small estates.

participation by the farmers in the first stages of the coca-processing industry were, on the one hand, the decrease in the yield of primary crops due to the drop in the price of leaf and, on the other, the need to disperse transport because of increased control of traffic.

Environmental degradation

The forms of coca production in the Andean countries cause environmental problems of which the most important are:

- (a) Erosion caused on steep slopes by the distribution of crops on the land or, in the low tropical forest, by excessive rainfall;
- (b) Exhaustion of the land by very intensive production or by indiscriminate use of chemical fertilizers;
- (c) Deforestation (four hectares of tropical forest for one of coca) due to the indiscriminate expansion of the crop and the increasingly acute need for rotation.

This type of problem is especially serious in the low tropical forest zones of a large part of Amazonia and the Orinoco, which consist of flat land with high rainfall. They are tropical forest ecosystems and not truly suitable for one-crop farming which results in pest problems. In addition, in order to compensate for the lower coca productivity in these areas, an intensive system of agricultural inputs is practised. Erosion and deforestation are thus causing irreparable loss of biodiversity on an ever-increasing scale.

One important aspect which also affects environmental conservation of the systems is caused by coca-leaf processing for production of the basic paste: the leaf is processed in pits near watercourses along which the chemical residues used are dumped in large quantities, including kerosene, calcium carbonate, sulphuric acid, acetone and potassium permanganate.

Isolation and lack of structures

Some characteristics of the areas under consideration—such as isolation and the lack of basic socio-economic infrastructure, both economic and social—pre-date the development of coca, and it can be said that they are precisely some of the causes that have motivated or encouraged it. Isolation occurs first at the institutional level because the Government and its bodies are largely absent and, as a general rule, development of the tropical forest zones has not been taken into consideration or given priority. The consequence of this is the comparative physical isolation, reflected in the lack of basic infrastructures. Shortage of transport, communications and energy make it difficult to establish a development process in these areas and, even more so, in the current context of liberalization and globalization of the world market, where real costs are predominant.*

Another result of isolation is that social breakdown and environmental damage are frequent, in many cases produced by colonization processes that are disorganized and, consequently, bereft of land-planning criteria. Communication difficulties tend also to encourage the establishment of ruthless monopolies in the traditional marketing systems of legal crops.

An artificial economy, distorted by coca

The development of an artificial economy, encouraged by illegality, in a relatively closed milieu, has adverse effects on the internal balance of the rural economy. The first of these is the increased propensity towards consumption generated by the excessive money supply due to illicit traffic. "Easy" money is injected into the local economic circuit, discouraging investment, saving and agricultural diversification, and promoting consumption, particularly of certain luxury goods. All this, naturally, increases the coca-producing areas' dependence on the outside.

*The comparative costs of transport and of product conservation and processing are necessarily higher than in other areas.

Another consequence, of an indirect type, is the increase in the costs of licit products due especially to an increase in wages for agricultural workers in the areas which cannot then compete with the produce of non-coca-producing regions. It forces legal crops and stock-raising to be abandoned, and destroys the relative food self-sufficiency of the areas concerned.

Political and institutional features: marginalization and violence

All the marginalization characteristics of the coca-growing zone, specific to its former situation and aggravated by the development of illicit crops, lead to social instability and the consolidation of violence that characterize many of the areas, such as:

- (a) Political violence caused by poverty and isolation;
- (b) Violence inherent in the coca-trading structure through appropriation of markets and economic surpluses;
- (c) Violence caused by the breakdown in social structure.

Each of these phenomena in itself constitute a difficulty for undertaking a development process and ensuring its success and sustainability. AD, however, must exist alongside them, or most of them, which explains the exceptional challenges AD must face.*

INCIDENCE OF EXTERNAL FACTORS, THE COCA MARKET AND ECONOMIC POLICY

Apart from the difficulties indicated, which are connected with the particular nature of coca cultivation, it must be borne in mind the methodology and the very objectives of AD are determined by external factors beyond the control of farmers and rural communities, including:

- (a) The evolution of cocaine markets and prices, which governs the total area cultivated that can be maintained at full production in the three main coca-leaf producing countries together;
- (b) The structure of leaf and basic paste production governed by drug traffickers as a function of the intensity of law-enforcement activities and the changes they are producing.**

The coca and coca derivatives market and prices

This guide does not aim at examining in depth the causes which determine the evolution of the drug market but, without making a detailed analysis, it can be noted that there has been a systematic drop in the coca prices paid to small producers since the late 1980s.*** Since 1999, farm gate prices for coca leaf have increased across the Andean countries. Such changes can have a determining effect on the local situation and cause a spectacular drop, or rise, in coca cultivation. Nevertheless, the extreme sensitivity of coca production to world cocaine market conditions means that relinquishment is unstable and rapidly reversible since pockets of higher prices, although very local and short-term, are detected sporadically. In these circumstances, farmers do not relinquish their entire coca cultivation but tend to diversify their production. This affects AD objectives, which become oriented more towards consolidating the abandonment and decreasing the farmer's economic dependence on coca in order to put a brake on possible resumption.

*It must therefore be borne in mind that this coexistence is possible only up to a certain degree. From a certain level of violence or isolation, possibilities of success are non-existent or very small, and the activities cease to have any value.

**This can be determined at present, for example, as a trend towards a larger increase in more concentrated and technically sophisticated plantations.

***The fall in demand and price was particularly pronounced in Peru between 1995-1998, to the extent that in some zones, even without AD action, up to 50 per cent of the area cultivated had been abandoned.

Changes wrought by illicit trafficking

The demand for coca leaf and first-stage processed products is very variable and mobile; it may shift from one valley to another or even one country to another, since potential expansion of the crop is much wider than is strictly required by the markets. The supply of leaf, moreover, is very little structured. The farmer is accustomed to the buyer coming to his land to acquire the crop, which is then moved to processing centres by sophisticated means (light aircraft etc.).

Nevertheless, increasingly systematic and consistent law enforcement is causing changes in the collection systems and the need to disperse and decrease the volume transported is acting in favour of “traqueteros” (small traffickers and intermediaries). At the same time, production of paste by farmers themselves is becoming more widespread, implying their greater involvement in the illicit activity.

It can be noted that not only is the form of the raw material supply changing but so is the actual composition of drug trafficking, which responds to law enforcement by fragmenting its structures or moving power centres to other places. These changes correspond to variations in the supply sources with the consequent repercussions on prices.

Restrictions linked to neo-liberal policies

Going beyond the determining conditions of coca production, it must be stated briefly that the response to the challenges raised is becoming increasingly difficult because of liberalization and structural adjustment policies, imposed at the microeconomic level by the World Bank and the International Monetary Fund (IMF). The economic situation of each country is different and therefore the structural adjustment measures or adaptation of the economy to externalization processes have not had the same intensity, effect or timescale in the three countries concerned. Nevertheless, the main thrust, particularly in regard to agrarian production and AD, has entailed a similar adaptation process, with the following characteristics:

- (a) Adaptation of tariffs to the requirements of World Trade Organization agreements;
- (b) Strict budgetary policy generating, in particular, a decrease in social expenditure and the extension and harmonization of the taxation system;
- (c) Control of inflation, accompanied by a decrease in agricultural subsidies;
- (d) Financial liberalization and commensurate deactivation of special credit forms with public sector support;
- (e) Levelling of rates and public prices to real costs and privatization of public services;
- (f) Priority given to market forces and elimination of privileges and quotas.

The context described above has contributed to restricting the capacity of Governments to lay down national policies in support of agrarian production in general and AD in particular. Furthermore, it has tended to reduce government potential for activities to re-establish a balance, thus increasing the difficulty for zones which are underprivileged or have poor communications facilities of competing with others which are better situated and of finding economic alternatives.

It can be envisaged that a greater margin for manoeuvre will be given if economies resume their growth rates in real terms, hence allowing the following:

- (a) An improvement in the trade relationship by a decrease in the overvaluing of local currencies, which should provide an incentive for domestic trade and exports;
- (b) A decrease in tension regarding the external debt, which should allow more resources to be devoted to internal investment;
- (c) The trend to rebalance government finances, which may free resources for supporting agricultural development in keeping with international trade agreements and with guarantees of strict administration.

IV. FRAMEWORK OF ACTIVITIES: DRUG CONTROL POLICY AND CONDITIONALITY

When designing AD activities, it is important to keep in mind the legal and institutional framework for drug control, as well as law-enforcement activities and the conditionality components to be included in the projects.

LEGAL FRAMEWORK: SIMILARITIES AND DIFFERENCES AT NATIONAL LEVEL

The legal framework adopted by the Andean countries tends towards harmonization, abiding to the provisions included in the conventions adopted within the framework of the United Nations and international agreements of regional type. There still remain, however, some differences between each country, stemming from the need to adapt to the specific political, cultural and socio-economic conditions. In all the national legislation in force concerning coca production, AD is recognized as a necessary method for reducing the supply of illicit crops maintained by small farmers. There seems to be a consensus regarding:

- (a) The profile of the small farmer who, due to the crisis in traditional agriculture, has become dependent on coca;
- (b) The consideration of AD as a fully institutionalized method;
- (c) The affirmation of a government policy intended to promote AD.

Some differences can be found and explained in the different conditions of cultivation as well as in the following aspects:

- (a) Whether there is a traditional type of coca-leaf production and consumption and the resulting social awareness regarding the degree of “legitimacy” of cultivation of the plant;
- (b) The type of colonization through which the crop has developed and the degree of direct participation of drug-trafficking structures in its formation;
- (c) The extent of the areas potentially suitable for the crop and the government capacity for exercising active control over them.

The particular nuances in each country in relation to those three aspects have given rise to differences regarding the legislative framework and strategies of drug control. The most important effect for AD projects lies in the legal “status” of the coca plant itself and in the penal consequences which it brings for the small farmer cultivating it. In the countries in question, three different situations can be identified, as follows:

- (a) The plant is illegal (Colombia) as a direct consequence of the significant lack of its cultivation and social consumption;
- (b) The plant is legal (Peru), which partly reflects its social acceptance and existence prior to the expansion caused by the increase in international demand for cocaine;
- (c) A joint situation (Bolivia) in which the legality of the plant is not generic and is restricted to those areas in which traditional production existed previously.*

In any case, the effect of differences in legislation is not relevant here, since the legality or illegality refers exclusively to possession of the plant and not to its free trade or to the production of coca leaf derivatives, which are also prohibited in all three Andean countries.**

*In Bolivia, in addition to zones of legal and illegal plantations, a third zone (surplus zone) is recognized in which the plantations are recognized legally on a transitory basis until they disappear.

**Trading of coca leaf is permitted only in circumstances where there is traditional consumption but, under the international drug control treaties, this must be restricted by a system of very strict administrative control and a monopoly system. Cultivation of the plant is legal only for own consumption or channelling the leaf through the approved mechanisms.

ALTERNATIVE DEVELOPMENT AND LAW ENFORCEMENT: A COMPLEX RELATIONSHIP

Positive effects of law-enforcement intervention on alternative development

Orderly and systematic suppression by the Government of activities related to illicit crops is a necessary prerequisite for the success of AD. It must be borne in mind that economic policies for structural adjustment mean that the comparative disadvantages of the marginal areas cannot be compensated for with active policies for re-establishing territorial balance. In those circumstances, it seems impossible for AD to abolish illicit crop production without the complementary law-enforcement action, including eradication, since an illicit drug economy and involvement in illicit drug cropping grant much more favourable prospects of gaining access to resources (e.g. credit, technical assistance, transport etc.).

In fact, the drug problem is global and it would be naive to overestimate the effect of AD alone. The power of drug trafficking and the substantial added value produced by the coca markets in comparison with any legal product cannot be underestimated. The drug traffic is very adept at constantly introducing the necessary production improvements or promoting incorporation of the production stages.

Hence the other components of the fight against drugs such as control of precursors have an increasingly clear effect of synergy in relation to AD. There is a more favourable response from farmers due to the increased risk and the need to invest more work in the illicit crops.*

In a more general way, the “cost” of being illegal, in various forms, is one of the essential components that the farmers take into account when considering a shift to a legal economy. That is why law-enforcement activities are becoming progressively more systematic and consistent, which is seen positively by AD agents in their relations with the farmers.**

The complementary role of alternative development to law enforcement

Similarly, the experience of AD programmes has also demonstrated a close relationship in the opposite direction. In the framework of integrated drug control strategies, AD provides a kind of positive counterweight to pure law enforcement. Where law enforcement, including crop eradication, is not accompanied by development measures, experience demonstrates that it will induce fierce resistance from farmers and their organizations and frequently result in the diversion of illicit crops to new areas. Furthermore, law enforcement without AD seems to provide a very favourable medium for farmers’ organizations to become more radical and for encouraging the development of subversive options and violence. In addition, a predominantly “stick”, or punitive, approach has proven ineffectual since the possibilities for displacing illicit crop cultivation to other territories are very extensive, hence, making it more difficult for Governments to monitor and control potential and new areas of expansion, that are relatively unknown and have poor communications.

Adaptation to national contexts

From the point of view of AD, law enforcement has two essential types of restriction:

- (a) The legislation of each Government in respect of the nature of coca cultivation and methods accepted by the Governments for eradication, if it proceeds;
- (b) The relationship of trust that must exist in any development process between the intervening agencies and the beneficiaries which requires that, in the field, AD and law enforcement are separate although the general link between them is recognized.***

*Of the other law-enforcement activities, those which have a most direct and positive effect on AD are the control of movement in general of precursors in the coca-growing areas and especially of lime or cement and fuel oil, the control of payment facilities, the seizure of basic paste loads and drug-trafficking transport (light aircraft), and the closure of the routes used.

**Nevertheless, there are still centres of corruption (movement of precursors), despite the laws sanctioning such activities.

***In some cases there is still great confusion about the difference between small coca-growing farmers and drug traffickers.

In relation to drug control policies, the most substantial difference between the various Andean countries occurs in regard to the possibility of carrying out compulsory eradication of existing crops. The methods adopted depend on the countries concerned, as follows:

(a) Compulsory eradication is envisaged by all the countries with large-scale production systems that have been developed in natural parks and protected areas (the sole difference lies in methods, now that fumigation is not permitted in many cases);

(b) Conversely, in the other cases, the situation varies from one country to another. The differences are due, as has been stated, to the varying social and cultural processes and their reflection in the corresponding national legislation.*

General effect on the coca market

Apart from the differences regarding illicit crop eradication processes, law-enforcement activities have a favourable effect on the coca market because they have a direct impact on:

(a) The supply of raw material, since they reduce the yield of crops and hamper the manufacture of the coca paste by making it difficult to obtain precursors and to transport the product;

(b) The demand for illicit products, by posing a threat to trafficking routes and systems, hence discouraging drug traffickers from acting in a particular area, which, in turn, decreases the pressure on farmers and causes a drop in the prices of coca leaf;

(c) The expectations of producers, since the measures tend to convince farmers that illicit production entails a high risk and that the trade does not have a clear future.

The need to coordinate alternative development and law-enforcement interventions

For all the above-mentioned reasons, it is advisable to improve coordination at the national and local level between law enforcement and AD processes, particularly in regard to planning and selecting activities. In fact, the lack of coordination between the two policies may generate practical difficulties such as:

(a) Strengthening law enforcement without a parallel AD process may generate pockets of relative poverty due to the sudden drop in the coca market. Without the parallel development of other production options, very tense situations may be created which maintain dependence on drug trafficking in the hope that law enforcement will be relaxed and the coca market will pick up again;

(b) Furthermore, eradication activities concentrated in the field may have a knock-on effect, spreading production into territories adjacent to natural parks or other less controlled zones or more marginal land on steeper slopes;

(c) In addition, through lack of selectiveness, control actions on precursors and payment facilities have, or may have, the negative effect of damaging licit activities more than illicit ones (which have their own supply lines through corruption, permissiveness, major transport systems or parallel routes);

(d) Finally, there always exists the risk that AD and the coca-cocaine industry will coexist, thereby casting doubt on drug control policies and enabling legitimate development to facilitate illicit activities.

*In Colombia, forced eradication is provided for legally since any plantation, whatever its size and situation, is considered to be illegal. In Bolivia, any new planting in the so-called surplus areas can be eradicated by force.

HOW TO MAKE CONDITIONALITY AND FARMERS' PARTICIPATION COMPATIBLE

Conditionality procedures

The idea that the benefits of AD activities are in some way “conditional” on the intended results of reduction of drug supplies is generally present in all AD projects, since reducing drug supply is one of the focal objectives which all the agents (farmers and institutions) keep in mind when they intervene in a project of this type. The operational problem lies in determining the procedures and strictness of the conditionality. Discussion of the concept of conditionality arises in practice when its application interferes with the framework of the relationships which must be established with the farmers and their organizations. In this regard, there are two questions to which the replies frequently seem contradictory:

(a) Is it appropriate for there to be, explicitly, matters of conditionality which can destroy the relationship of participation and trust that must exist in any development process?

(b) Are indirect economic and social mechanisms sufficient to guarantee that illicit crops will actually be reduced?

The replies to these two questions have given rise to varied experiments and yet there is not one sole solution which can be applied in a uniform manner valid for all situations. The balance between the requirements of democratic development and the objectives of drug control, adapted to each particular social and cultural situation, have given rise to various ways of approaching the question of conditionality in practice. The formulas adopted cover a wide range and are outlined as follows:

(a) Absolute conditionality at the level of the individual farmer. The AD process cannot begin until existing coca has been eradicated;

(b) Direct technical conditionality accompanied by voluntary substitution. Alternative crops are established on the land where coca was cultivated;

(c) Individual contractual substitution. Individual farmers eradicate their crops in exchange for a predetermined compensation;

(d) Collective contractual substitution. An agreement is also established, but with communities, not with individual farmers. Some specified intervention is agreed (productive or in infrastructures) in exchange for a reduction in the area cultivated;

(e) Action by the financing agents is reserved. No specific agreement is concluded, but a reduction is envisaged. The financing agent deliberately retains the possibility of cutting off the project if the crop is not actually reduced;

(f) Reduction of crops by the comparative effect of AD activities. No conditions are laid down and it is the action of productive development and social organization which gradually attracts the farmers and progressively engages their efforts.

Forms of implementation

Both the type of conditionality which may be imposed on an AD project and the strictness of its application have to take the following into account in a balanced way:

(a) National legislation and international agreements on the subject;

(b) Government strategy on reducing the supply of illicit crops;

(c) Specific criteria of the financing agency;

(d) The social context in which coca cultivation has developed and the degree to which farmers are dependent on coca as a form of subsistence.

The concern to combine to the maximum the requirements of these four factors has meant that the application of the conditionality principle has varied over time. Indeed, the

different strategies in this respect do not apply only to the countries but also to the external funding agencies themselves.*

In situations where cultivation of the coca plant itself is considered to be illegal and there is a policy of compulsory eradication by the Government, the application of conditionality is simplified enormously. In such cases, conditionality must be total and absolute; the contradiction involving the dependence of small farmers on the coca economy is resolved within the Government's strategic framework, but outside specific AD projects. Information on certified coca-free areas needs to be provided to AD projects by the responsible government institutions.

Conversely, in situations where cultivation of the plant is not considered to be illegal, the existence and stringency of conditionality will be determined on the basis of the other three variables; that is, the reduction strategy adopted by the Government, the funding agency's own criteria and the farmers' dependence on the coca economy.

Conditionality in managing alternative development projects

Conditionality raises three important problems, described below, in regard to AD project management, which must be treated with care to avoid serious distortions in the implementation process.

What reduction in supply can be expected in relation to the amount of investment made?

In this respect, there are no parameters which can be applied in general terms to all AD projects. On the one hand, development needs vary greatly from one place to another. On the other hand, variation in the area cultivated depends also on external factors which are difficult to control (drug control policy, evolution of the coca market, pests, macroeconomic policies etc.). Finally, there are AD projects of various kinds (initial shock projects, projects for developing other legal products, projects for consolidating semi-abandoned crops, partial impact projects focused on infrastructure or agro-industries etc.).

The prices fixed in some areas as compensation for eradication cannot be taken as a conditionality parameter since they represent only part of the cost; they are always accompanied by global action to develop infrastructures and support production. Normally, the conditionality to be required is estimated on a project-by-project basis, based on similar experiments, and must be corrected later in the light of better knowledge of the areas and context acquired through implementation of the project.

How can the reduction in the supply of raw material be measured?

To date, the only indicator compared and used for measuring the supply of illicit crops has been the area under cultivation. As will be seen in chapter VIII, this is insufficient, and experience in the field shows the need to develop other indicators capable of reflecting more specific or more complex features (such as the abandonment of coca plantations and the reduction in maintenance work) which can measure the reduction of supply in terms of production and productivity and not only by the extent of the areas under cultivation.

Who should measure the actual reduction?

Experience of AD projects which include conditionality criteria has highlighted the difficulty of the project's own technicians being the judges who decide whether there has been a reduction in illicit crop production. This control function falsifies the adviser's work since it questions the relationship of trust with the farmer, making it into a contractual and

*UNDCP, the United States Agency for International Development etc. analyse the problem in different ways, in accordance with the circumstances of each case.

official relationship. Advisers usually reject this role because it distances them from their occupational mission. The ideal situation would be for conditionality to be effected through bodies separate from the projects which would generate a high degree of trust and would have an adequate technical level, as will be seen in the final chapter.*

*With the exception of Dirección de Reversión Agrícola (DIRECO) in Bolivia, there are no public bodies with these characteristics, nor any measuring systems in the field endorsed by technical cooperation.

Part

3

ALTERNATIVE DEVELOPMENT ACTION AT LOCAL LEVEL





Methodology of
intervention at local level

Components of
alternative development
programmes

V. METHODOLOGY OF INTERVENTION AT LOCAL LEVEL

EXCEPTIONAL NATURE

The description of the coca-growing zones given in the previous chapter has shown that they have common characteristics, some of which distinguish them strongly from the other regions of the country. It can be said that AD applies to local situations which have an exceptional nature owing to the factors mentioned in chapter III. These features mean that specific intervention methods have to be sought which use the components and technical machinery of economic and social development but adapt them to the special situation facing AD and its particular objectives.

PARTICULAR REQUIREMENTS FOR ALTERNATIVE DEVELOPMENT ACTION

The need for rapid results

The activities included in AD programmes must generally produce rapid results allowing them to overcome conflicts and the mistrust of those who encounter them. The urgency for results almost always leads to a certain distortion of AD activities which are forced to give priority initially to demonstrating success in the short term, while ensuring this will not impinge on or contradict longer-term development needs and efforts.

The need for action having a strong impact without distortion

In designing AD projects, it is easy to fall into the temptation of considering that a large accumulation of resources at the outset, following an “impact” methodology, can attract farmers massively to AD in the same way as the accumulation of financial flows attracted them to illicit crops.

In most of the coca-growing areas it has been noted that the disproportionate accumulation of financial resources has not encouraged growth and development but favoured a greater propensity for consumption, particularly of certain luxury goods, and turned the zones into net importers, even of basic food, and discouraged investment in the improvement of living and working conditions.

It is obvious that AD, by its very nature, needs visible economic results in the short term, which can be compared with (but not necessarily ranked equal to) those which coca produces and this requires a certain impact on the productive base and on social conditions. Nevertheless, this pressing need must not obscure the fact that results are not directly proportional to the volume of investment.*

*For them to be effective, a rhythm must be maintained which is appropriate to the absorption capacity of the productive system, minimum essential maturation times must be respected, and no serious imbalance created in local economic circuits.

It is possible to accelerate the transformation of productive structures, but over-endowment in the means used can have negative effects at the economic level (ineffectiveness of much investment) and at the social level (disincentive to apply stringency and to recognize the value of personal and collective effort).

The need for time-limited intervention

The exceptional nature of AD activities must necessarily be accompanied by clear time limits. Otherwise, the result would be subsidized agriculture, permanently protected on the pretext of curbing the production of illicit crops. AD projects must therefore be carried out from the beginning under strict time limits which must be seen as an opportunity to benefit from extraordinary resources and to return to more normal conditions.

The need for very flexible and adaptable machinery

In the first place, the marginal nature of the coca producing areas makes it very difficult to specify exactly the conditions in which project interventions will proceed. The potential risk of violence in the zone and the reluctance of many farmers, due to mistrust, to provide information, in conjunction with the scant presence of government structures, means that execution of AD projects will normally make apparent considerable differences from what was previously identified.

Furthermore, while the projects are being carried out there are external factors, such as variations in coca prices, the existence of pests or other agricultural problems, the evolution of political violence or changes in the schedule for establishing infrastructures provided by the Government or other funding agents, which alter substantially the conditions of execution of AD projects and their prospects for success and sustainability.

Thirdly, during execution of AD processes, factors intervene which are impossible to foresee at the beginning but which are fundamental in determining the rhythm of project activities.

If there is negotiation with local actors, this is more important than in a mainstream rural development process since the process of progressively persuading communities to pursue the objectives of the intervention forms part of the activities to be carried out. It is therefore impossible to know exactly how and when organized resistance to crop changes will be overcome or how the level of commitment of local institutions will evolve, what degree of trust will be generated in other external funding agents by the process etc.

AD projects are therefore subject to much greater variability than any other type of development project for which it has been possible to plan much more strictly and in more stable situations. The capacity to adapt to changing circumstances is, then, an inherent characteristic of AD activities.

STRATEGIC GUIDELINES

Taking into account the general considerations above, a more detailed examination must be carried out of how the strategic aspects of AD activities can be formulated in reality and, in particular, of those which relate to productive strategy and institutional dialogue.

A production strategy for income substitution

General considerations

Contrary to the crop-substitution strategy adopted in the earlier stages, income substitution implies using the coca farmers' better-quality land to cultivate profitable crops. In fact, a process of gradual abandonment of illicit crops is encouraged by the combined effect of:

- (a) Improved yields from existing food and cash crops, as well as forestry products;
- (b) High yields obtained from new crops;
- (c) Strengthening single- and double-purpose livestock production;
- (d) Use of farmers' time in licit production;
- (c) Routing of available resources to the development of the new products;
- (d) The extra cost of illegal activity, which is clearly perceived by the farmer.

While this process should in the end lead to a definitive substitution of illicit crops, it at least always results in a considerable drop in the productivity of coca plantations, which tend to remain on a low production level, only for the purpose of maintaining a cash reserve.

For the new income generated by agricultural products to compete with coca income, two conditions are essential: first, the products selected must have a guaranteed market, and, secondly, considerable productivity increases must be obtained through technical assistance and appropriate technology packages. This highlights the importance of integrating in an AD strategy marketing, technical assistance and agrarian advisory components, which will be analysed in chapter VI.

Generation of non-agricultural income

The income substitution strategy is not restricted to primary agricultural production but aims at also generating other types of income. This applies in particular to:

- (a) Increasing the added value which remains in the farmers' hands through improving post-harvest processing, marketing and, where possible, creating agro-industries;
- (b) Promoting the creation of on- and off-farm income and employment opportunities and creating local economic circuits so as to diminish dependence on outside markets;
- (c) Improving competitive conditions of production in the zone by increasing the supply of credit and establishing basic economic development infrastructure (communications and energy).

A comprehensive AD strategy would hence entail creating the material and social conditions needed to attract private investment in the target areas in order to generate income and employment opportunities in various spheres of the local as well as regional and national economic and socio-political system.*

Diversification of production

Similarly, concern to achieve rapid income generation through development of one or more "star" products must not be interpreted as an option directed at producing a one-crop system similar to that of coca. This basic AD strategy must be accompanied by a relative degree of agrarian diversification as an integral model of rural production on small farms. Agrarian diversification is a necessary adjunct to the development of main crops.

*The fact that in the past AD priority has been given to agricultural production as a generator of substitute income is a practical consequence of the previous situation in the zones but does not indicate any fixed prior intention.

In general terms, it must allow better use of resources, better distribution of available family labour and appropriate regulation of the farmer's cash flow.

Therefore, along with the basic or standard income substitution strategy, there must be a complementary strategy, an emergency or contingency strategy (short-cycle products) which would endeavour specifically:

(a) To restore the short-cycle crops which preceded coca and which the farmers abandoned, thus becoming net food purchasers;

(b) To supplement the target population's daily diet, which is customarily unbalanced in tropical areas, and is lacking, for example, in protein;

(c) To generate income or reduce the need for financial income to cover the period before the income-generating products (long-cycle products) come into full production. This is also the case when the basic products have been financed by credit and it is necessary to pay the interest.

Nevertheless, this complementary strategy must not be confused in any way with the establishment of general systems of self-sufficiency, which would be inappropriate or contradictory since, normally, coca farmers are no longer net food producers and, furthermore, have become accustomed to the economic mechanisms of a cash income; it is also practically impossible to return to self-sufficiency economies.

Institutional dialogue and local participation

In AD programmes, various types of development actors are identified through which the economic and social transformation process should be consolidated. They may include:

(a) Institutions dependent on the central government administration;

(b) Municipal and regional authorities;

(c) Farmers' organizations;

(d) Private enterprises and institutions.

Institutional support to such organizations must not be exclusive and care must be taken to avoid a fundamentally ideological debate as occurs too often in the sphere of AD.

Which levels of the administration are involved in each case?

By the very nature of drug control, of which AD forms part, overall political responsibility on the definition of strategies, allocation of resources and coordination of interventions has to be in the hands of the Governments, through specially designated bodies. Apart from the technical aspect, however, AD activities generally occur at the regional and local levels, which requires ensuring broad-based participation and dialogue with all concerned stakeholders in the AD process.

The consistency and sustainability of AD programmes are thus conditioned by the commitment and participation of decentralized government institutions and regional development agencies on the one hand, and farmers' organizations on the other hand, in regard to the identification of needs, coordination of activities and creation of social attitudes against drugs.

The drug control strategy is not always conceived with the same clarity and rigour by the decentralized bodies of the administration (municipal and regional), which are generally much more influenced by local social conditions and by the marginalization and de-legitimization processes that characterize them.*

*Violence and illegality in coca production is sometimes considered to be a lesser evil by the local authorities in view of the financial flows generated.

Sometimes, the need to deal with the central administration on the one hand and regional and local authorities on the other constitutes a complex and difficult task (owing either to the resistance of decentralized institutions themselves to commit to drug control objectives or to the reluctance of the central authorities to carry out sufficiently significant government decentralization of financial responsibilities). In any case, AD must try to make a commitment in that regard.

Should priority be given to relations with rural organizations or with local authorities?

AD centres on changing and improving production systems and it is therefore necessary to work directly with farmers and their organizations. Nonetheless, it is not restricted specifically to productive activities. It necessitates establishing and maintaining economic, social and educational infrastructures, holding information campaigns, handling forestry and environmental issues, all within the framework of local and regional planning and development within the target areas. The decentralized government institutions—the municipalities and regions therefore are indispensable active agents in the process of AD.

The double constraint on AD results in two different methods of approach:

(a) The production option. In most of the projects financed by UNDCP, the priority option has been to strengthen rural organizations and subsequently to coordinate the production, marketing and development processes with local and regional institutions;

(b) The infrastructures option. Frequently, in projects financed by other donors, the process is the opposite: intervention takes place first in local institutions and subsequently production support measures for farmers are added.

The two above-mentioned options are not, however, contradictory or mutually exclusive. In fact they can coexist and be complementary in the same area of intervention. Hence, where AD action gives priority to infrastructures,* it is the farmers themselves who demand production options while, conversely, it is clear how infrastructural deficiencies affect farm production and how the construction or restoration of roads can be a prerequisite for the development of sustainable production systems.

Another factor to be kept in mind is that in order to accede to some sources of funding – such as the substitution of external debt by alternative development—local institutions must be empowered, a requirement which is often imposed by funding agents in infrastructure projects to facilitate management, control and accountability over the use of resources.

With what type of farmers' organizations do alternative development projects work?

The strategic priority aimed at farmers' organizations emanates from the very objectives of AD, as indicated in the first part of the present guide. It responds to the need to increase farmers' awareness and involvement in the reduction of coca production, and to make them real protagonists of the intended change. The other fundamental reason is economic, since it is important for the added value generated in the target areas to be one of the alternative income sources which remains in the farmers' hands and thus facilitates the income substitution process.

In addition, it should be noted that activities centre chiefly on the production issue, in which the target beneficiaries at local level are the farmers (individually or through their organizations). In that context, AD projects may have two types of beneficiaries:

(a) *Organizations of a socio-political type.* These are the organizational structures which represent the majority of farmers' interests in a specific area. They may take various forms: trade unions, farmers' defence committees, cooperatives which go beyond the marketing and production function, municipal platforms etc.;

*As, for example, in Tropic de Cochabamba in Bolivia.

(b) *Organizations of an operational type.* These are formed, actually or potentially, around the specific interests of groups of farmers: production, geographical context, marketing, infrastructure management, gender interests etc.

The existence of two levels or types of organization has not caused any difficulties or significant contradictions for AD activities. A common practice has been to restrict the forms of relationship to both levels, transcending discussions of a purely ideological nature. In fact, it must be borne in mind that AD is both a political and social concept and a technical and economic concept. Each of these two aspects requires a relationship to be forged, as far as possible, with the corresponding type of organization.

What role can private capital play?

There must not be a clash between support for farmers' organizations and the incentive to private capital in regard to marketing and agro-industries, for the following reasons:

(a) First, attraction of private investors to AD zones is not only appropriate but also an indicator of the success of AD;

(b) Secondly, agro-industries in the hands of farmers' organizations must be given the same consideration as private enterprise and be governed by the same criteria, as the difference exists only in the forms of organization of ownership, not in basic management criteria;

(c) Thirdly, the form of ownership must not be an obstacle to the coordination and integration of local production to the corresponding national industry in which it must seek not only placement of its products but also technical and commercial assistance and even financing.

A system based essentially on farmers' organizations can be perfectly compatible with the existence of private investors dedicated to marketing products promoted through AD, provided that it is possible to prevent the creation of a monopoly situation leading to disadvantageous prices for farmers.*

OPERATIONAL IMPLEMENTATION PROCEDURES

How intervention areas are selected

Considering the selection of intervention areas from a broad point of view and without taking into account the scarcity of resources available, AD can be applied potentially to:**

(a) All the areas in which there are illicit crops;

(b) Areas with potential for illicit crop cultivation, given the agronomical and social conditions;

(c) Areas where migratory movements towards coca-growing zones are generated (exodus zones) owing to the deterioration in local conditions or the attraction of the destination zones.

Nevertheless, from the point of view of allocating scarce resources, it is necessary to lay down priority criteria for intervening where conditions are most favourable to obtaining the highest profit and success in the light of AD objectives.

Ideal intervention conditions can be considered to exist in areas where there is no excessive isolation from the most essential infrastructures and where there are:

*This can be achieved under the following conditions: (a) when an appropriate level of technical counselling is available for farmers in terms of negotiating contracts (future prices, quality required, volume contracted etc.); and (b) when a business or agro-industry is concerned which requires high quality levels and, hence, through the interest of private enterprise, improved quality is promoted through technical assistance and post-harvest processing, with the consequent effect on prices received by the farmers.

**From this global viewpoint, the intervention of the Plan Nacional de Desarrollo Alternativo (PLANTE) in Colombia, for example, does not need to determine different types of area. Its field of intervention embraces the 96 PLANTE municipalities in which there are illicit crops at present or there could be in the future. PLANTE resources are distributed to all municipalities in accordance with population criteria.

- (a) At least some government institutions to guarantee sustainability of activities;
- (b) Farmers' organization structures to serve as a basis for AD intervention;
- (c) Producers with a certain desire to break out of the drug economy;
- (d) Agro-environmental conditions making it possible to develop profitable agricultural production speedily.

These criteria indicate the minimum conditions which permit positive results from AD in the short term, in the local context.

Nevertheless, these are not rigid criteria. It must not be forgotten that AD is only one component in an international global strategy of drug control, which means that a macro territorial view must always be maintained. It may be necessary to intervene in a specified area in more difficult conditions for reasons of territorial balance or compatibility with drug control planning, although very visible results cannot be expected immediately.

Other circumstances which strengthen the effectiveness of AD are external factors such as a fall in coca prices, the existence of pests or a strong effect of law-enforcement activities producing semi-abandonment of plantations. In these conditions, AD activities are more effective and produce results in the shorter term; the objective becomes consolidation and extension of the crop abandonment, avoiding resumption of coca cultivation when external circumstances improve.

How beneficiaries are selected

It is extremely complex to try to lay down systematically the conditions required to become a beneficiary of an AD project. Situations and methodology change from one country to the other and even from one valley to another. In general, AD is not in a position to choose but must adapt to pre-existing modes of production and the conditions which have led to coca cultivation. Nevertheless, the desirable characteristics of beneficiaries could be defined as follows, keeping in mind these may vary depending on each specific context. They should:

- (a) Be in the process of eradicating coca or, at the very least, be devoting maximum time and resources to licit products;
- (b) Have legal crops on their land, along with the illegal ones if they are still there;
- (c) Hold permanent residency and be committed to work the land all year around, and counting on the support of the rest of the family, which should also reside permanently at the farm. It is not practicable to work with unstable populations who shift around following changes in the coca market;
- (d) Work in an organized fashion in his community or be ready to do so;
- (e) Have a property of sufficient size for the crop system which is to be established.

In any event, the beneficiaries of AD are small and poor farmers for whom illicit crop production often is the only option for economic survival.

This criterion can be made flexible in relation to the size considered to be small or to the level considered to be poverty, since these concepts are relative in comparison to the overall profitability of agricultural production or the marginal nature of the zones. On the contrary, however, there can be no doubt that AD cannot benefit large plantations that are vertically integrated in drug production, urban groups that maintain properties in coca-growing zones or subversive groups that control production and marketing channels.

How project supervisors are trained and selected

In selecting personnel for work in the field, it is obvious that technical knowledge and a certain specialization in the production conditions of small plots in tropical marginal zones are necessary. Nevertheless, professional competence is not sufficient; in addition, a certain degree of vocation for work in difficult conditions and a high level of identification with the AD strategy are needed.

The technicians' work is carried out in particularly unfavourable conditions. The following examples of such conditions must be kept in mind: dangerous situations caused by the violence latent in most coca areas; isolation caused by difficulties of access to farms and sub-zones where projects take place (long distances and lack of roads); the frequent resistance of farmers to change; the combination in any event of production and organization objectives or awareness; the variable nature of the work; and the need for constant adaptation. The work is never easy, nor sufficiently recognized.

In view of the foregoing, the working conditions of technicians specialized in AD projects must take into particular account the need for:

(a) Continuous training, enabling them to adapt to new products and preparing them to be good agents of technology transfer while being knowledgeable about inexpensive and environmentally sound processing etc.;

(b) Stability in employment, since they are generally the depositaries of experience on substitution and the most knowledgeable people in regard to existing risks and the conditions for obtaining maximum productivity levels.

How executive functions are allocated

Execution procedures

Institutions of a varied nature may intervene in the execution of AD projects. For example, the promoter may be the competent central government department, regional or local governments, or specialized international agencies. Similarly, execution may be carried out directly by the promoter or subcontracted, wholly or partly, to farmers' organizations, non-governmental organizations or private companies. None of these forms of execution is exclusive and in any AD project several of them may work together, according to the particular objectives laid down. In this regard, the selection criteria for execution can simply be effectiveness, flexibility and cost, or can be subject to more strategic reasons.

The role of alternative development institutions

Government institutions specialized in AD* may or may not have direct responsibility in project execution but their role is to prepare comprehensive strategies and to coordinate and monitor projects promoted by the various funding agents in a framework of shared responsibility. In addition, they must coordinate the intervention within the AD framework of all the government institutions which, for this purpose, have particular powers and allocated budgets. This function requires much effort and is not free of difficulties. Each institution has its own criteria for acting and its own impetus and does not always act fully within the AD context; there is a risk of dissipation and even contradictory activities.

*The National Council against Illicit Drug Trafficking (CONALTID) (Bolivia) and the Comisión de la Lucha contra el Consumo de Drogas (CONTRADROGAS) (Peru) do not propose to intervene directly in project execution but retain the planning, control and monitoring functions. PLANTE (Colombia), on the contrary, has a decentralized implementation structure for its own budget through public bodies responsible for each sector. The Dirección de Reconversión Agrícola (DIRECO) (Bolivia) also carries out its projects directly and they relate only to impact programmes.

How the beneficiaries can be encouraged to participate

So far, in most AD projects, regardless of the funding agency, there has been scant provision for financial participation of the beneficiaries. This option of “free” participation was and still is justified by the need to gain the farmers’ trust rapidly and to cope with very adverse situations. Nevertheless, experience has highlighted the risk associated with this formula, namely the passivity and lack of commitment by the beneficiaries in their own development if they do not have to make a direct contribution. It has now been realized that there is a need to introduce gradually some elements of participation by the people concerned through a number of possibilities, such as:

(a) The assumption of credit, in the form of finance or rotating funds in kind, in order to encourage the participation of the target beneficiaries in co-financing the launching of activities;

(b) Community participation in the construction of rural roads, providing labour and some materials;

(c) Financial investment in agro-industry capital either individually or through organizations.

Criteria for project programming, management and assessment

Programming

In the areas where an AD project can potentially be carried out, prior actions are conducted, as is logical, to assess the situation and identify the activities which can be carried out and the objectives which can conceivably be achieved. It follows that at the beginning of each project there is relatively strict planning of objectives and activities to be pursued and carried out. The only difference between an AD project and other types of projects lies in the greater variability of local and external factors and in the need, therefore, to maintain great project flexibility and adaptability.

Management

In the same way, it is not necessary to design different management machinery from that developed in other agencies of the United Nations system. The institutional mechanisms used to take decisions regarding projects are:

(a) Tripartite meetings (government counterpart, funding agency and executing agency) which meet once a year and have maximum power of decision, and inter-institutional committees, responsible for approving the operational plans;

(b) Technical working committees in which the technical project leadership and the local organizations involved meet more frequently.

The nature of the above-mentioned management instruments in the activities under study differs because of the fact that they must respond to changing conditions and constant experimentation. AD requires constant review of projects and reformulation of activities, and the bodies must therefore be very flexible and capable of responding to needs.

Follow-up and evaluation

The management tools are supplemented by evaluation accompanied by strategic reflection and horizontal methodology which make strategic revision and systematic analysis possible. Its periodic practice allows the concept of alternative development, its strategies and specific instruments to be redefined constantly.

In fact, although they are very important, ex post facto evaluation processes for projects are not sufficient alone since small-scale experiments frequently have to be

validated afterwards. Changes occur so rapidly that it is necessary, furthermore, to have very flexible assessment systems and, particularly, mechanisms providing constant monitoring.

For all those reasons, evaluation systems must be established at three levels, and the most appropriate machinery must be set up for each of them, on the following basis:

(a) External assessment by all the organizations involved, to guarantee maintenance of institutional, economic and social cohesion in the execution process;

(b) Assessment or an internal monitoring system, which implies a means of constant technical adaptation;

(c) Participatory community evaluation, which shows the degree of acceptance of projects and the beneficiaries' perception of the substitution process under way.

VI. COMPONENTS OF ALTERNATIVE DEVELOPMENT PROGRAMMES

In the present chapter, a summary presentation will be made of the chief components of AD programmes at the local level. The aspects of institutional support and maintenance by institutions specialized in AD, which are generally situated in a wider context than field activities, will be treated later.

ESTABLISHMENT OR PROMOTION OF NEW CROPS: HOW THEY ARE SELECTED

The selection of alternative activities or crops is always very difficult and risky. In fact, in AD there are limiting factors which restrict considerably the range of products available, as follows:

- (a) In contrast to other agricultural development models, the products must have the potential for generating substitute income comparable to coca income and the success of the process must be visible in the short term;
- (b) The action is generally carried out in small plots and marginal areas of the high or low tropical forest;
- (c) The areas to be replaced are very extensive, which means that the products chosen must not only be profitable, but must also have a very wide market and favourable conditions for large-scale production.

Three types of scenario can be distinguished for the selection of new crops, as outlined below.

First scenario: re-establishment of former crops, with increased productivity

The first criterion for selection is to make the most of the crops which existed prior to the expansion of coca (frequently coffee, cocoa or stock-raising) and which have been semi-abandoned but have not disappeared completely. If the pre-existing products are marketable, the option entailing the most immediate results may be to improve farmers' information on the crop productivity and quality levels and access to markets, accelerating its re-establishment.

Normally the crops have been semi-abandoned by farmers so that they can devote themselves to coca cultivation because they are relatively unprofitable (owing to the drop in prices on the international market or the marginal nature of the production areas). In those circumstances, the possibility of increasing productivity is the essential variable required to compensate for unfavourable conditions in relation to the market.*

Second scenario: establishment of new crops on a large scale

Selection of crops is much more complex when the traditional ones produced on a large scale in the zones have ceased to be competitive at international level and were maintained by agricultural policies of price maintenance, tax protection or subsidies. In these cases, former crops (such as rice or maize) can be re-instituted only in small quantities for own consumption or captive markets, for which transport prices will be decisive.

*It should be noted that in this case the promotion of one or two crops does not mean that a choice has been made in favour of one-crop models; it only follows an impact strategy and the need for short-term results. In planning the land plots, for example, space should be reserved for later agricultural diversification (under the same project or in other parallel activities directed at the development of farming in general).

A similar situation in relation to crop selection occurs in the recently colonized zones where there is little previous tradition of legal crops of a commercial nature; the colonization was motivated by the fall in coffee prices in the early 1990s, the economic crisis in mining or simply by the attraction of coca.

In those cases, the selection of income-generating products is much more complex owing to the lack of applied research or the identification of profitable and extensive markets for products in tropical zones* as well as the producers' lack of expertise.

Once products have been identified which meet market and production criteria (quality of land and growing conditions), the problem arises of their maturation time in terms of the urgency of ensuring income generation (as a rule it amounts to 18 to 24 months for palm hearts, 4 to 5 years for stock, 7 for rubber etc.) If, in addition to the products requiring a long maturation period, their establishment has been financed totally or partly with credit, the problem is even more complicated, since interest must be paid during the period before the produce is marketed. In this case, it is necessary to seek forms of alternative credit or promote in parallel a package of products which mature gradually consisting of various crops and other products, including: short-term crops (six months), such as food products; medium-term crops (one-and-a-half to three years), such as palm hearts and sugar cane; and long-term products, such as livestock, rubber and timber.

With all the foregoing specifications, the range of products which can be worked with is not very wide and is the same, with some exceptions, in all tropical forest areas: stock-raising for milk and meat, palm trees for palm hearts, oil palm, citrus and other fruits, bananas, annatto trees, pepper, pineapples, rubber trees etc.

The possibilities for the commercial exploitation of products suitable for production conditions in tropical areas could be much wider. In fact, there are already experiments in, for example, fish-farming, sheep, flowers, medicinal plants, sugar cane etc. Nevertheless, AD cannot run excessive risks in experimenting, and in most cases profitability has not yet been clearly established, nor have the nature and scope of markets been sufficiently identified.

Third scenario: establishment of a model of agro-forestry diversification

The third scenario to consider in relation to crop selection relates to situations in which it is possible or necessary, from the beginning of intervention, to promote models of agricultural or agro-forestry diversification. This option is possible in cases where there are favourable conditions in respect of size of farms, soil quality, the existence of woodland on the plot, and the presence of previous crops in a diversified system. This option is essential when it is impossible to establish income-generating products in the short term because of deterioration of the land as a result of the intensive use of agrochemicals in coca production. In these cases, short-term profitability cannot be sought and diversification with a high component of soil rehabilitation is the only possible solution.**

Finally, the AD framework must identify crops which are direct substitutes for coca. Although the basic strategy is one of income substitution, not crop substitution, it must not be forgotten that, in any event, coca crops exist and the land has to be rehabilitated gradually for both agro-environmental and production needs.

*For example, palm hearts can be more profitable than coca leaf, but the size of the market will not allow great expansion.

**For these situations, it must be noted that in many cases farmers are not bound exclusively to coca cultivation. Generally, it is one-crop farming in agronomical terms, but not from the point of view of farmers, since they produce other crops in the same valley or in their place of origin in the high plateau or the high valleys.

TECHNICAL ASSISTANCE TO FARMERS

The “internalization” of technical assistance

One of the most important effects of the economic stabilization policies is the dismantling – or at least weakening – of all technical assistance structures for agricultural production which were sustained formerly by the public sector.*

In these circumstances, AD projects have to be responsible for supplying the necessary technical assistance with very little support from stable institutions and, more seriously, without sufficient guarantees of sustainability once the assistance has terminated.

AD projects therefore provide technical assistance functions as one of the central points of their intervention, either through their own technical staff or by subcontracting to non-governmental organizations or private bodies such as the coffee-growers’ committees. In general, the technical assistance provided is fairly efficient since there are sufficiently proven mechanisms in other integrated agrarian development models, with many years of experience in a large number of countries. In fact, the most characteristic aspect of the technical assistance model commonly used in AD is its implantation through producers’ organizations, using a pyramid structure based on:

- (a) An expert advisor at the apex in each sub-zone;
- (b) Various agrarian promoters (important farmers’ leaders) as agents of technology transfer;
- (c) Other farmers organized in producers’ committees.

This structure depends on establishing demonstration plots as training centres and setting up a self-sustaining depository of plant material in each producers’ committee.

There is not yet a stable, general way of consolidating the whole advisory structure. Solutions appropriate for each of the situations are being sought either through foundations connected with universities, through non-governmental organizations which can guarantee a parallel means of funding, or through private funds interested in par-

Support from agrarian research and advisory centres

The so-called second-level technical assistance (which gives support to direct agrarian advisory services, fundamental research centres directed at the establishment of new products, applied experimental centres directed at increasing productivity etc.) has generally not been dismantled but its budgets have been reduced and attempts are being made to move towards privatization and self-sufficiency. Such technical assistance is fundamental for AD since it helps avoid the risk of dependence on external technology and makes available genetic material through seed and germ-plasm banks. This material should ensure the establishment of the most productive varieties, which are relatively cheap to maintain and are pest-resistant.

The development of technology packages

In selecting technology packages, three basic characteristics must be borne in mind: proven quality, productivity and adaptability. This requires taking into account the objectives of AD as well as the marginal nature of the intervention areas, the distant location of the land, the price of transport and the low financial capacity of small farmers.

*In Colombia, currently the only stable structures for agrarian extension and technical assistance are the Unidad Municipal de Asistencia Técnica Agropecuaria (UMATAs), units dependent on municipalities, which are very weak but exist throughout the territory. In Peru, only sporadic technical assistance is given through some special projects promoted by the Ministry of Agriculture. In Bolivia, the agrarian advisory functions previously under the Instituto Boliviano de Tecnología Agropecuaria (IBTA) have been abolished, leaving it only the functions of research and production of plant material.

In those circumstances, technology packages must be sought which are easy to reproduce, inexpensive and adaptable to varying social and agronomic conditions.

Although these are well-tried technical solutions tested from other places, they must be modified to be less intensive.* It was difficult to implement this philosophy prior to the structural adjustment programmes, since fertilizers were subsidized by up to 85 per cent. Since the liberalization of the agricultural input market, the need for options with less intensive use of this type of product has emerged.

The role of producers' organizations

Producers' organizations are at the very heart of the farmers' organizations making their participation instrumental and a precondition to give ownership and sustainability to the AD process. They are preferably based in the territorial structure of production, especially when the production model adopted is homogeneous throughout the area. They can also be structured around a product when its promotion requires a high level of technical assistance and marketing concentration. In both cases, various basic committees (from 15 to 20 families) are organized to coordinate AD activities at the grass-roots level, and this constitutes the main operative nucleus of AD projects.

The solidity and cohesion of this basic organizational nucleus is paramount since its structure and governance, as has been seen, gives an impetus for the establishment of legal crops and help organize the transfer of technology effectively at relatively low cost. It should be noted that the value of these organizations is not restricted to the production aspect. They also function as democratic platforms in which to voice and represent farmers' needs, concerns and problems and hence provide the most effective depositories of the undertaking to reduce illicit plantations.

CAPITALIZATION OF PRODUCTION

Marketing: a focal concern in formulating alternative development activities

The liberalization of national economies and the consequent lack of protection for agricultural products, in parallel with the evolution of the concept from crop substitution to income substitution, has displaced the centre of gravity of projects from primary production to marketing. In this respect, experience within the framework of AD has shown that marketing of alternative products must have priority equal to that of primary production.

The process of project assessment has shown clearly that marketing has had a more determining function than it was given initially. It is not surprising that, for some project directors, strengthening the management of economic organizations from the beginning, including strengthening their technical departments, has greater priority.

Improvement of marketing has the following specific objectives:

(a) Increasing the added value which can go to the farming communities (through the margin generated by the marketing process itself, through the price differentials which the market accepts as a function of selection of quality or post-harvest work** and through the creation of jobs which will stay in the zone);

(b) Facilitating the movement of products towards the markets, although this does not mean an increase in value (it is enough that it helps to overcome the physical barriers of access to the market produced by isolation and dispersed production);

*For example, by replacing the use of fertilizers by permanent shade, introducing the catimor variety of Colombian coffee (originally it was grown in the open, but with fertilizers).

**Very often, these differentials are not acknowledged by the traditional middlemen.

(c) Strengthening farmers' organizations through price margins and marketing activities.

To achieve those objectives, in project design there must be a detailed analysis of the conditions of vertical integration of production, in particular:

(a) Identification of existing demand (local, regional, national, foreign level, processing industries, direct consumption etc.);

(b) Knowledge of the qualities of the product which are required by the market and which command price differentials;

(c) Estimation of minimum production volumes required to make the marketing process profitable in relation to the areas cultivated or potentially cultivated for a particular product;

(d) Determination of the productivity levels which must be reached in primary production as a function of prices fixed by the market to guarantee that production is profitable;

(e) Identification of the basic accompanying needs which are required to promote production and marketing; in particular, minimum needs for roads to provide communication between farmers' plots and the collection points and the requirements for the marketing credit needed to promote production.

Agro-industrial processing as a factor in capitalization

Objectives

The use of agro-industries is one element which could contribute a sustainable livelihood by increasing income generated by alternative products and by creating jobs. In fact, it has the same general objectives as the promotion of marketing and, in addition, that of guaranteeing market access for agricultural products (when primary processing of raw materials is required) and creating supplementary non-agricultural jobs which remain in the coca-growing areas.

Conditions for profitability

It must not be forgotten that agro-industries have to be viable in terms of marketing and must not therefore be promoted indiscriminately without the strictness needed for any private investment. For an agro-industry to be viable, there must be a guarantee that:

(a) There is or will be sufficient primary production to supply the agro-industry on profitable conditions;

(b) The prices at which the agro-industry can obtain farmers' products are compatible with those that can be obtained on the open market;

(c) There exist resources and technological options for the industry compatible with conditions in the zone: drinking water, cost of energy, hygiene, adequate quality guarantees, skills for maintaining equipment etc.;

(d) Markets have been identified and there are marketing conditions for placing the manufactured products;

(e) The conditions are suitable to maintain the activity beyond the external intervention period.

It must also be borne in mind that, in contrast to private investment, the farmers' enterprises managing the agro-industries do not require a high level of utilities since their objectives are essentially to support and consolidate primary agricultural production in the zone. They are justified, provided that they cover their operational costs, if they contribute to increasing the added value in the producers' hands and to retaining a large share of the economic circuits in the zone.

The role of farmers' economic organizations

The economic organizations responsible for activating the commercial networks and managing the agro-industries within the framework of AD may be of different types: cooperatives, producers' associations or trading companies with participation of the basic production organizations and, where possible, also of the municipal authorities and private capital. The organizational or legal structure is not a fundamental aspect. The best operational one must be chosen for each case; the important thing is that it retains a very close structural relationship with the basic organizations connected with production.

Frequently, support for management of farmers' economic organizations is the most important motivating element to accelerate the process of crop substitution or rehabilitation, since achieving speedy success in marketing can result in the decisive support of a large proportion of the farmers concerned, who thus regain the confidence they had lost in their organizations.

The criterion for activating AD projects must be the market, that is, the capability to obtain an advantageous position in regard to price and quality. This criterion requires that the first activity to be carried out is to improve management capacity, which should guarantee correct business operation and result in regaining farmers' confidence. Management capacity is possibly one of the greatest weaknesses in the economic practice of small farmers who have always enjoyed the protection of the Government or of traditional middlemen.

The selection of an organization already existing in the area is preferable to creating new structures, although it can sometimes be an obstacle since it is necessary to overcome the bad image it has inherited from a highly protectionist past, with excessive corruption, market quotas, and marketing monopolies on some products etc.

In some cases, the former cooperatives have come to be considered a dead weight in the liberalization policy. Nevertheless, there is no reason why the cooperative as an economic organization which is very well adapted to small agricultural production should be written off; it can and must have a place in the market like any other private economic organization.

ACCOMPANYING MEASURES

The chief accompanying measures for the changes projected in the field of production and marketing which have been tried out in AD projects concern the establishment of possibilities for credit and the construction of economic and social infrastructures.

The development of credit

Existing difficulties

The requirements imposed by the structural adjustment programmes have led to the dismantling of all agrarian credit systems.* The process of liberalizing and reforming the financial markets left small farmers without a means of acceding to an institutional

*It is true that both the Banco Agrario in Peru and the Banco Agrícola in Bolivia had proved to be a negative management experience for different reasons: lack of economic criteria in allocating resources, a very low level of return (awareness of donation), corruption in granting credit etc.

credit system, since the non-specialized commercial banks have neither the mandate nor the resources to supply this market.

The farmers have particular difficulty in obtaining credit for a number of reasons, including the following:

- (a) The physical distance from bank branches, of which there are very few because of the operational costs entailed in providing coverage in isolated zones;
- (b) The difficulty for the farmers of meeting the requirements to obtain credit (since they do not hold title to the farms or to property in the cities);
- (c) The commercial banks' technical unsuitability to provide agricultural credit;
- (d) High interest rates etc.

Small farmers continue to use informal credit given to them by middlemen, with very high costs due not so much to the interest rates applied but to having to sell production at fixed prices through the middlemen.*

Despite some timid and unsuccessful experiments, Governments decline to set up new systems of agrarian credit. This is not due to possible contradiction with international trade agreements, since these agreements give an adequate margin for this. The reason is budgetary (the cost of subsidies over types of interest) and, especially, due to the absolute priority which Governments give to economic discipline of markets, since there is a certain fear that the errors of the past will be repeated.

In fact, neither the Governments, nor the commercial banks, have sufficient confidence in the individual small farmer as a beneficiary for credit activities. Nevertheless, there is somewhat more confidence in respect of commercial organizations because they are holders of funds and can repay credits more easily.

Such a situation is an important stumbling block for AD, which must, in most cases, resolve the problem specifically for each project.

Solutions for investment and financing of crops

The lack of credit for small farmers is offset by donations or, sometimes, by revolving funds in kind or small contributions from farmers, which usually derive from the profits from coca sales. The possibility of repeating experiments is relatively compromised, however, since those advantages are not applicable to farmers who are not direct beneficiaries of the projects.

Solutions for marketing and collection

With regard to marketing and collection, the credit goes to marketing institutions, not to individuals, but there is a similar lack of credit institutions. Only when farmers' economic organizations have reached a proven level of solvency** or there are special marketing enterprises, does the marketing process open the way to banking institutions or even credits from foreign customers.

This situation, however, cannot be applied to all farmers' economic organizations. In general, there is insufficient credit for marketing to allow the collection of all products potentially available in the zone. This is hindering the development possibilities of farmers' economic organizations, preventing them from obtaining more profitable market prices than those paid by the traditional middlemen in the zones.

*On the contrary, the drug traffickers offer credit fairly easily, thus creating dependence on them.

**As is the case, for example, of the Central de Cooperativas Agrarias Cafetaleros (COCLA) central body in La Convención y Lares in Peru.

To provide a response, albeit partial, to the problem, AD projects are forced to provide a credit component and to supply extra facilities such as subprojects specifically aimed at providing credit (exchange value funds) or offering support to small non-governmental organizations specialized in credit. Normally, these solutions do not suffice because of their small scale and the lack of institutionalization machinery, which is not usually provided either by the national monetary authorities or by certain funding agencies like those associated with the United Nations system that usually lack specific credit management instruments (provision is made only for donations).

The reintroduction of agrarian credit within the framework of AD must not imply a return to the uncontrolled incentives of the past which introduced inefficient economic mechanisms. In this matter, it seems obvious that the present situation in which AD projects fulfil a substitution role is transitory and that, in the medium or long term, the agrarian credit system must be institutionalized in the context of each Government's economic and monetary policies.

At the practical level, in order to give effect to a credit system suitable for AD, it must be kept in mind that small farmers are the target beneficiaries, who cannot generally offer guarantees and are in precarious production situations. Various possibilities must therefore be included, such as the following:

- (a) Specifically discounted lines of credit (within the margins acceptable to national financial policy or with outside financial support);
- (b) Repayment systems in keeping with maturation of local products;
- (c) Autonomous project assessment machinery, allowing better selection of concessions;
- (d) Technical capacity for monitoring use of credits;
- (e) The possibility of making disbursement conditional on costs or investment actually undertaken in order to avoid the diversion of credit to consumption;
- (f) The possibility of organizing credits under farmers' economic organizations or private marketing companies which offset repayment quotas against promised sales of production.

The improvement of infrastructures

Productive infrastructures

For any integral development process of a peripheral or isolated region, transport infrastructures are a key element which affects the competitiveness of the region's products as compared with those from central regions of the country. The lack of roads for transport of products at competitive prices compromises the profitability of alternative products. In this context, the roads referred to are those which link the intervention areas with consumption centres but also, and especially, the local roads and secondary roads which make it possible to transport products from the farms to local collection centres.

The lack of means of communication affects not only profitability but in extreme conditions makes it impossible to market the produce, especially perishable goods. Improving transport infrastructures is therefore an immediate imperative for AD projects and not simply a medium- and long-term requirement within the general framework of regional development.

In the same way, the cost of energy determines the viability of particular marketing processes and agro-industries which have a high energy component in their industrial process. This is the case, for example, in milk conservation, meat-processing (slaughterhouses) or cold networks allowing fish farming to go beyond the local market. The development of communications, energy and transport infrastructures can therefore constitute a key component of AD strategy, allowing the opening up of areas which, like the majority of coca farms, are marginal and relatively isolated.

Nevertheless, there is some resistance to developing infrastructures in coca-growing areas, since it is thought that these could support drug trafficking instead of fostering AD.

There are undoubtedly some isolated experiences which endorse this hypothesis, such as the use of asphalted roads as landing strips by drug-trafficking light aircraft. However, the beneficial effects of the infrastructures are more important not only for economic development, but also for institutional development and even law-enforcement activities.*

Social infrastructures

In order to persuade farmers to abandon the coca economy, it is not generally enough to offer them an economic alternative. The process of change implies a social and political choice which, to be consolidated, requires commitment both by farmers' organizations and local institutions. Social infrastructures are an ideal instrument for achieving this objective. The scope for action is wide: health posts, schools, sports facilities, basic sanitation, institutional installations etc., but in no case must the fact of providing certain infrastructures be taken to mean that AD can undertake or maintain the whole of this type of activity in the medium and long term, assuming the normal responsibility of the Government.

Content and extent of the infrastructures component in alternative development

As has been seen, at the conceptual level there is no doubt about the importance of infrastructures in AD. But at the methodological level it may be asked whether infrastructure programmes have a relatively large bearing in AD programmes. Two arguments help justify this:

(a) The establishment of infrastructures absorbs a large amount of resources in relation to those directed at other aspects of AD;

(b) The vocation and experience of AD are focused chiefly on productive components and farmers' organizations. In many cases, the planning framework of major infrastructures lies outside the intervention level in which AD acts.

In this regard, planning of AD must address the following issues:

(a) Should infrastructures be included structurally at execution and financial level in AD programmes, or be linked to overall sustainable national development (which in this case must define the level of priority to be applied to coca-growing zones in which AD processes are taking place)?

(b) Which infrastructures should be included within the framework of AD execution?

Obviously, the answers to these questions are not the same in all circumstances, depending on the particular circumstances in each case and the sustainable development prospects promoted in general by the Government.

In any event, from the point of view of production and in a specific way, AD must include as a priority in its programmes the construction or rehabilitation of internal communication links which provide minimum transport facilities between the farms and the collection centres (rural roads and local roads). In general, the points causing the most serious bottlenecks in the collection and transport of the legal products to be promoted must be identified. With regard to improving the quality of life for the population, the tasks which allow some joint planning with municipalities and which provide a means of gaining the farmers' confidence must also be identified.

*The establishment of infrastructures without reference to an overall development process and without increased government presence, including drug-trafficking control, could produce the negative effect mentioned.

Maintenance of infrastructures

The capacity of projects to include infrastructures is limited not only by the availability of financial resources for their construction but also by the foreseeable capacity to guarantee their maintenance, both technically and economically. Difficulties in guaranteeing maintenance arise from the poor economic and technical capacity of local authorities and municipalities. To this must be added the climatic and topographical conditions of most of the areas, which encourage rapid degradation, especially of highways and roads.

When it is possible to identify and pinpoint the users of a public service (drinking water etc.), a system of maintaining the infrastructures with the financial participation of the beneficiaries and municipalities involved can be instituted. In this case, projects can provide equipment, advice and qualified personnel.

When the above mentioned conditions are not feasible or when payment for the service cannot be required (roads, school routes etc.), simple and lasting technical solutions must be sought, allowing the community to participate by supplying labour and materials and keeping maintenance to an absolute minimum.

ACTION AIMED AT THE PHYSICAL AND SOCIAL MILIEU

Information and training

Information is a very important aspect of AD and is often not given sufficient consideration. Experience in regard to information is on two levels:

(a) Information about actual AD projects or institutions directed at farmers, other institutions and the public in general;

(b) Provision of social communication facilities in the very heart of the cocoa-growing zones in order to channel technical and social and cultural information internally. In this connection, small municipal or independent radio stations providing access to information for farmers, who are dispersed throughout the zone of influence and relatively out of touch, may be of special importance. The bulletins of producers' economic organizations can also be useful.

Environmental sustainability

The environmental component of AD projects must be integrated at three different levels, as outlined below.

In AD projects themselves

All AD projects take into account the environmental impact of their activities so that the sustainability of agricultural development can be guaranteed. This is effected through:

(a) Selection of products which must be compatible with the agro-environmental land conditions;

(b) The introduction of soil rehabilitation systems by adding nutrients (leguminous and other types);

(c) The substitution of chemical fertilizers by various types of organic fertilizer;

(d) The introduction of natural cultivation management systems which replace agrochemical additives (provision of temporary and permanent shade for coffee and cocoa; training in pest recognition and treatment; pruning; plant spacing etc.).

The search for environmental balance is an objective in itself of AD but, in addition, it is an absolute necessity in economic terms since the products must be competitive in external markets and cheap solutions appropriate for the environment must therefore be found.

Environmental rehabilitation activities

So far, environmental rehabilitation has not been a substantive task provided for in AD programmes, either by Governments or by external funding agents, since AD has been devoted as a priority to small farmers individually and their productive options, leaving aside the more global aspects of territorial development. Activities of this type, which must be studied and undertaken in the future, would affect areas of tropical forest reserve that have been encroached on, marginal highlands devoted to one-crop cultivation of coca that have been abandoned, or headwater areas of valleys.

Land rehabilitation is easier on the forested hillsides than on the wooded plains but, even so, there is still little experience of the subject; only mountain reforestation has been worked on.*

Gender content

Gender mainstreaming** in alternative development means that the different roles and needs of men and women are taken into account in the design, implementation, monitoring and evaluation of AD projects. Active participation of men and women in all relevant activities is promoted by ensuring their access to resources and services, with the ultimate aim of benefiting both men and women.

Since the early 1990s, UNDCP projects have included a gender component through experiments involving a twofold approach: the inclusion of women in general producers' organizations, on the one hand, and the establishment of women's organizations for specific tasks, on the other.

Initially, endeavours to include women in the work of producers' organizations and to carry out agricultural training at the same time were not successful. Women faced difficulties because of cultural traditions, lack of basic training, the incompatibility of working hours with efforts to act jointly with their husbands or an overload of responsibilities and tasks. More positive achievements were recorded in the promotion of specific women's organizations for their own training, through carrying out productive activities (small animal-rearing, small market gardens, tea production, juice packing and distribution etc.) and for social activities connected with the quality of life (management of health posts, first aid etc.).

However, a recent review of gender mainstreaming in AD projects demonstrated that the organization of women's groups more or less parallel to producer cooperatives is not sustainable in the long run. Problems between the different groups occurred and women's groups were marginalized as they were not involved in core activities. Nevertheless, it was noted that the women's groups had played a positive role in providing training and

*In particular, there is a land rehabilitation programme (integral management of catchment areas) in Peru, through the Programa Nacional de Manejo de Cuencas Hidrográficas (PRONAMACH) and with World Bank funding, which has not yet extended to coca-growing zones.

**The gender mainstreaming mandate was reinforced within the United Nations system in a number of important documents: the agreed conclusions of the Economic and Social Council 1997/2 (Report of the Economic and Social Council for 1997, chap. IV, sect. A); the Secretary-General's communication on gender mainstreaming of 13 October 1997; and the resolution adopted by the General Assembly following the Twenty-Third Special Session of the General Assembly (resolution S-23/3 of 10 June 2000).

A specific gender mainstreaming mandate for alternative development is included in the Action Plan on International Cooperation on the Eradication of Illicit Drug Crops and on Alternative Development, endorsed by the Member States at the UN General Assembly Special Session in June 1998.

leadership development. Also, the micro projects for women had fulfilled an essential function in the early years of AD projects when new crops had not yet reached production.

An assessment of AD projects in the region showed that the adjustment of the statutes of the farmers' organizations from a gender perspective has improved the position of spouses. However, it is still difficult for women (as spouses) to be delegated to assembly meetings or to become members of the central board of a cooperative. The projects also achieved a higher level of women's participation in core training activities and greater involvement of women in local committees.

Apart from specific project cases, not much is known about women's functions in the coca economy. In order to make progress in the gender strategy applicable to AD projects, a gender analysis is to be implemented in an early phase of the project, possibly at the time of conducting base line surveys.

Social and coordination organizations

Supporting productive agricultural activity or sustaining marketing and agro-industries is not the only function of rural organizations. To achieve global sustainability of AD interventions, social awareness of change has to be strengthened and the organizations must have wider scope than mere economic content. Therefore, promoting any level of organization which enhances social attitudes of change is also an objective of AD programmes.

In this regard, there are valid experiments in defending the gender content of programmes, in users organizing themselves to manage certain infrastructures, in the management of local communications and in the management of centres for research, teaching and production of agricultural material.

Finally, it should be remembered that during the external intervention the project structures play an important coordination role in the productive and social situation which they are helping to shape. To guarantee sustainability and be able to spread the knowledge acquired, it is important that at the end of the project there are one or more institutions to take responsibility for this function. There is no single formula to promote for that purpose. The body responsible to undertake this function may include:

- (a) Primarily the government institution responsible for AD;
- (b) Other public institutions involved, such as the Ministry of Agriculture or the municipalities;
- (c) Semi-public enterprises (departments of municipalities, regions, farmers' organizations etc.) which carry out coordination and business advisory functions;
- (d) A non-governmental organization formed by associations of producers and cooperatives that can coordinate and spread the experience acquired.

Part

4

THE GLOBAL SUPPORT FRAMEWORK FOR ALTERNATIVE DEVELOPMENT





Global support strategies and policies for alternative development

VII. GLOBAL SUPPORT STRATEGIES AND POLICIES FOR ALTERNATIVE DEVELOPMENT

In part three, a detailed analysis was made of experiments in the field in AD and appropriate observations and lessons were noted at that level. It is now important to go beyond such a microeconomic view centred principally on the local dimension in order to consider the support and accompanying strategies and policies needed to ensure that activities acquire the necessary significance and effectiveness. Alternative development does not, in fact, consist of the sum of isolated activities, however well designed they may be, but must be part of a global government policy with the triple approach of drug control, economic and social development and community participation.

INCORPORATION IN NATIONAL DRUG CONTROL POLICY

For AD to be fully effective, it has to be incorporated as an integral part of the national drug control policy. This in turn means that three conditions have to be met:*

(a) The will to reduce the supply of illicit products must be contained in the drug control master plan as a component of an integrated national strategy;

(b) The will of the Government must be embodied in a national alternative development plan that provides for implementation of specific policies based on a budgetary commitment (which will be supplemented by external cooperation contributions, within the framework of shared responsibility);

(c) The AD strategy set out in the national plan must be carried out by an institutional body which is responsible for implementation and follow-up.

Incorporation of alternative development into the drug control master plan

The incorporation of AD into the drug control master plan is not a question of formality but the practical requirement for it to be recognized officially as a basic component of government policy, and for the necessary coordination to be established between, on the one hand, the persons and institutions responsible for AD and, on the other, the various approaches of drug control policy and, in particular, the sectors responsible for drug law enforcement. The competent multi-sectoral body to supervise the management, follow-up and evaluation of the master plan as a whole can be the body responsible for harmonizing and coordinating the approaches of the various national institutions and for guaranteeing:

(a) A framework of funding and policy measures encouraging the substitution of illicit crops through a development process;

(b) The planning of AD in which international cooperation can be included on the basis of the criterion of shared responsibility;

(c) Coordination with national development, planning and anti-poverty instruments etc., guaranteeing conditions of sustainability for AD projects in which lines of communication, energy networks and basic social development are the chief concerns.

*The three conditions are presented here in order from the most general to the most specific, but in real processes it is possible that the creation of specialized institutions precedes the formulation of planning instruments.

National alternative development plan

The evidence of a Government's commitment to the policy of reducing coca supplies is the national alternative development plan, which gives form to the general strategy laid down in the drug control master plan and justifies the subsequent creation of the institutional body competent on the issue. Bearing in mind the marginal nature of the areas where coca plantations exist, the inadequate knowledge of the areas cultivated and the variation in cocaine demand, it is difficult to draw up a plan with a precise form and totally planned activities in the medium term.

Therefore, government plans for AD are expressed in general terms on the basis of strategic lines and indicative financial undertakings, laid down by the Government, and more specific annual plans that depend partly on availability of resources (budgetary funding and contributions from external cooperation) and partly on the budgets of projects presented by the various agencies.

Establishment and support of specialized institutions responsible for alternative development

After 15 years of tested experience in the field of AD, the institutional structuring process has become reality in the three countries of the Andean area. Nevertheless, the establishment of administrative bodies responsible for AD does not mean that they must replace the specialized sectoral or territorial technical agencies that exist within the framework of the national policy. The bodies responsible for AD do not have to be transformed, for example, into the executors of agrarian or credit policies or to oversee the construction and maintenance of infrastructures. Those functions and their related budgets must remain within the ambit of the competent agencies.

On the other hand, the bodies responsible for implementing AD strategies tend to concentrate their energies on planning and promoting activities, proposing them to the Government for approval, and coordinating with the other administrative departments involved. In this way, specifically, they try:

- (a) To promote the inclusion of AD zones of activity in national plans for roads, electrification, reforestation etc.;
- (b) To work with external help and provide a framework for it, laying down strategic lines and monitoring projects;
- (c) To establish coordination with the organizations responsible for law enforcement in order to plan the activities properly;
- (d) To promote directly the implementation of activities that do not have a specific place in the Government's organizational structure;
- (e) To support the viability of alternative production by facilitating access to national final markets and to export markets or by acting as a pole of attraction for private initiatives.

THE LINK WITH NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT POLICY

AD cannot act independently of national development policy. On the contrary, there need to be close links and coordination, particularly with reference to three aspects:

- (a) Allocation of resources taking into account the exceptional nature of AD interventions;
- (b) Territorial balance between the coca-growing zones where AD activities are carried out and the other regions of the country;
- (c) Complementarity in each coca-growing zone of the activities carried out under AD and those carried out by other development agents.

Allocation of resources for alternative development

The exceptional nature invoked by AD managers to claim greater resources—despite the general context of reducing government intervention in the economy—should in no way be understood as an attempt to prolong the situation of artificial protection or permanent subsidies. On the contrary, there is a clear awareness that the products being promoted, the technologies used and the agro-industries must be capable of ensuring that AD zones become competitive in regional, national and international markets on the basis of improved productivity and the necessary quality requirements. The exceptional nature claimed by AD is justified by the conditions of marginality, isolation and habitual violence in the zones to which coca-growing has extended. What must be done is to provide the necessary support to overcome this type of obstacle to be competitive in the market on equal terms.

It must be remembered that, despite the current restrictions associated with structural adjustment policies, the World Trade Organization allows compensatory measures to be used, widely in some cases and in others with restrictions. The Andean countries still have a margin for this type of compensation, but it has been very little used until now, possibly owing to budgetary difficulties or a philosophy of strict financial discipline.

Thus the relatively more favourable situation of the Colombian economy has allowed some of these compensations to be used in the strategy laid down by PLANTE to support AD; they include subsidies for private reforestation activities; specific credit conditions through interest-rate subsidies and more flexible conditions of access; price subsidies based on differentials in costs of transport of agricultural products to their natural markets etc.

Relationship with action for sustainable development and against poverty

The operational development instruments adopted by each country can be of various types: an anti-poverty campaign, a programme for inter-territorial balance or a national sustainable development plan. Nevertheless, those instruments must always provide a compulsory reference for AD processes, and there must be a close, two-way link between the AD institutions and the institutions responsible for development in general. In fact, the AD institutions do not have either the mandate or the resources needed to guarantee integral development in the areas in which they intervene. Their criteria for allocating resources are directed at attaining the drug objective and hence their intervention in terms of development tends to remain limited to solving problems and laying down the productive and organizational bases for the generation of substitute income.

AD activities can be consistent in the medium term only when based on national policies for land planning, the creation of major infrastructures, the development of agricultural production etc.

The lack of intervention of regional and national scope can constitute a severe obstacle and risk of failure for AD activities, for example, where there is a huge deficit of transport and communications infrastructures that prevents farmers from gaining access to the market.

It is therefore necessary for the institutions responsible for constructing and maintaining the essential infrastructure networks (communications, energy etc.) and basic social services (health, education etc.) to work in a coordinated manner with the institutions responsible for AD.

Furthermore, from the territorial point of view, it must be remembered that AD acts in specific zones and not in others because it is determined by criteria of drug control and not by priorities connected with territorial balance. In those circumstances, its field of inter-

vention will again be partial, specifically in relation to geographical coverage of the national territory. This can cause considerable distortion by providing unequal resources and applying differing criteria in different zones of the country. In that regard, the question arises as to how to maintain a certain balance and homogeneity in national development and the allocation of resources, and how to harmonize the action of the general development institutions and the specific institutions devoted to AD.

The balance is particularly important in relation to the areas from which there is a population exodus as a result of low development levels or crises in local production. In this respect, another aspect of the relationship between economic and social development in general can be glimpsed to the extent that the influx of population and increase in illicit production in the coca-producing areas is at least partly the result of development difficulties currently being experienced by many regions in the Andean countries.

THE ROLE OF INTERNATIONAL COOPERATION AGENCIES

The participation of international cooperation within the framework of AD policies is absolutely essential. The efforts by the Governments of countries producing illicit crops require international support for many reasons, including the following:

- (a) The drug-abuse control strategy is international in nature and requires cooperation by all countries, regardless of where the most difficult problems occur;
- (b) The reduction in the supply of illicit products is closely linked with the need to control consumption, and efforts therefore have to be made on the accepted principle of shared responsibility;
- (c) On the fringe of the drug control campaign and in more general terms, as a result of poverty and structural adjustment policies, the countries that produce raw materials do not have the capacity to finance broad AD policies.

Nevertheless, the participation of international cooperation in AD is very complex and difficult for three main reasons:

- (a) Its specific content, which differs from mainstream rural development models, and on which there is still a lack of sufficiently valid experience making it possible to establish machinery for allocating resources compatible with each bilateral cooperation activity and those of the international institutions, other than those which are specialized in drugs;
- (b) The marginal, isolated and violent nature of the intervention zones, as has been mentioned in the present guide, which entails risks with which the traditional cooperation agencies are unfamiliar;
- (c) The lack of mechanisms for assessing results and for monitoring activities to ensure proper application of the resources used.

Specifically, endeavours such as the present guide try to clear up some of the doubts and throw light on the nature and results of AD activities. In any event, the most determining mechanism for channelling international resources towards AD must undoubtedly be its institutionalization in each of the countries, proper planning of activities and the identification of specific needs in all coca-growing zones. This will make it possible to carry out more clearly defined intervention processes in accordance with the capacity and specificity of each cooperation agency.

In any case, what seems to be a priority in this field is the structuring of general assessment and monitoring systems for AD with guarantees of independence, reliability and professionalism that give confidence to the various funding agents in regard to the validity and effectiveness of their intervention in terms of economic and social development of the zones and a reduction in the supply of illicit products.

Part

5

MONITORING AND ASSESSMENT OF RESULTS





Criteria and indicators for success of activities

VIII. CRITERIA AND INDICATORS FOR SUCCESS OF ACTIVITIES

CRITERIA FOR ASSESSMENT OF RESULTS

General observations

AD is a changing and constantly innovative intervention model that must be continually validated in relation to its final objectives and its attempt to respond to the following two questions:

- (a) How and to what extent does AD contribute to reducing the supply of illicit products?
- (b) How and to what extent does AD contribute to establishing conditions of legality and a return to a licit economy in the coca-growing zones?

Frequently the replies are too schematic and simple, to the extent of producing assessments which may even be contradictory. For example, the global evaluation of AD experience is generally positive if it is analysed from a “micro-territorial” viewpoint, that is, exclusively in its geographical intervention context, taking into account all its objectives.

Despite the fact that in some cases, there may have been errors or doubts, overall the results are very positive in regard to the success of the basic strategies of AD (strengthening farmers' organizations and developing awareness of substitution, establishing machinery for agrarian expansion and transmission of technology, creating marketing structures or agro-industries etc.).*

In some cases, however, the effectiveness of AD is questioned on the basis of global indicators intended to measure the global evolution of crop expansion in specified areas or countries. In general, these measurements detect no significant effects of AD. The contradiction is particularly clear in some areas where undoubted regression of illicit crops can be seen on the spot, whereas the general indicators of crop expansion continue to reflect a stable situation globally, regionally or in the country as a whole. In these cases, it must be assumed that crop eradication is being paralleled by expansion in new zones which are even more marginal.

In any case, it seems obvious that the impact of AD, like that of other sectors of drug control policy, cannot be assessed in isolation without taking into account the integrated nature of its strategy. Just as the effectiveness of law enforcement, measured in terms of the volume of seizures, does not necessarily indicate an overall decrease in illicit traffic, the success of isolated AD processes may not indicate a parallel decrease in the areas cultivated.

Validity of criteria centred on reduction in the crop area

The urgency of drug control measures has frequently led to the use as a preferred measure of project success—and frequently the only one—of the net reduction in hectares of coca achieved in the zone. First, this indicator is imprecise, since there may be a

*For some aspects, such as the institutionalization of forms of agrarian credit or machinery for implementing the gender content, sufficiently consolidated formulas must still be sought for the specific conditions in which AD operates.

substantial reduction in supply without a reduction in the area cultivated when the farmers devote themselves less and less to producing and harvesting coca owing to the increasing absorption of their human and financial resources in licit crops. In this case, there may be a reduction in raw material supplies, along with stagnation of the areas cultivated.

At a deeper level, the use of this type of variable is a dangerous simplification in two ways:

(a) The objectives of an AD project are not restricted to reducing the area of illicit crops, as has been seen above;

(b) Too many external factors—many of them with a high impact—affect the possible reduction or expansion of the area cultivated for this to be able to serve as an indicator of the success of the project.

To be convinced about the second aspect, it is enough to examine briefly the external factors that have an effective impact on it.

External factors or determinants

The success that can be achieved by a particular project is greatly affected by various factors that are totally or partly beyond the control and scope of the project activities, such as:

(a) Variables relating to the coca market and drug trafficking (structure of the final drug markets, evolution of coca prices, geographical location of the intermediaries, pressure of drug traffickers and violence in the zone etc.). It must be remembered, for example, that a drop in coca prices may have a very telling effect on reduction of supply, irrespective of the success or failure of AD activities in the field;

(b) The intensity of law enforcement throughout the territory potentially suitable for illicit crops. In fact, inadequacy of these activities can mean that intervention through AD in a particular area finally causes the crops to be transferred to neighbouring zones;

(c) The level of government presence in the zone and of development instruments, which may or may not allow the success of projects to be maintained and repeated and achievements to be multiplied.

Such external factors in some way predetermine the possible success of the project with regard to the reduction of coca supplies and also to the development of licit activities.

In view of the foregoing, there can be hope that AD will be successful in global terms only if the work is conducted jointly in all potential areas and with a holistic type of intervention. As there are insufficient resources for such an effort, external observers may have a distorted view of the results of AD, since considerable advances may have been made in coca substitution and consolidation of alternative crops while there has been a parallel expansion of coca in other places through the attraction to marginal zones of new colonists driven out of poor areas.

INDICATORS FOR MEASURING AND ASSESSING SUCCESS

Success indicators

As indicated above, the experience of assessing and monitoring AD projects has made it clear that measuring the overall area of coca before and after AD projects is not an adequate and appropriate indicator for evaluating their success and progress. Within the framework of AD, it is therefore necessary to determine a set of clear indicators and assessment systems which are specific to it. Those instruments should cover at least the following aspects (some possible indicators are given as examples):

- (a) Progress and yield of licit crops:
 - (i) Production levels of licit crops;
 - (ii) Volumes marketed by intermediary organizations;
 - (iii) Prices paid to the producer and marketing margins;
 - (iv) Income generated by the production and marketing of licit crops etc.;
- (b) Evolution of resources used in licit and illicit production:
 - (i) Percentage of family time and work spent on coca cultivation;
 - (ii) Evolution of investment carried out for the establishment of licit crops;
- (c) Increase in complementary activities:
 - (i) Employment generated in marketing and agro-industries;
 - (ii) Employment generated in activities unconnected with agriculture;
- (d) Degree of economic dependence on coca: percentage of farmers' income that comes from illicit crops.

In addition to the indicators that endeavour to reflect the degree of progress of projects, it is also important to ask whether it is possible to take into account their degree of sustainability, namely the probability that the results obtained will outlast the life of the projects. This is a very difficult task, basically for two reasons:

- (a) The sustainability of a project can be judged only once it has been completed. Evaluation therefore tends to take place at the soonest two or three years after completion of the project and, in particular, after external aid has ceased;
- (b) If technical and economic characteristics linked with project viability are excepted, in many cases the basic conditions of sustainability are qualitative and impossible to quantify.

That is the case for factors such as the level of awareness reached by local communities in rejecting dependence on the coca economy; the definitive introduction of government institutions in the area and their capacity and level of commitment to take on and sustain the activities carried out under AD projects; and security in the subsequent implementation of supplementary sustaining activities that affect the maintenance of the activities (action against pests, infrastructures etc.).

Nevertheless, there are activities within the project which undoubtedly encourage better future sustainability to which attention could be paid during the project, such as:

- (a) The gradual reduction of participation by external financing sources, at least for production activities, which should ensure progressively that they are profitable;
- (b) The increased shouldering of responsibility by local staff;
- (c) The consolidation of complementary activities to support production;
- (d) The progressive reduction of dependence on external technology etc.

It is at the project design and planning stage that those aspects should be kept in mind and the relevant indicators identified.

Monitoring of coca crops

Although it is not in the nature of an exclusive indicator of the results of AD activities, monitoring coca crops through coordinated satellite, aerial photography and land surveying activities is essential and supplies very valuable information which is important in designing productive licit activities.

Without land surveying, measuring the areas of coca plantations is very imprecise. It is also very difficult to appreciate the various qualitative aspects of the plantations that affect the final drug supply and the farmers' dependence on illicit crops.

At the technical level, integral monitoring of coca crops is useful, in addition, for the development of licit crops since it permits identification of the stable farmers and can become not only a coca-growing register but also a property register of agricultural production.

Nevertheless, monitoring of coca crops also has a clear political consequence. In fact, in view of the continuous international pressure on the producing countries which can determine the level of help they receive, there is a constant lack of confidence in measuring according to who performs it. Therefore, UNDCP has been working with Governments to set up a neutral monitoring system supported by all the institutions involved.

Land surveying means that a number of indicators for assessing the situation and the progress of projects can be used which is much more reliable than simply the number of hectares that have been replaced or still exist. Those indicators make it possible to see the real situation of the crops, either as a result of AD action or of other external factors such as the drop in prices. This can show the foreseeable duration of coca crops in relation to the intensity of farming, the difficulty of establishing substitute crops owing to land deterioration, the dependence of farmers on coca, the intensiveness of harvesting work by the use of contract labour or family members etc. As an example, some usable indicators are:

- (a) The interrelation between the area concerned, the area under production and the area of high productivity;
- (b) The productivity of coca crops and the production models applied;
- (c) The extent to which abandoned plantations are eradicated;
- (d) The proportion of farmers not dependent on coca;
- (e) The level of investment in farms;
- (f) Income generated and cost per hectare;
- (g) The evolution of contract labour;
- (h) The family element in coca production.

The above series of indicators obviously loses much of its significance in areas where it is possible to envisage the objective of total eradication of the crops. Nevertheless, even in those cases, it is helpful to assess the illicit crops with this set of indicators in order to judge the real impact of AD in overall supplies of the final product, cocaine.

ANNEXES





Annex I

MANAGEMENT, CONSERVATION AND UTILIZATION OF FOREST RESOURCES IN THE COCHABAMBA TROPICS AND TRANSITION ZONES OF THE YUNGAS OF LA PAZ, BOLIVIA

In working with small farmers who are involved in the illicit production of coca leaf, the main thrust of many AD projects is crop substitution, often focused on a limited number of commodities for national and export markets. Alternative development projects in the humid tropics are, however, often faced with conditions that severely limit agricultural and livestock production. High rainfall, humidity and temperatures, steep slopes, and soils with low natural fertility and subject to erosion, and poor infrastructure are among the obstacles to be overcome if alternative sources of income and employment based on licit agricultural products are to be sustained over time. Furthermore, as is often the case when illicit crops are first established, the expansion of alternative crops can result in the loss of native tropical forests, a trend that may accelerate if farmers do not invest in fertilizers and instead continue to rely upon traditional slash-and-burn practices. Besides the environmental impacts, such as degradation of soil and water resources, wildlife habitat and biodiversity, the economic losses from high-value timber being burned instead of utilized can be phenomenal, surpassing the value of the agricultural production that displaces the tropical forest.

In areas with limited agricultural potential and important natural forests resources, an innovative approach to AD is being successfully carried out in Bolivia by UNDCP and the Food and Agriculture Organization of the United Nations (FAO) in their joint project Management, Conservation and Utilization of Forest Resources in the Cochabamba Tropics and Transition Areas of the Yungas of La Paz. The project is a significant component of the Government of Bolivia's drug control strategy that seeks the complete elimination of all illicit coca crops by 2002.

The pilot phase of the project began in 1994. A second phase is ongoing since 1997. The project aims to create new licit sources of income and employment and to relieve pressure on native tropical forests in the principal coca-growing areas of Bolivia in the Chapare and, since August 2000, the Yungas region of La Paz. The project promotes diversified, low-input agricultural production through agro-forestry systems that combine annual and perennial crops, livestock, trees, and simple soil conservation practices. Agro-forestry has the advantage of lowering production costs and providing a flow of income over the short- and long-term, helping to stabilize production and avoiding the need for farmers to clear and burn more forest. Furthermore, diversified farm production (a traditional peasant strategy) helps to reduce the risk of pests, price fluctuations, and weather conditions.

The agro-forestry systems are complemented by helping local inhabitants find ways of deriving licit income and employment from the tropical forest resources found on their farms and in their communities. Where primary tropical forests still stand and there is access to markets, selective harvesting and processing of logs with a portable sawmill under approved management plans have proved to be highly profitable and competitive with agriculture. Other wood products such as charcoal are being produced, and, in collaboration with other projects, research is being done on non-wood forest products such as tropical flowers, foliage, medicinal products, thatch, and honey. Eco-tourism can also be a non-consumptive use for native tropical forests that has great potential for generating employment in the service sector.

Before the pilot project began, interest in agro-forestry and forest management was limited. Some modest research activities by local agricultural research stations had been undertaken, but those practices were totally unknown among local farmers. The majority of the population in the Chapare and Yungas are recent migrants from the Andean highlands, where many had worked as miners. Therefore, they had little prior knowledge of tropical agriculture and were not accustomed to living in the vicinity of tropical forests. Agro-forestry and forest management were also absent from AD strategies, and decision-makers generally treated these activities as a curiosity or confused them with reforestation. Today, the project has not only managed to change farmers' attitudes, but has also had an impact at the policy-level, where an integrated, more sustainable approach to AD is clearly expressed in government strategies.

It is not easy to change traditional slash-and-burn practices and introduce agro-forestry and forest management methods. The project faced cultural as well as technical and political obstacles. Prior forestry and land-use laws condoned, if not encouraged, indiscriminate forest clearing. This was sometimes the only way for colonists to lay claim to the land, and regulations made it almost impossible for small landowners to manage their forests. The involvement of the private sector was difficult because, traditionally, most forestry operators "mined" what logs they could at a low cost. The result was that neither the farmers nor industry replaced timber stocks through forest management or reforestation. In 1996, progressive forestry and land-use legislation was passed, providing a more adequate legal and institutional framework. The application of those laws in the field, though slow and incomplete, is moving forward with support from the project in the Chapare. More importantly, small farmers themselves have begun to realize how important tropical forest resources are to the well-being of their families. The trends are encouraging. Deforestation rates are slowing and the area under forest management is growing.

The new, innovative forestry and agro-forest systems being promoted by the project include:

- Management of primary and secondary native forests for wood products and environmental protection;
- Reforestation for commercial wood production and environmental protection;
- Selective forest clearing using no-burn or control-burn practices;
- Carpentry centres for value-added products;
- Coffee and cacao under forest shade;
- Annual crops plus palm heart plus rubber;
- Improved pasture, forage trees, shade trees, live fence posts and protein banks;
- Citrus fruit, legume cover crops (weed control and soil conservation) and forest trees;
- Achiote (natural colourant, native to the Amazon basin) plus cover crops plus forest trees;
- Annual crops plus pineapple plus citrus fruit plus forest trees.

The main goal of these and similar activities is to provide a more sustainable flow of legal income in the short-term (management of native tropical forests and annual crops), medium-term (perennial crops) and long-term (timber from planted trees) while conserving the farmer's natural resources. Future plans include monetary valuation of tropical forests and planted trees for carbon dioxide with direct payments to participating farmers and a reforestation rotating fund to expand commercial tree plantations.

The active participation of direct beneficiaries is key to the success of the project. A highly successful methodology has been used in planning and implementing the project. Small farmers themselves (men and women), in consultation with the project technicians, make all decisions relating to AD. Since local factors such as soil fertility, access to markets, conditions of forest resources and farmers' knowledge vary greatly, an appraisal of the potential of each area is made. This is done using different rapid rural appraisal techniques, where both technicians and beneficiaries participate in preparing

a “micro-project” or plan of action that takes into account limitations and opportunities, as well as the capacity and investment resources of each farm family. Through the participatory process, project technicians raise awareness about agro-forestry and forestry activities.

There is also participation and close collaboration at other levels. A close working relationship is maintained with other AD projects, local government institutions, educational centres, the private sector, and non-governmental organizations. This includes participation in the project oversight committee by the principal government institutions responsible for forest resource management. One result has been adoption by the departmental government of a comprehensive Forestry Programme for the Cochabamba Tropics that sets out an ambitious vision and a straightforward implementation strategy for achieving the long-term conservation of forest resources in the former coca-growing zone, national parks, forest reserves, and indigenous territories. A private foundation, the Forestry Technical Centre, has been created to oversee implementation of the Forestry Programme. A goal of the project and its partners is to establish an endowment fund for the Centre.

The active participation of women in the project is crucial to its effective implementation. In the Chapare and Yungas, women play an important role in coca production. It is frequently women who bear the brunt of the economic consequences when illegal crops are eradicated. The special needs of women are therefore taken into consideration in the planning and implementation of the “micro-projects”. Efforts are made to maintain a significant female professional staff in order to facilitate access to women farmers and introduce specific activities for women. Support is given to over 15 women’s associations involved in citrus, honey, home gardens, small animals, tropical flower, and foliage production. The project has encouraged women to get more directly involved in the producer associations and tries to address women’s concerns from a gender perspective within the context of the family unit as a whole. A review of gender mainstreaming activities in the project has demonstrated that more women attend meetings of producer associations and that their participation in training events has increased.

Technical support and training are also provided to strengthen the organizational and administrative capacity of farmers through the creation of producer associations and women’s groups with locally managed rotating funds. Before project inputs such as plant material, seeds or other agricultural products are channelled to beneficiaries, a mechanism and a time-frame for partial recovery of the value of these inputs are agreed upon by members. Some products are marketed directly through the associations and women’s groups. Through recovery of project inputs and maintaining profit margins, working capital is accumulated to support future growth of the associations and their members. The project provides assistance in financial analysis and marketing strategies. Together with the Forestry Technical Centre Foundation and promotion of wider private sector involvement, autonomous producer groups are key to assuring continuity of activities beyond the duration of the project.

A strong social communication component is helping to ensure widespread dissemination of project activities in both regions. Videos, television and radio programmes, newspaper articles, and presentations in national and international forums are used to inform other institutions, communities, the private sector, other donors, and the general public about the new approaches to AD promoted by the project. Demand for project services has grown as farmer-to-farmer contracts have been encouraged.

The project is recognized as one of the more successful AD initiatives in Latin America. Equally important, in the context of Bolivia’s national drug control master plan for the period 1998-2002, the project is making a significant contribution to achieving the goal of eliminating all illicit coca production in the country.

Annex II

COLOMBIA: ALTERNATIVE DEVELOPMENT AND SUCCESSFUL CASES OF CROP SUBSTITUTION IN THE DEPARTMENT OF CAQUETÁ

Alternative development in the department of Caquetá

Involvement of the United Nations International Drug Control Programme

In Colombia, the AD programme emerged as a possible response to the problem of illicit cultivation of crops used as raw materials for the production of psychoactive substances. It mainly targeted small-scale farmers in marginal areas to make it possible to gradually replace their illicit coca or opium poppy cultivation and prevent its future expansion.

Over the last ten years Colombia has—and by far—become the greatest producer of coca leaf in the world. According to the Government of Colombia/UNDCP project Illicit Crop Monitoring in Areas of Illicit Cultivation, the country had 163,000 ha of coca in August 2000.

Alternative development in a peace context

The Colombian Government also sees AD as an important instrument in the ongoing peace process. By proving to the campesinos that they can improve their quality of life by switching to alternative, licit crops, AD may contribute to breaking the vicious circle between drugs and armed conflict, i.e. drug traffickers financing the irregular armed actors who, in turn, provide protection to the traffickers. AD obviously cannot by itself bring about peace in a conflict of more than 50 years' standing, but it may create one of the conditions for a future settlement.

History of the illicit crop cultivation in Caquetá

In Caquetá the AD programme began in 1990 with the implementation of the project on crop substitution. In 2000, 10 years later, a new project was launched in parts of Caquetá and the neighbouring department Meta, covering the five municipalities of Vista Hermosa, Macarena, Uribe, Mesetas and San Vicente del Caguán. The five municipalities conform the demilitarized so-called “Distension Zone”, which is where the Government and the guerrilla Fuerzas Armadas Revolucionarias de Colombia—Ejército del Pueblo (FARC-EP) have agreed to hold peace negotiations.

The Distension Zone has a total area of 42,000 square kilometres, with a population of 98,000 people. The population is poor and the Human Development Index for the five municipalities is much below the Colombian average. In the five municipalities it is calculated that 82 per cent of the households have “unsatisfied basic needs”, and that 57 per cent live in “misery”, against national averages of 27 per cent and 11 per cent respectively.

The FARC-EP, which controls the five municipalities, declared from the start that it would support the project in order to create viable alternatives to coca cultivation for the campesinos, with the understanding that this was a Government/UNDCP project without any direct FARC involvement.

Crop substitution strategies

The project is conceived as an integrated AD project, based on agreements with the local farmers' associations on voluntary coca eradication, and a package of technical and

financial cooperation. The package consists of agricultural extension, assistance to processing and marketing, input provision and credit facilities, institution building and training, rehabilitation of rural access roads and bridges, and provision of health facilities including community-based pharmacies. The project revolves around a number of alternative products which will allow the coca growers to gradually abandon their illicit crop and improve their overall quality of life, if not their cash income: dual-purpose livestock (milk and meat), and plantains—to mention the two most important products.

Study of successful cases of crop substitution in the department of Caquetá

Asociacion de Productores de la Cristalina del Losada

The Asociacion de Productores de la Cristalina del Losada (ASOPEPROC) is the leading peasant association in the municipality of San Vicente del Caguán, Caquetá. It works for rural development of its region, emphasizing the production of milk and meat, and based on political, social, environmental and economical sustainability.

General strategy

The basic strategy takes into consideration the following elements: (a) social organization to strengthen the participation and the commitment of the community in AD; (b) economic, productive and managerial strengthening of the association, to promote production and marketing of the products; and (c) technical assistance. As a result of the general strategy of the association, a strategic alliance was established between the association and Nestlé. An important outcome of the association's activities is the production of milk, which rose from 0 litres of milk production in 1999 to 2,700 litres/day in 2000, which is either turned into cheese on the farm or brought to Nestlé's local milk-cooling centre.

Coverage of ASOPEPROC

ASOPEPROC offers its services to its 600 members living in 27 hamlets of the municipality of San Vicente del Caguán. It has a revolving fund through which the small producers receive credits in kind. The services of the association are the following: (a) provision of inputs for cattle breeding such as vaccinations, seeds for pastures, electrical fences, fertilizers etc. at lower prices than in local stores, (b) support for the marketing of the products; (c) provision of technical assistance to the members through workshops, demonstrations, and other activities of transference of technology; and (d) signature of agreements with local private and governmental institutions according to the needs of the members. For instance, the local office of the Institute for Vocational Training has been present in the project through training activities.

In addition, the Pan American Health Organization/World Health Organization (PAHO/WHO) is working on the health component of the project, through: (a) education programmes on the prevention of transmittable diseases, mother-infant diseases and sexual/reproductive health; (b) the establishment of communal pharmacies supplied with essential drugs; (c) the provision of basic medical equipment for health centres; and (d) the provision of potable water.

Strengths

The community has shown commitment to the project; it is conscious of the benefits it receives and is starting substituting coca. In addition to the direct beneficiaries—the members of the association—the whole community is benefiting as some of the activities are directed to the community in general, such as the health component and infrastructure.

The strategic alliance with Nestlé has been significant for the success of the work of the association.

Threats

Changes in the governmental policy towards the Distension Zone may alter the conditions of the project. An escalation of the war between guerilla and paramilitaries in the surrounding territory of the Distension Zone could jeopardize the achievement of the project goals by preventing the transport of personnel and goods.

Annex III

PERU AND ALTERNATIVE DEVELOPMENT: A SUCCESS STORY IN PROGRESS

Coca bush was grown in valleys of eastern Peru hundreds of years before the arrival of Europeans. Peoples living in the Andes have long used coca leaf for chewing, medicine and rituals. The use of coca leaf to make illicit drugs, however, is a relatively recent development. In the 1960s, government highway and other programmes opened up the eastern valleys of the Amazon to settlement and large numbers of impoverished Andeans migrated there in search of a better life. For most of them, however, the new life was no better. Beginning in the 1970s, organized crime, responding to the growing world demand for cocaine, promoted coca bush cultivation among the migrants. Coca bush cultivation spread quickly during the 1980s, especially in the Huallaga Valley, where traffickers and small farmers soon mingled in a bloody scenario of shifting alliances. The Huallaga Valley became a metaphor for violence, and small farmers began to depend on coca bush cultivation—and often coca processing—for their survival.

Coca bush cultivation in Peru jumped from 35,000 hectares in 1980 to 129,100 hectares in 1992. It declined dramatically from 1995 onwards. The area under cultivation amounted to about 38,700 hectares in 1999. The decline in the area under cultivation, which has resulted in a decrease of 50 per cent in the supply of Peruvian cocaine to world markets, is attributable to an array of factors, including the disintegration of the Medellín and Cali drug cartels and the expansion of coca leaf production in the largely uncontrolled areas of Caquetá and Putumayo in Colombia, as well as more intensive law-enforcement programmes launched by the Peruvian military and police.

This situation has caused a drop in the demand for coca and the price of coca leaves. As a result, farmers have stopped cultivating coca bush on an estimated 70,000 hectares. The estimated income of small farmers fell from US\$500 million in 1990 to about US\$130 million, a decline of 74 per cent. That has led to increased poverty in an area where the drug problem is inseparable from the problem of poverty. The challenge is to keep the interdiction programmes in place, thus continuing to keep coca prices down, while launching programmes to provide small farmers with alternative sources of income. In the new situation, licit alternatives are more attractive to farmers than ever before.

UNDCP began its activities in the Upper Huallaga Valley and the Convención y Lares Valley in 1985. At the time, the illicit cultivation of coca bush was expanding in the Huallaga Valley, and the Sendero Luminoso (Shining Path) was becoming increasingly established there. UNDCP activities in the Convención y Lares Valley were aimed at providing alternatives for farmers to prevent them from expanding their traditional cultivation of coca bush to supply the illicit market. The Movimiento Revolucionario Tupac Amaru gained a foothold in the Convención y Lares Valley, which had not experienced the same level of violence as in the Huallaga Valley.

In 1998, Peru reviewed coca-growing zones, defining six geographic areas for AD: Tocache-Uchiza, Monzón, Pozuzo-Palcazu, Satipo-Ene, Palmapampa, and Tambopata-Inambari.

The current mode of operation of UNDCP grew out of its experiences in the Huallaga Valley and the Convención y Lares Valley. One important element has been the creation or strengthening of grass-roots producer organizations. Because of the high level of violence and the consequent departure of civil society and government entities from the project areas, UNDCP, which remained in the areas, had no choice but to prepare local farmers to deal with the problems. Between 1985 and 1995, UNDCP developed in Peru what might be called a model for promoting AD.

Four major steps characterize the model: (a) the creation or strengthening of local organizations; (b) the improvement of production through technical assistance and

extension; (c) the development of the agro-industry; and (d) the marketing of a final product. The sustainability of the model rests on preparing local organizations to take charge of each of those functions.

During the 1980s, UNDCP worked essentially alone in promoting AD in Peru. The above-mentioned model is used to inform the Comisión de la Lucha contra el Consumo de Drogas (CONTRADROGAS), the government entity created in 1996 to coordinate AD. The model, with minor variations, has come to be accepted as the ideal way to promote AD in Peru. Similarly, the notion that sustainability rests on strong local organization has been accepted as well. This is considered to be a major achievement of UNDCP.

Oil-palm farmers of Ucayali

When UNDCP arrived in the Ucayali area of the Huallaga Valley, efforts had been under way for almost 20 years to develop oil palm as an ecologically appropriate alternative.

In 1991, UNDCP and the Ucayali government signed an agreement for the development of 1,500 hectares of oil palm to benefit small farmers grouped into an association called the Comité Central de Palmicultores de Ucayali (COCEPU), a non-profit association regulated by bylaws and the civil code that administers the production and sale of the oil.

In 1996, a palm-oil extraction plant was constructed with a processing capacity of 6 tonnes of fresh racemes per hour and a design allowing for an expansion of capacity to 18 tonnes per hour. The cost of the plant (over US\$1.2 million) was largely borne by UNDCP and the Peru-Canada Counterpart Fund. Smaller proportions of the cost were paid for through soft loans provided by the Programa Nacional de Manejo de Cuencas Hidrográficas (PRONAMACH) and the Ucayali government.

The plant was inaugurated on 24 June 1997. It produces both regular palm oil and *palmiste*, a special oil extracted from palm seed (for making soap). Raw material comes from 650 hectares of land worked by COCEPU farmers (approximately 50 per cent of the developed area) and from the firms SAIS Túpac Amaru and Pachacutec.

The project continues to assist farmers in the maintenance of their plantations in order to keep the yields up. The Ministry of Agriculture has provided loans for the purchase of fertilizers at cost. Problems have included adverse weather, poor infrastructure and a tendency on the part of a few farmers to neglect the maintenance of the plantations.

The project has had noteworthy results. In 1999, it processed 1,330 tonnes of crude oil and 109 tonnes of *palmiste*, with a retail value of US\$566,439. During 2000, the plant generated US\$308,000 by processing 1,457 tonnes of crude oil and 74 tonnes of *palmiste*.

According to producers, 1 hectare of palm oil, with appropriate care, generates a net annual income of US\$700. Each farmer has on average 5 hectares.

The project has benefited 270 families directly—families now engaged solely in the production of palm oil. Oil-palm cultivation affords farmers and their families a permanent agricultural activity. Once producers of subsistence crops, they are now able to benefit from a reliable cash crop market and they are stockholders in the palm-oil extraction plant. Consequently, they have an optimistic view of the future. Thirty palm-oil producers, for example, have built homes on the Neshuya-Curimana highway. Because they invested in oil-palm cultivation for years before the first harvest, it is unlikely that the oil-palm farmers will switch to coca bush cultivation. Farmers have been integrated into using the banking facilities, their housing conditions have improved and they benefit from social security.

The project has created more than 30 jobs, including those of the COCEPU technical and administrative staff and drivers, and the extracting plant has indirectly resulted in other jobs being generated in the area (food services, lodging, trade and so on).

Other UNDCP projects in the lower Huallaga Valley and in Selva Central, Aguaytía, have developed the palm-oil component. In el Pongo de Caynarachi and Barranquilla, the Lower Huallaga project, working with 400 families grouped into 9 committees, has

installed 500 hectares and has another 500 hectares in seedbeds. Local government authorities, having seen the benefits, have decided to invest in another 1,000 hectares. In Shambillo, the Aguaytia project, which involves approximately 3,000 families, has also installed 500 hectares and has another 500 hectares in seedbeds. The Government has requested to begin studies to implement a national palm-oil plan, which will benefit the AD programme.

Alternative development and the revival of Peruvian coffee

In the Convención y Lares Valley, UNDCP identified coffee as the crop that could best stop the expansion of coca bush cultivation. Coffee was a traditional crop in the area that had limited prospects owing to the age of the groves, their susceptibility to disease, the low density of the trees and the grower's limited technical knowledge. As a consequence, productivity in the valley had fallen to 368 kilogrammes (8 quintales) per hectare. At the same time, there were more than 50 small cooperatives and one large one, Cenral de Cooperativas Agrarias Cafetaleros (COCLA), and they had grown weak.

Such were the conditions when UNDCP began working in the Convención y Lares Valley in 1985. Now, however, after more than 10 years of work, Peruvian coffee is valued on the world market, and it has been shown that small farmers, organized into cooperatives and using modern technology, can produce for that market. The experience of UNDCP in the Convención y Lares Valley is now being put to use in the Apurímac Valley.

Several factors have accounted for the UNDCP successes with coffee. One important factor has been the use of varieties better adapted to local conditions. Those varieties have been cultivated on 5,000 hectares in the Convención y Lares Valley and on 1,500 hectares in the Apurímac-Ene Valley. Yields have risen to between 1,150 and 1,610 kilogrammes per hectare.

The key to improving coffee quality and to opening international markets in the Convención y Lares Valley has been the improvement of post-harvest processes. Farmers there began with rudimentary processing plants at the community level and then moved to the use of rotating credit funds at the cooperative level.

Technical departments created by UNDCP in the cooperatives have worked with local committees to select the best farmers for training in the use of new technologies and in entrepreneurial practices.

UNDCP has strengthened, modernized and democratized local cooperatives to enable them to process, market and export coffee. The number of cooperatives has been reduced from about 50 to 4, and they are now structured around COCLA, the one large cooperative. UNDCP has strengthened COCLA by enlarging its processing plant and improving its entrepreneurial capacity and its ability to obtain commercial credit. Accordingly, the amount of coffee exported by COCLA rose from 1,627 tons in 1991 to 3,404 tons in 1998, corresponding to US\$9.5 million in sales, of which US\$6.5 million went directly to the coffee producers (an average of US\$1,300 per capita). The share of COCLA-bulked export-quality coffee rose from 6 per cent in 1992 to 60 per cent in 1997.

Coffee is a main component in almost every project in AD. The quality of the coffee produced has been improved through measures aiming at increasing yields and improving productive processes. Also, diversification into several varieties has been promoted. Ecological cultivation has been introduced and ecological coffee is now being produced for specialized markets. Marketing capacities developed with support from projects have allowed export of coffee to demanding markets like Germany. Other markets in North America and Japan are being targeted and initial contacts have been made.

Gender

In the creation and strengthening of producer organizations, and the producer committees associated with them at micro-level, UNDCP had until 1993 focused its efforts entirely

on men as members of these groups. Women were encouraged in separate committees or associations of rural women which developed small enterprises linked to local markets, such as the production of fruit nectars, packaging of roasted tea and coffee, bread-making, processing of chicken feed, raising of small livestock and cultivation of home vegetable gardens. First-aid stations and health education programmes for women were also introduced.

However, after some years it became evident that this approach was neither sufficient nor sustainable. In the long term most of the projects established for women were not economically feasible. It had also become apparent that not incorporating women into the main beneficiary and recipient farmer organizations had led to conflicts of interest and an artificial division of beneficiaries into males and females. Most importantly, the approach had ignored the crucial economic role of women in agricultural production in Peru. At the small farm level agriculture is the product of joint family efforts based on a specific gender division of labour. The AD projects had ignored women's responsibilities and contributions, resulting in wastage of resources and loss of impact.

The existing AD approach was adapted at two levels: first, by improving the access of women to training as rural promoters in areas where women have traditional roles in agriculture; and, secondly, approaches were developed to allow increased participation of women in farmers' associations, both at grass-roots and at managerial levels. Among the main issues to be addressed was the right of women to become members of these organizations, with the same rights, obligations and benefits as men. Leadership training for women to support them in undertaking new roles was also required.

The increased access of women to training was seen to have contributed directly to the greater economic impact in AD production. Between 1996 and 1999, approximately 6,500 women became members of farmers' organizations. It is anticipated that this new approach will eventually lead to positive changes in existing gender relations in rural society as well as to greater impact of the AD interventions.

Annex IV

SUPPLEMENTARY INFORMATION ON COUNTRIES IN THE AREA

Socio-cultural conditions of coca-leaf production

Coca cultivation does not have the same cultural basis or the same social hold in each country of the Andean area.

Bolivia

In Bolivia, coca-leaf consumption is part of the cultural background and there are some legally recognized plantations to meet the demand. An official body, Dirección General de la Coca (DIGECO), is responsible for legal coca and accredits the plantations and production concerned.* In that context, the policy of reducing demand has resulted in a kind of social pact between the Bolivian Government and the farmers' organizations (with support from international cooperation), through which a legal production area (Yungas) and a surplus production area (Tropico de Cochabamba) have been institutionalized. AD is thus an undertaking by the Government to support development of the latter zone, in parallel with the eradication of surplus cultivation. The plantations that remain outside the pact do not benefit from AD.

Colombia

In contrast to the case of Bolivia, the massive emergence of coca cultivation in Colombia is recent and cannot be explained by long-standing traditional use of the plant: only 2.6 per cent of the population is indigenous and has any tradition of consumption (use in ceremonies of a ritual type before the shaman). In Colombia, therefore, there is no production directed at meeting a traditional consumer demand. All the crops are recent and directed at supplying the world cocaine market. Consequently, cultivation has developed primarily in marginal zones and through a spontaneous colonization structure which greatly influences the type of organization and system of values of producers' groups. That is reflected in a lack of social awareness of consumption and production linked with their own culture; only the degree of permissiveness in regard to illicit cultivation is perceived. In that context, the policy of the Government of Colombia is voluntary or forced eradication. Historically, forced eradication through aerial fumigation has attracted most of the resources devoted to counter-drugs activities, but AD is increasingly seen as the compensation needed by small farmers. A certain tolerance and understanding is shown towards poor, small producers, but without any guarantee of non-eradication of the crop. Furthermore, the great expansion of cultivation in Colombia in recent years has been effected in large commercial-type plantations managed directly by drug traffickers to the extent that currently only 40 per cent of leaf production is estimated to be in the hands of small farmers (holding less than 3 hectares).

Peru

There is also social consumption of coca leaf and traditional plantations of legal type, 85 per cent of which are located in the valleys of La Convención and Lares. Empresa Nacional de la Coca (ENACO) is the public body responsible for keeping legal production registers and certification although, latterly, owing to the total liberalization policy, it

*In view of this situation, an attempt was made, at least initially, to develop coca plantations directed towards drug trafficking in the same locations, mixed in with the traditional ones.

has lost its purchasing monopoly. In Peru, there is also widespread awareness of the legality of the plant, but the conclusion of a social pact in the Bolivian style would be much more complex for the following reasons:

(a) The area likely to be invaded by illicit crops is much more extensive: 2,000 kilometres long by 150 kilometres wide, if only the favourable foothill zones are taken into consideration;

(b) The process of distinguishing between the traditional grower and the new one has become blurred, so that it is now impossible to make a clear distinction;

(c) The existence of a policy of violence in a large part of the area involved and the lack of global farmers' organizations means that there is no one to act as a valid negotiating partner.

Such conditions also make any forced eradication policy ineffectual and therefore AD becomes the only machinery for replacing coca cultivation.

Legal framework of drug control

Linked with the points raised above, the legal framework of drug control regulates the following three fundamental aspects connected with AD:

(a) Coca as a raw material and the manner in which the plantations and leaf production are considered legally;

(b) Recognition of the need for and institutionalization of AD;

(c) The nature of drug control as it most closely affects the small farmer.

The regulation of the three above-mentioned aspects shows the will to achieve balance between the imperatives of international agreements (United Nations conventions and regional pacts) and the specific situation of each of the countries. The following features are the most determining:

(a) The extent of production and traditional consumption of coca leaf;

(b) The social awareness generated on the subject;

(c) The economic situation of small farmers, the results chiefly of structural adjustment programmes;

(d) The capacity of the respective Governments to control the territories likely to be developed for illicit cultivation;

(e) The risk of political violence developing under government drug control activities.

In view of the foregoing, each of the countries in which there is massive production of illicit crops has instituted a broad normative framework that affects all aspects of drug control from a holistic viewpoint. That framework consists of general legislation of a central type and a number of standards covering all its content (as well as other crucial aspects, such as money-laundering, the globalization of drug control, the prevention of corruption of public officials etc.)

With regard to the three aspects which are the most decisive for AD, the most important legislative arrangements are indicated below.

Bolivia

The basic instrument for drug control is Act 1008 of 19 July 1988 on the Regulation of Coca and Controlled Substances (Régimen de la Coca y Sustancias Controladas), which was issued by Supreme Decree 22099 of 28 December of 1988. Act 1008 lays down that plantations are illegal throughout the national territory and that coca crops can therefore be subject to forced eradication with the specific exception of zones identified as zones of traditional production (12,000 hectares) and surplus production. Traditional production

is considered to be legal but may not be extended, and marketing must be controlled by DIGECO. Surplus production may not be expanded and must be reduced gradually and replaced until it has been completely eradicated.

The definitive institutional structure for AD is laid down in Supreme Decree 24855 of 22 September 1997 by which the National Council against Illicit Drug Trafficking (CONALTID) is established as the superior council responsible for managing and planning the fight against drugs, including AD. CONALTID consists of the Ministry of Foreign Affairs, the Ministry of Government, the Ministry of National Defence, the Ministry of Treasury, the Ministry of Health and the Ministry of Agriculture, Livestock and Rural Development.

The Vice-Ministry of Alternative Development is dependent on the Ministry of Agriculture, Livestock and Rural Development. Dirección de Reconversión Agrícola (DIRECO), which depends on the Vice-Ministry of Alternative Development, is the body responsible for the eradication of the illicit coca and the financial/in-kind compensation. Fondo Nacional de Desarrollo Alternativo (FONADAL), which depends on the Vice-Ministry of Alternative Development, is the body in charge of obtaining international funding for AD.

Colombia

Drug control is governed basically by Act 30 of 1986, the National Drug Act (Estatuto Nacional de Estupeficientes) of 31 January 1986. Article 32 clearly prohibits any plantation (more than 20 plants) or seed (more than 1 kilogramme) of marijuana or any other plant that can produce cocaine, morphine, heroin etc.

The process of institutionalizing AD has resulted, with the formulation of a strategy, in the undertaking by Colombia, in face of the world drug problem, of the National Plan (Compromiso de Colombia Frente al Problema Mundial de la Droga, Plan Nacional) of May 1995, which falls within the National Development Plan 1994-1998, "The Social Leap" (Plan Nacional de Desarrollo "El Salto Social" 1994-1998). The National Alternative Development Plan (Plan Nacional de Desarrollo Alternativo (PLANTE)) was created subsequently as an instrument to implement the strategy. PLANTE depends directly on the Office of the President of Colombia at institutional level and has inter-institutional funding.

The consolidation has signified an important change in the adaptation of AD strategy to national legislation; in Decree 2707 of 1993, AD was still defined as a process of progressive reduction of crops, while for PLANTE any intervention requires prior forced or voluntary eradication of the plantations.

Peru

In Peru, the fundamental legislation for drug control is Legislative Decree 22095 of 1978, supplemented by the Penal Code Reform of 1991. The legislation does not cover coca cultivation but its trafficking and processing. The only legal traffic allowed is for traditional consumption, but it must be channelled and certified by the national company ENACO.

Definitive institutionalization is embodied in the Act on the Control of Drug Trafficking (Ley de Lucha contra el Narcotráfico), Legislative Decree 824 of 24 April 1996, which establishes CONTRADROGAS as the body responsible, inter alia, for planning and managing AD programmes. The CONTRADROGAS regulation was approved by the Supreme Decree of 2 April 1997. The Act on the Control of Drug Trafficking lays down that poppy and marijuana plantations are illegal and converts them through forced eradication. In that regard, primary coca-leaf production is not cited.

The above-mentioned differences in the legal consideration of coca cultivation and its penal consequences mean that AD projects have to be extremely careful and particular with regard to the effects that their activity may have on farmers producing illicit

plants, within the framework of the legal situation and pertinent government policies. Fundamentally, great care must be taken in regard to the following risks:

(a) AD could be involved in drug control activities, particularly forced or compulsory eradication. Despite the coordination necessary in general terms, AD institutions must not be involved in any aspect of repression or be confused with the drug control institutions. The development must be a participatory and democratic process and therefore a relationship of mutual confidence is absolutely indispensable;

(b) The more liberal policy of government repressive forces towards the farmers involved in the AD process could be interpreted as an indirect mechanism for de facto legalization of the crops or a kind of protection against repression, thus distorting the ultimate objectives of AD. A certain degree of understanding and flexibility may be necessary towards the small farmer during the substitution phase, but any risk of ambiguous interpretation must be avoided;

(c) Participation in AD processes may signify penalization of farmers whereas their participation can be considered as irrefutable proof of the existence of an activity subject to penal sanction (illegal cultivation). Unless substitution wipes out the offence, the fact of having taken part in AD activities could place them permanently in an illegal situation.