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FINAL REPORT

EVALUATION OF THE

UPPER HUALLAGA AREA DEVELOPMENT PROJECT 527-0244

LIMA, DECEMBER 13, 1994.

EXECUTIVE SUMMARY

FINAL REPORT OF THE EVALUATION OF

THE UPPER HUALLAGA AREA DEVELOPMENT PROJECT 527-0244

A. PURPOSE

The purpose of this evaluation is to provide USAID with an assessment of the impact of the Upper Huallaga Area Development Project, 527-0244 (UHAD Project) in the context of the USG's counternarcotics strategy. **The focus of the evaluation is on the relevance and the effectiveness of the Projects's 1992-1993 strategy.** Particular attention is given to the community development, economic, political, and social factors that have facilitated or restricted the implementation of project funded activities.

B. BACKGROUND

The UHAD Project was conceived in 1980 as a component of a joint USG and GOP strategy to reduce coca production in Peru. The Project began execution in 1981 through the implementing unit called the PEAH for its spanish name Proyecto Especial Alto Huallaga. Its goal was "to increase and diversify agricultural production in the Peruvian jungle", and its purpose, "to strengthen public sector agriculture support services and to develop and test agricultural production packages in the Upper Huallaga region of the high jungle". The assumption about the coordinated roles of the Upper Huallaga Coca Eradication Accord (CORAH) and the PEAH, pursuing a dual scheme of coca eradication and agriculture development, did not work because the extended violence in the region and the technical incompatibility between the two operations. Areas planted with coca in the Upper Huallaga progressed from 12,000-17,000 ha in 1981 to 60,000 ha in 1986.

As a reaction to the increasingly deterioration in the Project setting, and the evident failure of the coca eradication-substitution design, a Project Amendment was signed in June 1986. At that time the PEAH was the only GOP entity remaining in the Valley and the Project could no longer coordinate with other agencies in an institutional vacuum or "no-man's land". The most important aspect of the amendment was the shifting emphasis from development of agricultural services to deliver a variety of community development services (water and sanitation, health, educacion and communal services), recognizing that the poor leaving conditions and social exclusion were the most fertile grounds for narcotraficking and subversive growth. This strategy proved to be highly successful and it enhanced the GOP presence in the area, enhanced local communities participation, and helped to demonstrate that community infrastructure works were not easily attacked by the subversives.

However, the Project setting in 1986-1991 was the most adverse for the original goal and purpose of the project: highest profit levels for coca production; highest level of violence; and, the lowest levels of GOP activity. The area planted with coca was estimated in 1990 in 70,000-90,000 ha in the Project's area. At the end of this period the constraints to regional economic development were lack, or deterioration of main roads and bridges and feeder roads; lack of services for agriculture production; and, lack of real knowledge about new

opportunities for the area's agricultural production, among the most important ones.

C. THE 1992-1993 STRATEGY (THIRD PHASE)

The third phase of the UHAD Project was characterized by the lowest profit levels for coca production, the general desire of the population to change to licit activities, and to look for new viable economic crops, the decline of violence against the PEAH and GOP personnel, the increase in the level of GOP activity, and a resulting shift in the PEAH objectives and activities.

Amendment No. 10 was signed on February 26, 1993, to reflect the most important changes that had taken place since the end of 1991 and to introduce a new orientation. The revised purpose was "to support the GOP's alternative development objectives in the Huallaga Valley by strengthening local government and community participation in the alternative development process, improving physical and social infrastructure and promoting agricultural activities which replace illicit crops". The focus was "on development cuencas (basins or watersheds which were currently being used for coca production or were possible expansion areas for coca cultivation) in an integrated manner". The new strategy meant the full adoption of an alternative development approach, based on the improvement of local conditions both for private investment and for quality of life. The area of operations was expanded to include Central Huallaga Valley, a new major coca growing zone.

D. KEY FINDINGS AND CONCLUSIONS

The Democratic Community Development component proved to be a successful tool to achieve local participation and involvement of the population in the decision and execution of small social infrastructure projects, that contribute to solve their basic needs. This participation gave them a sense of assurance and solidarity and prepared them to pursue broader responsibilities related to local government based on democratic principles.

The emphasis put on road rehabilitation and maintenance component resulted in the most important economic contribution of the Project to agriculture production through the reduction of costs and travel time. The Picota bridge and the road through the Ponaza Valley integrated the Ponaza and Biabo areas to the economics of the region. The improvement in transportation was also a very important deterrent to narcotrafficking and subversion. The roads meant the appearance of buyers of agricultural products at the farm gate for the first time in these and other areas of the PEAH.

There are great expectations in the region as a land of investment opportunities. This is related to crops like plantain (Tocache and Biabo), cotton (Ponaza, Biabo and Juanjuí), corn (Ponaza), papaya (Tocache), palm-heart (Tocache and Uchiza), and citrus (Juanjuí). However, among the farmers there is still a sense of uncertainty about the permanency of these favorable conditions.

The agroindustry plants promoted and buildt by the PEAH through loans to farmer groups or private societies did not achieve their goals because of lack of markets and technical problems. This component was financed entirely with GOP resources.

During 1992-1993 the activity of the PEAH was very reduced or almost non-existent in other components: Research, Training, Credit, Extension and Land Titling, among others.

Farmers were very interested in licit crops but they lacked the technical support to decide about new alternatives. They did not know about market opportunities and so on. Their interest is authentic because it is the result of have being exposed directly to the violence coming from narcotrafficking and subversion. Low coca leave prices and the damage caused by a fungus attack to coca plants, have contributed to the farmers interest to look for alternative crops. The problem now (October 1994) is that coca price is increasing and farmers feel pushed to cultivate coca because they do not have other economic alternatives.

The Cuenca Integrated Development component applied in the Ponaza Valley was limited to small social infrastructure projects and small productive projects, following the procedures of the Democratic Community Development.

E. LESSONS LEARNED

I. RECOMMENDATIONS FOR THE DESIGN OF THE COUNTERNARCOTICS SUSTAINABLE DEVELOPMENT (CSD) PROJECT (527-0348)

a) Include the Democratic Community Development (DCD) component in the CSD Project.

This component has had very positive effects to strengthen the role and functions of provincial and district municipalities, as well as the local communities organization.

Although the UHAD Project terminated on December 1993, the local governments are applying the methodology of the DCD with their own and external resources, because of the positive effects they have had.

It is recommended that this component be one of the most important axis of the new project.

Through the DCD component, the provincial and district municipalities and local communities could gradually assume more important roles and functions in agreement with their own interests and capacities. The CSD Project could be a vehicle to enhance democratic governability at the local level.

The CSD Project potential could be enhanced by a coordinated relationship with other acting or planning projects in the zone. Project design and implementation proceeds should be coordinated among them. Following this idea the CSD Project should coordinate with the Rehabilitation and Urban Management Project which is going to be financed by the World Bank and the Inter American Development Bank, each one making a loan to the GOP of US\$150 million.

b) Include the Primary and Secondary Roads component in the CSD Project.

This is a crucial component for the competitiveness of regional agriculture, and as a deterrent

for coca cultivation and related activities.

The CSD Project should enhance local community participation in road improvement and maintenance. For instance, local governments could participate on road watchfulness for traffic control under rainy conditions. This watchfulness could be very effective for reducing maintenance costs and for assuring a permanent transit. There are very positive experiences in other countries in this respect.

c) Include a marketing and agroindustry component in the CSD Project.

To solve the acute marketing problems that affect most crops in the area is a crucial important factor for regional development. The CSD Project should act as a **facilitator** in this respect.

Main project activities in this line could be:

- To assist farmer groups with market information and technical support for market studies, appraisal of market opportunities, agroindustry potential, and the like.
- To assist farmers groups in searching opportunities of operative agreements or joint ventures with agroindustry firms or investor groups
- To assist farmers in developing commercial relationship with the banks.
- To be a link between the farmers and the Micro-enterprise and Small Productions Support Project (MSP). The objective would be to provide technical assistance to nontraditional exports in agriculture and to improve the export promotion services capabilities. The identification of markets is a prerequisite to promote licit crops in the area.

The component could support the search of solutions to the agroindustry plants implemented by the PEAH.

d) Include the Cuenca Integrated Development (ICD) component in the CSD Project.

The 1992-1993 strategy tried to incorporate this component in "developing cuencas", which were understood as the basins or watersheds which were currently being used for coca production or are possible expansion areas for coca cultivation.

The CSD Project should incorporate this concept. However, it is needed to substantiate it more carefully, both from the theoretical perspective and from the practical implementation perspective.

In essence the ICD concept should provide a framework for matching the set of people's needs and demands with the resource base and the market opportunities that could be reached.

A key factor would be the participation of the provincial and district municipalities in ICD activities. A particularly important aspect is the use and protection of forest areas for which

an agreement should be reached with the Ministry of Agriculture.

e) Include a Training component in the CSD Project.

Through the whole Upper Huallaga area there is a large and urgent need for training in almost every field of activities including the domestic domain.

The ICD must assume a strong commitment with regard to this component.

In the design of the Training component the ICD must work using and networking the available institutional resources within the area, from the Universidad Nacional Agraria de la Selva (UNAS) to the last health post.

One important activity of this component would be credit advice and support. The Project would be the facilitator. The objective would be to improve the agricultural credit efforts which would develop the GOP agencies in this matter. The Project (or a NGO) could support farmers to form groups of community credit bond ("solidarity groups") and to facilitate their access to the commercial banks.

A second important activity refers to research with regard to agricultural alternative development needs. The UNAS had already converted the Experimental Station of Tulumayo in an NGO in order to be more efficient responding the requirements of the farmers.

Third, the ICD should act as a reference center facilitating the access to information needed by farmers and other local agents to solve current problems or to develop new initiatives.

A positive experience of the 1992-1993 strategy has been the accountable and administrative training offered to the municipalities as well as the strengthening of the mechanisms of communal participation through the leadership elected by them. The Evaluation Team found positive responses to the benefits of this training that would enable them to assume the new tasks programmed by the community.

2. RECOMMENDATIONS FOR THE IMPLEMENTATION OF THE CSD PROJECT

The GOP should act properly to maintain low the coca prices. The objective is to give an incentive to farmers to cultivate licit crops and to look for economic alternatives to coca cultivation.

3. RECOMMENDATIONS FOR USING INFORMATION GATHERED, REPORTING SYSTEMS AND FOR MEASURING ACHIEVEMENTS AND FAILURES

The main idea is to design systems to generate and interpret periodical flow of information for decision making. For example, the monitoring of the Democratic Community Development component should be an integral function in the handling of the executive management. The information should not be limited to provide a number of assemblies or the number of participants in the assembly, but to show the achievement of goals related to the

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objective of the component: to fortify the strength of the community to accomplish new actions in a sustained fashion. In the case of communal fishponds, the indicators could be, for example, volumes of periodical production. The analysis of the variations registered on this indicator will be basic for decision making about the fishpond operations.

The beneficiaries should intervene to proportionate information to the Project in order to apply corrective actions. The regularity of the meetings of the assemblies and the fulfilling of the objectives are two important indicators to be taken under consideration. The application of the methodology of the Democratic Community Development component in the municipalities and districts after the Project finished in 1993, is an outstanding indicator of the success and sustainability of this component as it was applied by the UHAD Project.

FINAL REPORT

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ACRONYMS

AID	Agency for International Development
BANCOOP	Banco Nacional de Cooperativas del Perú
BAP	Banco Agrario del Perú
CEDRO	Center for Information and Education on the Prevention of Drug Abuse
CORAH	Upper Huallaga Coca Eradication Accord
CSD	Counternarcotics Sustainable Development
DCD	Democratic Community Development
ECASA	Empresa Nacional de Comercialización de Arroz
ENACO	Empresa Nacional de la Coca
ENCI	Empresa Nacional de Comercialización de Insumos
GOP	Government of Peru
ICD	Integrated Cuenca Development
INADE	Instituto Nacional de Desarrollo
INIA	Instituto Nacional de Investigación Agraria
INIPA	Instituto Nacional de Investigación y Promoción Agraria
LOP	Life of the project
MASELVA	Maíz de la Selva S.A.
MEF	Ministerio de Economía y Finanzas
MINAG/MA	Ministerio de Agricultura
MINSA	Ministerio de Salud
MRTA	Movimiento Revolucionario Túpac Amaru
MTC/	
MTCVC	Ministerio de Transportes, Comunicación, Vivienda y Construcción.
PBC	Pasta Básica de Cocaína
PEAH	Proyecto Especial Alto Huallaga
PMO	Prime Minister's Office
PRODAP	Programa de Desarrollo Alternativo del Ponaza
PRONAA	Programa Nacional de Apoyo Alimentario
SER	Selva Economic Revitalization
SL	Sendero Luminoso
UNDP	United Nation Development Program
UHAD	Upper Huallaga Area Development
UNAS	Universidad Nacional Agraria de la Selva
UNIDO	United Nations Industrial Development Organization
USAID	United State Agency for International Development
USG	United State Government
UH	Upper Huallaga

EVALUATION OF THE UPPER HUALLAGA AREA DEVELOPMENT PROJECT

A. PURPOSE OF THE EVALUATION

The purpose of this evaluation is to provide USAID with an assessment of the impact of the Upper Huallaga Area Development Project, 527-0244 (UHAD Project or the Project) in the context of the USG's counternarcotics strategy. **The focus of the evaluation is on the relevance and the effectiveness of the Projects's 1992-1993 strategy.** Particular attention is given to the community development, economic, political, and social factors that have facilitated or restricted the implementation of project funded activities.

The findings and lessons learned from this evaluation will serve as the basis for the design of the Counternarcotics Sustainable Development (CSD) Project (527-0348).

B. BACKGROUND

The focus of this report is on the 1992-1993 project strategy because there have two previous evaluations, in 1986 by ECONSULT, and in 1992 by Tropical Research & Development, Inc, for the periods 1981-1986 and 1981-1992, respectively. The latter intended to be the project's final evaluation, and was directed to identify lessons learned for the design of a new project for the area (Selva Economic Revitalization Project-SER), as the UHAD Project, was close to the completion date. However, in 1993 because of USG policy changes as well as funding and staffing constraints, the Mission decided not to implement the SER Project and called for an earlier completion date of the UHAD Project on 31 December 1993, six months before the completion date (June 30, 1994).

The following sections of this chapter present summaries about the nature and extent of the problem addressed by the UHAD Project, the evolution of project implementation strategies up to 1991, and a concise account of project's accomplishments and lack of accomplishments for the 1981-1991 period. These summaries are based on the previous evaluations findings.

1. EVOLUTION OF THE VARIOUS 1981-1991 IMPLEMENTATION STRATEGIES

1.1 FIRST PHASE STRATEGY: 1981-1985

1.1.1 Nature and extent of the problem addressed by the project

The basic problem addressed by the Project was to reduce coca production in Peru by increasing and diversifying agricultural production in the jungle. National coca production was increasing in hectares, yields and productivity since 1950 creating great concern:

COCA PRODUCTION

YEAR	HECTARES	TOTAL YIELD (ton)	YIELD PER HECTARE (ton ha)
1950	15,500	3,100	0.19
1960	13,400	9,000	0.49
1970	17,000	15,000	0.33
1975	19,000	14,000	0.73
1980	40,700	33,600	0.95

Source: Tropical Research & Development, Inc. (1950-1960: ENACO, Lima 1966. 1965-1980: M.A. OSE. Lima 1986)

According to Tropical R.& D., "the project area became the primary coca-production area in Peru after 1975. Before that time, 70 percent of Peru's coca was produced in the Department of Cusco and was primarily legal".

The Huallaga Valley living conditions were closely related to the opening of the Central Highway between Lima-Huánuco-Tingo María and Pucallpa. This highway facilitated the communications with Lima and the coastal area, including migration to the valley and the settlement in the fertile lands along the Huallaga river. Spontaneous rural settlements developed along the river and its tributaries. Tea, coffee, cacao, tobacco and African palm-tree began to be cultivated, resulting in the growth of farms, haciendas and villages. Thus the first population explosion between 1940 and 1961 was recorded. "The valley experienced an extraordinary change with the population growing at an average annual rate of 5.2%; only Metropolitan Lima grew at a similar rate (5.2%) in the same period." (CUANTO S.A.).

The population explosion is also related to the increase in coca activity, "during the 1970's the cultivation of coca expanded, almost exclusively for the manufacture of cocaine paste. This phenomenon brought new farmers to labor coca plantations because of its extremely high profitability." (CUANTO S.A.).

By the end of the seventies there was a common acknowledgment that the GOP should take some actions to reverse the coca cultivation expansion. Furthermore this was related to the high profitability of ilegal activities which stimulated migration from the sierra region, and that the GOP had to look for new alternative economic activities to offer in a massive way to match the extent of the problem.

1.1.2 Origin of the strategy in 1980 and project goal and purpose

As was seen above, in 1980 there were clear indications that coca production in the Upper Huallaga had been increasing at a faster rate in the last five years. The GOP had launched in 1979 and early 1980 two important coca eradication operatives, and there was a great deal of enthusiasm about their results because they supposedly generated "considerable fear" on the part of coca growers.

The UHAD Project inception was directly linked to this experience, because a joint antinarcotics strategy was proposed that called for coordinated efforts among interdiction, eradication, and alternative agriculture development. Even that these components should be implemented separately they were complementary to each other. An implicit assumption about concurrence or cooperation between coca eradication and alternative agriculture was that a crop substitution process could be possible.

The UHAD Project's goal, "to increase and diversify agricultural production in the Peruvian high jungle" and purpose, "to strengthen public sector agricultural support services and to develop and test agricultural production packages in the Upper Huallaga region of the high jungle", were consistent with this joint USG, GOP strategy.

The project was supported also by concurrent views of USG and GOP about UHAD's potential to extend the resource base of Peruvian agriculture, which was considered a primary constraint for economic development, specially in the sierra region. The UHAD would have direct beneficial effects for some of the most populated sierra regions located in the vicinity.

1.1.3 Implementation design and rationale

a) Project's area and target population

The project paper established a project area along the Carretera Marginal between the Cayumba bridge to the south and Puerto Pizana to the north. However, the project was initiated with an expanded territory up to the Campanilla area, including four provinces with 23 districts, through a 46,746 km² surface. The territorial expansion gave rise from the outset to an imbalance between the project resources and the local expectations for project's support; a situation that has been pervasive throughout the project's life.

The original project's area was limited to the Upper Huallaga region. In practice, dealing not only with scarce resources but with increasing insecurity in the field, the project was restricted to few particular areas that changed from time to time as the course of events unfolded. Most working areas were the ones bordering the Carretera Marginal. There were potentially rich agricultural areas where the project never made a dent, as the Upper Huallaga's left bank, and some others that had to be abandoned because of increasing violence.

The project's target population was 6,000 farm families, an estimated 27% of the area population of 130,000 inhabitants. This target has been maintained through the project's life for the agricultural extension program and related activities, and consequently it became progressively more modest as the farmer population more than doubled.

In terms of agricultural perspectives in the area, the project's target was also too limited as compared to the existing potential. It was estimated that 20,000 hectares would be cultivated with some technical assistance services from the project, but this area represented less than one-sixth of the total cultivated land.

The forestry and protection lands were excluded from the project's authority. As a result of

this fact the project did not assume the most pressing local environmental issues. The land underwent an extreme devastation process due to uncontrolled wood extraction and extended cut and burning of migrant agriculture in view of coca cultivation.

b) Implementing agencies

The project implementing agency was the Special Project for the Upper Huallaga (Proyecto Especial Alto Huallaga-PEAH) with headquarters at Aucayacu. Its main functions were coordination and supervision. The PEAH was placed within the Prime Minister's Office (PMO). By being placed in the PMO the PEAH should have had the capacity to access to high-level coordination, to elude bureaucratic procedures, and to pay higher salaries to first class professional staff.

Along the present evaluation the distinction is made between the UHAD Project and the PEAH, as its implementing agency. The former is related to the USG's counternarcotics strategy, while the latter is to the execution activities financed by the GOP and the USAID. The UHAD Project was closed on December 1993 but the GOP decided to continue the activities of the PEAH.

The PEAH was designed to act primarily as a facilitator of local institutions that should have been in charge of direct implementation of programmed activities. The following activities and implementing local entities were included:

PEAH'S INSTITUTIONAL NETWORK

ACTIVITY	IMPLEMENTING AGENCY
Applied agricultural research	INIPA and UNAS
Agricultural extension,	INIPA and UNAS
Education and training	UNAS
Agricultural credit	BAP and BANCCOP
Production services	MINAG, ENCI, ECASA
Statistics	MINAG
Road maintenance	MTC
Potable water and sewage	MINSA

c) Project's budget

The initial budget was \$26.5 million for a five years operation. This budget was not modified until 1985. As the project focussed on agricultural development, the research, extension and education activities together took 41.5 per cent of the budget. The assigned funds to road maintenance and to credit were similar, each one represented 18.8 per cent of the budget. The

amount of funds for potable water and sanitation was a meager portion (1.8%) of total budget.

1.1.4 Design assumptions and constraint analysis

a) The eradication-substitution design

The assumption about the coordinated roles of CORAH and PEAH, pursuing a dual scheme of coca eradication and agriculture development did not work in practice. There were two main reasons: extended violence in the region and a technical incompatibility between the two operations.

The coca growers response to the eradication program was increasingly violent because they defended what they considered the only income source at hand. This was a fertile ground for SL and the MRTA as they could present themselves as the farmer's defensors.

CORAH reported that by 1986 it had eradicated close to 10,000 hectares of coca fields. It is not clear if this figure includes the results of Green Sea operatives of 1979 and 1980 which were the most important ones. In any case the number was not important relative to the total area of coca that was estimated in 60,000 hectares, equivalent to five times the 1980 planted area. Besides, eradicated coca growers replaced very soon their fields in the same place or elsewhere.

On the other hand of the eradication-substitution process, the PEAH was not able to follow. As the eradication process turn itself highly repressive there was a potentially dangerous PEAH's association with the eradication program in peoples' minds and the consequences were devastating for the Project leverage in the zone. There were also fears of retaliation.

As to the technical incompatibility, the basic one was that farmers and physical areas for coca and most of legal crops did not coincide. Coca was cultivated mainly by migrants from the sierra or from some other coca's production areas. They moved freely through the area. Coca was cropped mostly on the hills, on forestry and protection lands, where no other crop could be a feasible alternative. Consequently, CORAH's claim that PEAH would follow with technical and economic support to substitute the eradicated coca fields could not be sustained, and most times was close to an impossible mission.

b) Local inflation

There was another important constraint for legal agriculture development. It was the consequence of the extraordinary proportion of coca area relative to legal agriculture's. Labor scarcity and the inflated salaries were the prevalent local conditions as a result of the coca culture and they represented absolute constraints for most legal crops development.

Local prices for agricultural inputs were also higher than in other production areas of the country, and local production was not competitive. Consequently, production of maize, rice, plantain, etc., progressively decreased to meet just the local market demand or the self-

consuming demand.

c) PEAH's role and capacity

The PEAH was designed as a coordinating agency. The project paper listed 10 local agencies the Project should work with. However, in practice this number came to be close to 40 and the PEAH's supervision capacity was usually exceeded.

Another constraint came from the salary policy. The PEAH could not escape entirely from salary ceilings for civil servants and the "higher-salary" incentive policy could not be implemented in a consistent fashion. Because of this factor, the project's capacity to build-up a sustainable first-class technical staff was lost.

1.1.5 PEAH's field work

In the 80's the planted area of coca in the Upper Huallaga continued to grow even to a more rapid pace, and in 1986 it was equivalent to five times the planted area in 1981. There were two basic factors for the booming coca production: economics and public leniency.

From the economics point of view, the average income per hectare produced by legal agriculture in the Upper Huallaga Valley in 1986 was equivalent to 13 per cent of the income generated by one hectare of coca (\$604 vs. \$4,500). The total production value of licit agriculture represented a meager 7 per cent of the production value of coca leaves, and 3 per cent of the PBC's.

With respect to public leniency, an outrageous strategical alliance between SL and narcotraffic "firms" developed in the mid 80's and the GOP was unable to fight it back effectively. The region went out of public control almost completely, and given those circumstances there were almost no personal costs in being a coca farmer or even a drug-trader.

Since 1981 area planted with coca in the Upper Huallaga progressed as follows

PLANTED AREA WITH COCA IN THE UPPER HUALLAGA

YEAR	PLANTED AREA (ha)
1981	12,000 - 17,000
1984	24,000
1986	60,000

Source: ECONSULT

In spite of the rising trend of the violence, from 1982 to mid 1985 the PEAH was able to perform most field work and supporting activities with GOP agencies and the local university. However, a dramatic event in 1985 signaled a turning point in this situation. In August,

1985, did take place the first SL's attack to the PEAH and three employees were killed.

1.2 SECOND PHASE STRATEGY: 1986-1991

The 1992 project's evaluation report assesses the project setting in 1986-1991 as the most adverse for the original goal and purpose of the project. There were the highest profit levels for coca production, a shift from coca growing to coca processing by many project area inhabitants, the highest levels of violence against PEAH and GOP personnel, and the lowest levels of GOP activity. The severity of these conditions was extreme, and they imposed to the project a defensive behavior. The area planted with coca was estimated in 1990 in 70,000-90,000 ha in the Project's area.

As a reaction to the increasingly deteriorated situation in the project setting and the evident failure of the eradication-substitution scheme a Second Project Amendment (Project Paper supplement) was signed in June 1986, which called for the following changes:

- Increased Project emphasis on improving community development services, such as potable water and related sanitary facilities, educational programs, and community markets;
- Increased life of project by two years to the last quarter of FY 88;
- Increased grant funds from US\$ 2 million to US\$ 8.4 million.

Obviously the most important aspect of the amendment was the shifted emphasis from development of agricultural services to delivering a variety of community development services. It was an strategically convenient change for the project. The former ones were not excluded but they ceased to be the project base. The project's implicit relationship with coca eradication activities also disappeared, even though reduction of coca area remained as the ultimate project's goal. What was realized by the amendment was that poor living conditions and social margination were the most fertile grounds for narcotrafficking and subversion to grow.

The amendment also expanded the size of the beneficiary community. In 1981, 27% of the population in the project area was targeted as beneficiaries whereas more than 45% of the project area's population was targeted after the second amendment.

The implementation of the new strategy called for a new component in the project list of programs, and the Community Development program was introduced. It included the existant water and sanitation activities with the new ones related to public health, education and communal services.

As the amendment states repeatedly that the PEAH was virtually the only functioning GOP entity in the project area and could no longer act as a coordinating agency, it was necessary to perform more direct services with short term benefits to the beneficiaries. This strategy served also a very important political goal. It was to demonstrate to local population that the GOP wanted to remain in the valley and that it was beneficial to the people.

In essence the project amendment stated:

- PEAH was the only GOP entity remaining in the Valley;
- PEAH could no longer coordinate with other agencies in an institutional vacuum, referred to as a "no-man's land";
- Agricultural activities had been successful and were, therefore, the target of terrorist attacks;
- The only viable course left to PEAH was to implement a variety of community development activities;
- The project's budget was increased to a total of \$34.5 million and the project's life was extended to September, 1988;
- The new component of Community Development was the most important one in the project's life, since it represented 13 per cent of the enlarged project's budget to be expended in a two year plan.

This strategy proved to be highly successful as it enhanced the GOP presence in the area, created a more positive public image of PEAH, enhanced local communities participation, and most important, helped to demonstrate that community infrastructure works were not easily attacked by the subversives.

During the period, USAID project monitoring and evaluation methods changed in response to increased security risks. Technical assistance trips to the project area were still restricted because of security considerations.

On September 30, 1988, the planned project's life was extended again. The new completion date was September, 1991, 10 years from the date of the initial obligation.

The situation began to improve in 1991. There were some important contributing factors:

- Local governments began to re-establish themselves in the project area;
- Decreasing prices of PBC and lower yields of coca leaves because of a fungus attack (*Fusarium oxysporum*) reduced the profitability of coca production;
- Small towns residents, realizing the tremendous social costs that the coca culture had caused to their lives, were more prone to react against narcotraffic and subversion, and began to organize themselves for communal action, taking into account that terrorist groups did not attack these kind of projects, also;
- A new, more successful, armed forces strategy in the fight against terrorist groups began to be developed;
- The GOP new economic policy began to clear up and some economic opportunities

for legal agriculture began to appear.

2. PROJECT'S ACCOMPLISHMENTS AND LACK OF ACCOMPLISHMENTS DURING 1981-1991¹

2.1 ACCOMPLISHMENTS

a) PEAH's performance.

- PEAH maintained operations in the project area in the face of repeated attacks by terrorism.
- Project area inhabitants associated PEAH with positive community development activities.
- PEAH organization and operations were flexible: operating procedures, and staffing patterns were adapted in response to: (a) the expanded community development component; (b) abandonment of the project area by many GOP agencies, resulting in the transformation of the PEAH from a project management unit to direct implementation; (c) community needs; and (d) renewed municipal activities and employment potential.
- PEAH disbursed funds at a generally acceptable rate until 1988, when many GOP agencies left the Project area and could not, therefore, fulfill their contractual obligations for project activity implementation.

b) Infrastructure

- PEAH has been an efficient road maintenance organization, given the security situation in the Project area. It achieved nearly all road construction and repair objectives.
- It maintained the road system within its project area and its unit cost for maintenance was lower to that of any other entity in Peru.

In summary, the project met most of its objectives in this program. However, lack of a viable road transportation system outside of project area continued to be a serious constraint to alternative agricultural production in the region.

¹ This section follows very closely the evaluation findings of 1986 (ECONSULT) and (Tropical Research & Development, Inc).

c) Community development

- PEAH was able to fulfill the majority of its community development objectives: potable water systems, sewage systems, latrines installed in schools, rehabilitated classrooms, new classrooms, rehabilitated health posts, fish ponds, new health posts and small irrigation systems.
- These projects have been protected by the communities in which they were established.
- PEAH was efficient while implementing the community development component, especially given the security environment in which it worked.

These accomplishments are somewhat shadowed as it can be argued that a strict interpretation of the project goal indicates that the community development component has not helped to increase or to diversify agricultural production in the Peruvian upper selva. Unfortunately the project paper supplement did not state a causal relationship between these two aspects.

Similarly, it was argued that community development activities had no short-term effect to counterforce SL and MRTA, and that those activities could not have taken place without these groups' tacit permission.

In front of these arguments it can be said that a "more strategic interpretation of the community development component's effectiveness leads to the conclusion that the component created an enabling environment for community development groups". It has been also recognized that "this environment will have a long-term impact on the GOP's ability to implement an alternative development program in the project area".

To support this interpretation the following points are important:

- The community development component was the only functioning element of the PEAH during the height of the violence. Without it, the project would have had ceased operations, further reducing the GOP's presence in the project area.
- The link between CORAH and PEAH was severed in the minds of the project area inhabitants improving PEAH's ability to implement other projects.
- Project beneficiaries link GOP activities with positive results, which offset the poor image of the GOP resulting from the weak performance of other GOP agencies.
- Since community development activities enhances PEAH's credibility, they are an entrance road for PEAH to introduce other activities which would be more closely linked to project purposes and goals.
- Community development activities are not an end of themselves, but are, rather, a means to an end. Successful community development activities create an enabling environment, in which community groups seek to identify and meet other community needs.

2.2 LACK OF ACCOMPLISHMENTS

a) Agricultural activities

- PEAH did not provide alternative economic activities, primarily agricultural production schemes, for coca producers who wished to abandon coca production.
- Agricultural research programs were destroyed by SL, and extension activities were suspended because of SL harassment.
- No evidence suggests that results of the agricultural diversification that took place within the project area were economically beneficial to the target population. No monitoring system determined the rate of adoption of new or different varieties of crops or cropping systems or measured the impacts of acceptance or change in economic terms. Nor was an economic and market analysis conducted prior to start-up of productive activities.
- PEAH emphasized agricultural production and paid little or no attention to marketing. The project did not invest in market studies or design marketing strategies prior to start-up of production. The absence of a marketing component is attributed, in part, to a poor project design. As a result, the implementing agency was not called upon to respond to local reality. In some instances, productive activities were promoted by the Project (e.g. achiote, cacao, etc.) despite information indicating that the international market was oversupplied and that crops promoted were not well suited to the area.

b) Agricultural credit

- The security situation in the project area precluded successful completion of the credit component. The local banking system left the project area, and the PEAH lacked the requisite skill to effectively assume responsibility for credit disbursement.

c) Infrastructure

- Lack of security in the Project area has prevented successful completion of projects in other infrastructure activities.

d) Land titling and registration

- The titling of land has moved very slowly. The murder of three surveyors by Sendero Luminoso was an important impediment to the titling program. SL actively discourages the local farmers from applying for titles.

C. CONTEXT

This evaluation of the Upper Huallaga Area Development Project (UHAD) is focused in the 1992 and 1993 years. The Project had a very large period of execution time that began in 1981 and ended in December 1993. During the life of the project, it was affected by deep changes in the government policies related to the level of inflation, fiscal crisis, and a negative international financial environment, among other factors.

To the above, we have to add the violence coming from terrorism and narcotraffickers that had its utmost expression in the area of the Project. The impact of the violence was of such nature that it determined a complete turn around in government policies against subversion and drug prevention and control, forcing Peru to undertake continual talks with the United States in order to reach a consensus necessary to the actions of execution of this Project.

By the end of 1991, the GOP was in the process of: a) implementing a severe stabilization program, b) executing radical structural reforms, c) reinserting the country in the international finance community, and d) fighting terrorism simultaneously.

At the present time (October 1994) the situation has changed substantially:

- The economy grew 7% in 1993. It is expected to improve this year and there is a forecast of continuous growth the following year.
- For all practical purposes the country has been pacified and the Evaluation Team was free to visit the whole area of the Project with no restrictions.
- The PEAH has continued its operation.
- The farmers look for other alternatives to coca.
- The area is considered positively for investment and a new entrepreneurial interest is evident in the valleys of Ponaza and Biavo as a result of the improvement in transportation facilities.

There is no doubt that the next project in this area will have better chances to achieve its objectives and goals. However, the main objective of the evaluated Project, that is to find economic alternatives for the majority of the population in the area, has not been reached, yet.

D. FINDINGS AND CONCLUSIONS

1. THE 1992-1993 DESIGN STRATEGY (THIRD PHASE)

The 1992-1993 strategy was developed taking into account the project situation, the new attitude adopted by some local governments to resist SL and MRTA politically, and the up-

coming SER Project.

The constraints to regional economic development were mostly related to:

- Lack or deteriorated situation of main roads and bridges, meaning very high marketing costs for regional production;
- Lack or deteriorated local road networks, meaning physical and social isolation for many small towns;
- Lack of public sector agricultural services, mostly research, and extension;
- Lack of a credit system for agricultural production;
- Lack of real knowledge about new opportunities for agricultural production;
- Lack of trained human resources;
- Social constraints occasioned by disruption of the current mainstay (coca production) of the region's economy.

The strategy began to evolve at the end of 1991, influenced also by AID's own experience in the El Salvador Municipalities in Action Program. However, the new strategy was not formalized until February 1993 by Amendment No.10 when it was in full implementation, both in the Tocache and the Central Huallaga areas. Shortly after Amendment No.10 was signed the Mission decided an earlier termination of the UHAD Project on December 1993, and the dismissal of the SER Project as the planned follow-up activity.

Amendment No. 10 called for the following changes in the project design:

- The revised Project purpose was "to support the GOP's alternative development objectives in the Huallaga Valley by strengthening local government and community participation in the alternative development process, improving physical and social infrastructure and promoting agricultural activities which replace illicit crops" (sic).
- The focus was "on developing cuencas (basins or watersheds which are currently being used for coca production or are possible expansion areas for coca cultivation) in an integrated manner" (sic). This way, the Integrated Cuenca Development (ICD) concept replaced the current project's approach of independent subject programs.
- Law enforcement measures against narcotraffickers was a necessary condition for applying the ICD approach.
- The ICD approach was based on two assumptions: first, many coca growers and PBC producers wanted to change to licit crops; second, the project was in the position of offering alternative sources of income and social benefits to those people.
- There were several agricultural activities which could compete with coca cultivation

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if adequate infrastructure, access to markets and security are provided. Most important also, if coca prices are depressed through law enforcement measures.

- Planned activities should be aimed at providing a favorable economic environment for private investment, and technical assistance to farmers should support activities which have potential for growth.
- The social infrastructure package should improve access to the most important social services as health, education, water and sanitation, security, and recreation.

Amendment No.10 stated that UHAD pilot activities would be implemented in two distinct areas, and in two implementing phases:

- It would be applied first in the traditional project area of Upper Huallaga; and the Central Huallaga area would follow.
- The first implementing phase would consist of an intensive application of the DCD concept in order to regain government presence in the area;
- The second phase would consist of ICD activities as government presence had been reestablished. Therefore, the ICD strategy would be applied first in the Tocache area where the DCD had already been applied successfully.

There were also some assumptions supporting the project design. The following were the most important:

- Coca prices will keep falling;
- The Project had a real capacity to offer development packages to participant communities;
- The GOP had an alternative development plan and the related policies for the region;
- The GOP would follow and grant the necessary support to the Mission efforts.

There are several aspects worth to comment with regard to the strategy design:

As the strategy was based on lessons learned, it reflected the evolving nature of the project.

It recognized some political aspects of critical importance for development to take place:

- The restoration of government authority at local level based on democracy and community participation;
- The need of effective law enforcement to grant local security.

The new strategy meant a final dismissal of the earlier coca eradication-substitution approach, and a full adoption of the alternative development concept. It was an explicit

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recognition that without development there were no real chances for coca's substitution. In this sense, the project had to contribute to the improvement of local conditions, both for private investment and for quality of life. The new strategy took also into account that separate activities to promote licit agriculture had not bring any important result, and an integral approach to agricultural development was needed.

The project design was not free of some flaws. An important one was lack of a clear distinction among actions that could be the practical content of DCD and ICD activities. As all local communities depend mainly on agriculture, and DCD and ICD should be applied sequentially, it was needed to differentiate more clearly among possible actions for each of these phases.

The ICD component did not incorporate, not even mention, some measures against the totally free, spontaneous occupation (and devastation) of forest or protection land by coca growers, also. As it is well known, these kind of lands are the most important resource base for coca, not only for migrant peasants but for local residents as well.

The assumption that a formal agreement could develop between the Project and local communities to eradicate coca in exchange for development services was not realistic. Among other aspects, because it could not be enforced in practice.

Another important flaw was a pervasive one in the project's life. It was related to the imbalance between project resources and goals sought. To this regard the design strategy failed not to mention that anything else than pilot experiences could not be done in specific locations, as the Ponaza Valley and the Tocache area. Instead the DCD component was planned for seven provinces with fifty four districts, comprising 810 small towns. By all accounts these were too many for the PEAH's implementing capacity.

2. THE 1992 AND 1993 IMPLEMENTATION STRATEGY

2.1 PURPOSE AND PLANNED ACTIVITIES

The UHAD Project has been very complex. In order to fulfill its original goal and purpose the PEAH has implemented about thirteen programs, each one encompassing several activities, as can be appreciated in the table next page. Through the project's life the PEAH tried to implement all of them. However, some activities were reduced to a minimum because of the critical social changes happening in the project setting, and the practical demonstration that some Project Paper initial assumptions did not come true.

A turning point in the implementation strategy took place in 1992 when the DCD and ICD concepts were incorporated into the project's agenda. The new plan called for two phases. The first phase was to regain government presence through the DCD component. The ICD component should follow as a second phase, facilitating new development alternatives to the chosen areas. Simultaneously a new emphasis was put on the Primary and Secondary Road Maintenance component because the areas' isolation was the ideal setting for terrorist and narcotraffickers' activity, alike.

PEAH PROJECT PROGRAMS AND ACTIVITIES

PEAH PROGRAMS	MAIN ACTIVITIES
1. Executive Direction	Rural Development Planning
2. Agricultural Extension	Ag. Technology Transfer Ag. Production Fish-farming Promotion Ag. Mechanization and Infrastructure Small Ag. Activities
3. Agricultural Training	
4. Road Maintenance	
5. Agricultural Research	Applied Research Demonstrative Plots
6. Community Development	Comm. Organization & Dev. Communal Production Centers Health & Sanitation Educational Development
7. Land Titling & Registration	
8. Soil Studies	
9. Cadastral & Cartographic Services	
10. Ag. Marketing & Agroindustry	
11. Ag. Statistics	Farm Surveys Statistical Research Information Services
12. Agricultural Credit	Credit for Crops Credit for Ag. Investment Credit for Agroindustries
13. Ponaza's Program (PRODAP)	Technology Transfer Ag. Production Ag. Organization & Training Fish Farming Promotion

The three remaining components: (a) Research, Extension and Information; (b) Credit; and, (c) Land Titling Services, were intended to support the DCD and ICD efforts. This was a major change. Previously there was a tendency to implement these activities as if they were facing distinct problems.

The DCD component was planned to be implemented in ten provinces of the San Martin Region, in one province of the Mariscal Caceres Region, and in one of the Ucayali Region. Taken together they enclosed 64 districts with 810 communities with an estimated population of 340,000. This area enclosed both, the PEAH's traditional area or Upper Huallaga and the Central Huallaga area, where the PEAH was a newcomer advancing through another special project territory (the Central Huallaga and Lower Mayo Special Project). However, as it was implemented the DCD program extended through the all ten San Martin Provinces, advancing

also throughout the territory of another special project (the Alto Mayo Special Project).

By no means the project could not be in the position of covering this large territory (MAP 2) and, consequently, DCD activities were had to be restricted to those "communities and areas heavily influenced by terrorist and/or narcotraffickers but have indicated a desire to participate" [SIC]. A signed agreement between the local governments and the project should formalize this desire and the corresponding responsibilities.

The DCD strategy was first applied in 1991 as a pilot project in the Tocache area, a strong hold of SL since 1986 and where coca cultivation was declining. As this experience was considered a success, the DCD concept was tried in the Ponaza, Biabo and Sisa valleys and in other San Martin provinces.

In 1993, as the Tocache's DCD program continued to progress very well, the ICD concept was applied in the adjoining areas with the label of Integral Projects, and in the Ponaza valley as the Ponaza's Alternative Development Project (PRODAP). However, for several reasons these intents were very limited, both in scope and resources.

The Primary and Secondary Roads component should follow very closely the ICD activity, as roads were critical for development. Consequently, emphasis was put in some major works in support to the PRODAP and the Biabo valley activities.

The supporting agricultural components were implemented along the traditional methods and lines of action with no indication of major changes. Research, Credit and Information activities were extended to the Ponaza and Biabo valleys. Credit activities were already very limited. However, as the project initiated an important agroindustry program the amount of lendable resources should increase.

2.2 FINDINGS

2.2.1 Timeliness and quality of project inputs

This section has considered the following aspects: project funds; leadership and personnel; technical assistance; and, political support.

a) Project funds

Project funds were substantially increased during this phase, reaching the maximum levels in the project's life. As it can be appreciated in the following table, the 1992 and 1993 years budgets taken together were almost equivalent to the total project expenditures of previous ten years. Expenditures increased in 143 per cent in 1992 and in 11 per cent in 1993. The PEAH's annual reports explicitly express that there were no shortages of funds. However, especially for GOP funds, they were not received always on time.

It can be concluded that available funds matched the project spending capacity during those years. At present (1994), the PEAH's budget has been reduced to US \$ 4 million.

PEAH PROJECT EXPENDITURES (000 US\$)

YEAR	GOP			GRANT	TOTAL
	PT	PL-480	TOTAL		
1982			1,346		1,346
1983			853		853
1984			1,779		1,779
1985			1,430	3,000	4,430
1986			2,133	2,422	4,555
1987			1,392	1,508	2,900
1988			589	170	759
1989			771	150	921
1990	512	237	809	1,201	2,010
1991		1,940	1,940	2,158	4,098
1992	5,473	2,257	7,730	2,250	9,980
1993	5,214	2,525	7,739	3,350	11,089
TOTAL	11,199	7,019	28,517	16,209	44,726

Source: PEAH

The project funds were reallocated in accordance with the new strategy. The relative shares of the road maintenance and community development subprograms were increased, and funds for several activities about agricultural promotion were pooled together to finance the Integral Projects of Tocache and the PRODAP in the Ponaza valley. Administrative expenditures amounted to 30 per cent of the total budget leaving 70 per cent for operative expenses.

As the Ponaza Alternative Development program was prioritized it received 62% of total operative funds of the road maintenance component, to finance the Picota bridge, mainly. However, another important work was rehabilitation of the road through the valley to reach the town Shamboyacu, formerly one of the busiest drugmarkets in the region. This physical infrastructure was of great strategical importance to develop Ponaza's agricultural potential.

The final Project Amendment (No.10) exhibit a total budget of US\$ 47.7 million. However total expenditures through the LOP have been US\$ 44.7 million.

PEAH'S RELATIVE DISTRIBUTION OF EXPENDITURES IN 1992-1993

SUBPROGRAMS	PERCENTAGE OF TOTAL EXPENDITURES	
	1992 (\$9.98 million)	1993 (\$ 11.09 million)
Executive Direction	4.39 %	17.43 %
Agricultural Extension	17.52	3.51
Pilot Integral Projects		5.20*
Agricultural Training	1.68	0.77
Road Maintenance	45.37	47.42
Agricultural Research	1.11	1.90
Community Development	11.34	17.40
Land Titling	0.77	0.87
Land Registration	0.59	
Cadastral Services and Cartography	0.86	0.14
Marketing and Agroindustry	0.33	0.08
Soil Studies	0.45	0.19
Agricultural Data	1.25	0.51
Agricultural Credit	13.84	4.58

* Pilot Integral Projects were implemented in Tocache and Ponaza.

In Tocache, they included agricultural extension, farmers training, land titling, soil studies, and road maintenance. In the Ponaza valley it was referred just as Community Development and included social infrastructure and training.

Source: PEAH Annual Reports.

b) Leadership and personnel

Stability of executive positions was a critical important factor for an adequate project implementation. The PEAH is a semiautonomous entity and the Executive Director enjoys substantial discretionary powers, not only granted by the law but because INADE's practical restrictions to exert close and detailed supervision.

The PEAH has fared relatively well on this account. Through the project's life there have been three Executive Directors. The second one lasted for eight years until 1991. His successor was in charge for the following two years, as he left at the beginning of 1994.

Professional and personal leadership qualities of the Executive Director are very important factors, also. However, there are no explicit rules for appointing this position and political criteria usually intervene. This seems to have been the PEAH's case.

As an institution the PEAH was also called to perform a leadership role in the local environment. The exceptional project setting, and the importance of Project's coordinating

role among local groups and institutions, demanded a carefully crafted strategy in order to exert an effective lead in the region. Main factors for this strategy to be successful were a staff of high professional standards and an institutional knowledge about regional problems. The PEAH has tried very hard to perform well in both accounts in spite of several restrictions.

An important restriction for professional staff selection was related to salary levels. The "higher-salary" incentive policy that the PEAH was supposed to follow could not be implemented in a consistent fashion, nor for prolonged periods. Specially in the 1992-1993 period the PEAH was not excepted from the freeze of salaries and other austerity measures decided by the GOP.

The violence factor was of course another, almost absolute restriction, for hiring experienced technical personnel. In practice the selection base was restricted to local young professionals.

Personnel numbers have gone through several important changes over the project's life. From around 150 people in 1982, personnel was twice that number in 1984. However, it included fewer professionals and technicians. In 1985, there was a drastic cut reducing personnel to 125 people, but one year after personnel numbers began to rise again to around 300 employees. In 1987 there was another cut to more than half. From 1988 - 1989 personnel began to rise again.

Most often, personnel reductions were indiscriminate and they were not accompanied by corresponding changes in project's strategy. Technical tasks were reduced or shifted to indirect implementation through contracts with third parties.

In January 1992 personnel number was more than 400 people, and in January 1993 it decreased significantly to 120 people: 80 field workers and 40 administratives. In the field workers category, 45 were professionals and the rest were drivers, machine operators and the like.

In spite of personnel numbers and its professional quality, there were some important shortcomings for project's effectivity. Until 1992, when a real progress in the pacification process was made, for security reasons the project staff had to be stationed most of the time at the headquarters for security reasons. Traveling was made mostly by air, besides of being reduced to a minimum.

The security situation improved a great deal in 1992, and project staff was able to travel much freely through the field. Therefore, field personnel intensified direct contacts with farmers and local authorities, and supervisory capacity improved substantially, also.

c) Technical assistance

Until 1986 the PEAH received technical assistance from a hired American consulting firm (IRI). Unfortunately, when the level of violence mounted and the experts were not able to visit the zone for security reasons, this service had to be interrupted.

From 1986 to 1991 the project faced a severe shortage of external technical assistance, because both AID and INADE, were not in the position to grant another source of technical support to the project. In this phase, lack of technical assistance impaired greatly the project's capacity to identify strategic activities and to evaluate the results.

As the violence situation receded in 1992 and 1993, Mission and INADE's officials intensified their site visits and were able to monitor more closely the new strategy implementation in Tocache and Central Huallaga. Nevertheless, systematic technical assistance to the project could not be resumed, and the planning and design of some activities were not assisted as they should be. The most important cases were in the agriculture and the agroindustry programs. The former continued to be implemented along the original lines, lacking strategical scope about real demands for technical innovations vis a vis market opportunities for the products. Also, research and extension methods were not adjusted to new setting conditions. The agroindustry program was implemented also without having a sound analysis of market demand for the planned products or services and a realistic appraisal of interested groups entrepreneurial capacity.

The limited project's internal capacity to generate strategical changes was put in evidence also by the fact that the new strategy was triggered almost on its entirety by the Mission.

d) Political support

From a political perspective the PEAH can make the claim of having been one of few public institutions that remained on the field during the hardest years of violence. This aspect was accentuated by project's officials in order to demand a greater support from the GOP.

From 1991 GOP's highest priority was to defeat subversion as fast as possible, and the fight against drug traffic and related matters were placed in a secondary level of urgency. However, this general perspective changed as pacification of the zone progressed. Meanwhile the alternative development concept was gaining greater recognition, and when the new strategy began to be implemented, the Project had the opportunity of commanding more attention from the GOP and local population.

The PEAH and the Mission worked very closely in this phase. However the Mission involvement was greater in the Central Huallaga area, and the local population still identify the Project closely related to AID.

When the UHAD project came to an end (December, 1993) the PEAH remained working in its former territory of Upper Huallaga. The area is almost completely pacified and coca cultivation has receded somewhat. Therefore, the setting is a lot more favourable now than before, and the PEAH has continued to implement most of UHAD Project activities. However, the PEAH's budget has been reduced substantially (\$4 million) compared to the 1994's (\$11 million).

2.2.2 Response of the target population

The new project's strategy was mainly known by the DCD concept. It was first applied in the Tocache area centered in the Provincial government as most Districts were without authorities or were severely threaten by SL. However, in normal circumstances direct District participation was considered a must for implementing the DCD concept, both for operative reasons and for political convenience.

The number of small towns is very high in the region. For instance, in the Tocache Province there are not less of 50. Consequently, the project testing of DCD concept did cover no more than a fraction of that number. In many cases local communities get frustrated as the project was unable to attend the demand. This feeling was greater in the Biabo and Sisa valleys where the project started operating just before the completion date.

Due to several reasons, the DCD procedure in choosing and constructing the small scale projects, had to be as direct and simple as possible. A key factor for gaining people's support and participation was the transparency of the whole implementing procedure, also. In the Tocache Province it went as follows:

- The Provincial Municipality and the PEAH signed an agreement in order to act jointly, seeking the social advancement and development of the area;
- The available money resources were distributed among the small towns of the area having in mind their populations and the urgency of problems to be solved;
- Each small town was represented by an Agente Municipal, a local resident elected by the people, that played a key role as he called the town-people assembly to prioritize most urgent public facilities, and to organize themselves for the construction;
- The Provincial Municipality made the final decisions about the infrastructure that could be built with the resources allotted to each town, buyed the necessary materials, and hired the specialized hand-work required.

In the Ponaza and Biabo valleys, as well as in some other Central Huallaga localities, there was an important difference in the implementing procedure. District municipalities intervned in these localities playing the same role described above. The result was a greater involvement of town people, as they had the final decision about the infrastructure to be built, and they controlled the buying of the materials through an appointed special committe.

People's acceptance of the program was enthusiastic and unanimously participated by lending their hand-work. The procedure was direct enough to bring rapid results, and an impressive set of public infraestructure was built in a matter of months. For the majority of towns it was the only public investment made in years, and it was the first opportunity for local authorities to organize a collective action, also.

Most important, people had the chance to participate in a truly democratic process to make decisions about things that mattered them, and to lend their personal contribution to make them a reality. People's contribution was made with the only available resource they had, and

the most abundant one in town, their hand work.

Most priorities were referred to facilities for primary and nursery schools, health posts, and play-grounds. There were very few running water and sanitation facilities built. They were excluded from the program, even that they were badly needed, because there were no studies nor the time and the necessary resources. Facilities for secondary schools were also excluded, as primary schools had the highest priority.

The adopted procedure allowed also for a reward system to the most diligent towns. The faster the allotted infrastructure was built, the town was entitled to more funds to build some other.

The Municipal Agents received some training at the start of the process. It was probably not enough but it made for a good start, anyway. The notions taught were simple and direct in order to reinforce their leadership capacities. The notions were about leadership principles and simple techniques to conduct sessions and to record them. The Provincial Municipality of Tocache managed to organize these short courses for 140 Municipal Agents from 500 very small towns ("caseríos") and a general assembly of District Majors. These short courses enhanced a great deal the prestige and public respect granted to local authorities.

The ICD concept was less formally elaborated than the DCD concept, and most local residents were not aware of it. As a matter of fact the PEAH did not prepare documents explaining its meaning and implementation procedures at length. The Project's work following the ICD concept, as in the Tocache's Integral Projects or the Ponaza's, was for local people's perception a set of small projects and extension activities without having an explicit relationship among them. Most of these actions benefitted individual farmers but some others called for some kind of collective organization, as in the fish-farming, plant-nurseries and processing facilities.

People's participation in constructing ICD projects for production activities, as plant nurseries and fish-pounds, was also enthusiastic. However, afterwards there were some operative problems as the beneficiaries were not properly prepared and organized to keep the facilities functioning. Several of these facilities are now abandoned or are managed by small groups of residents, under precarious arrangements. The project approach to these kind of communal small projects failed to have a practical management model to make them sustainable.

Because of project's influence, local people was very prone to organize themselves in committees. They sprouted in every small town directed to specific crops or activities. However, because the lack of operative resources or practical knowledge on how to tackle the problems, most of these committees have failed to deliver any concrete result. Project's extensionists were too few to assist these groups, and many of them lacked the practical experience needed, also.

The most pressing problems were (and still are) related to the marketing situation. As the violence disrupted all commercial circuits, local market prices for traditional crops (rice, maize, cassava and plantain) were really low, and most farmers did not even recover their production costs. Lack of physical infrastructure at local level was a very important restriction also for getting higher prices. In many localities peasants had to transport their products by

themselves and they were forced to accept any price as they reached the market.

For this reason most people were very interested in local roads and small bridges construction. They supported enthusiastically agroindustry plans, also, as they believed that alternative markets were a solution for their problems.

Following this reasoning the Project initiated in 1992 an agroindustry plan comprising the construction of eleven small processing plants for plantain, cassava, rice, tropical fruits, and animal foods. Local population initial response was of great interest. However, as managerial problems of the plants mounted, and people realized that they were not a secure and a profitable market for their products, their support began to disappear.

As the traditional crops were no longer profitable, another solution people looked for was crop diversification. Project's response was very important and the extension personnel managed to assist with technical advice and credit plans around 300 ha of permanent crops as palm-heart, hierba luisa, papaya, pineapple, and plantain, also.

This trend for crop diversification initiated by the project has been progressively reinforced as local conditions improved with regard to pacification and transport availability. In the Ponaza and Biabo valleys, farmers have grown increasingly enthusiastic about cotton and next cropping season (1995) could witness a large increase in the planted area. In the Tocache area there is a growing interest in palm-heart cultivation. In the Naranjillo area interest in expanding the hierba luisa fields could grow as the export market for this product has beginning to open up. However, there are a lot of questions to be responded yet about how much profitable the new crops really are. Farmer's expectations are very high and it could happen again that they go ahead of market possibilities.

Not all the cost for these innovations was borne by the farmers. Most of them have been promoted by the credit program, and most beneficiaries have not repayed their loans yet. They argue that market uncertainty for the new products and their present poverty situation do not permit the repayment. The result is that PEAH is facing now very difficult administrative problems, and the credit program is moribund. The percentages of overdue loans are close to 80 per cent for operative loans, and to 90 per cent for capital investments. In the former category, the most important overdue loans correspond to the agroindustry projects.

Public knowledge about the project is varied. Obviously, it is more widely known in the Upper Huallaga area than in the Central Huallaga. It is also more easily identified by the physical infrastructure it built or helped to maintain, specially roads, than by the agricultural development or the social promotion activities it performed. However, in the Ponaza and Biabo valleys these last components are more widely known.

In the Tocache and Central Huallaga areas the project commands a more diffused public recognition, as most people identified the work done as the AID's project or the DCD project. However, in these areas most local residents praise the road program as the most valuable project's contribution.

2.2.3 Response of GOP and other implementing agencies

The PEAH because of its relative autonomy and the Mission help usually found its way to direct contacts with central offices for financial and strategical decisions. This capacity was put in practice more intensively during the 1992-1993 period when project's budget and activity reached maximum levels.

INADE was very cooperative also, but because it did not have enough technical resources nor operative funds, it was not able to follow the project's planning and implementing activities as close as it could be wished.

With regard to coordination with public entities it did not come true that PEAH, as the project's implementing agency, would had an enhanced capacity for multisectorial coordination. Among other factors PEAH failed to certain extent to become a technical reference center for other local institutions.

But the most important factor was the local public offices reluctancy to engage in a truly coordinated action in the field. Most of them followed their own policies and plans dictated by central offices, and did not have much capacity for local concertation. Usually, they just were prone to agree about very specific actions. At the end, coordinated or concerted actions with local offices were reduced to the ones financed by the project.

The Regional Development Corporation of San Martin (CORDESAM), and lately the Regional Government formulated development plans for the region. However, central policies by the GOP worked against decentralization and regionalization of the country, and regional planning capacity has been progressively debilitated.

The project has been shifting from direct implementation of programs and activities to implementing contracts with other entities. In both ways it did find several difficulties. With the former, the Project found itself that it did not have the necessary institutional expertise to perform properly some specialized tasks, as in the agricultural extension and promotion activities. Besides, the Project had to increase its personnel appearing as a bureaucratized institution.

In the other hand, implementation contracts with third parties were not free of difficulties, also. Most of them originated in the contractors own problems, as poor staffing and inadequate reporting and supervision methods. Consequently, very often final results were far from being satisfactory and contracts had to be cut. To this respect, the practical experiences with the UNAS and some other institutions that intervened in research, extension and education activities were illustrative.

Part of the problem was the Project itself because of not having developed sound monitoring and supervision systems. Also, most contracted activities were not based on detailed analysis of determinant factors, and very often there was not an explicit account of the impacts sought. The practical consequence was that some contracts give way to damaging controversies with contracted local institutions.

Contracts with independent groups have not been entirely different, also. The experience with

a local independent group hired for extension activities in the Ponaza valley was significant. The contractor failed to meet the established technical standards almost from the start, but the Project reacted very slowly and a precious time was lost. Given this result, the local farmers felt frustrated, because as PEAH has retreated from Central Huallaga valleys, there are not any extension activities left on the field.

An important shortcoming of the agricultural extension system was, and continue to be, the absence of networking mechanisms. Consequently, most technical problems posed by the farmers were left without a solution, when they are out of the extension people own personal experiences or knowledge range. The UNAS in the locality, and the INIA's network of experimental stations in the jungle, represented very important sources for technical consultation that project's extension people very seldom used.

Project's relationship with the local offices of social sectors has presented some difficulties, also. These offices had to approve most small projects in the DCD component, as they were related with education and health. This way the local community and the Project made sure that the facility will be equiped and operated by the sectorial system. However, not always it did come that way as it could be observed in several localities in the Tocache, Ponaza, and Biabo areas. In many cases these facilities, are very badly equiped or there is a lack of more personnel to take advantage of the expanded physical capacity.

CEDRO and the UNDP project are some other institutions that are related to the goals and purpose of PEAH. CEDRO had, and still has, an important presence in the region. CEDRO's sponsored Joint Together for Life (Unidos por la Vida) clubs for young people are present in almost every town of the Ponaza valley. The facilities of these clubs are well kept and very active as they are the only meeting center in the towns. There are indications that CEDRO's campaigning on drug awareness among young people has contributed to the rejection of coca cultivation. The UNDP project by its part is in the process of finishing the construction of a modern processing plant for palm-heart in the Uchiza area. This plant will represent the most important market for the numerous farmers that have planted their fields with palm-heart replacing coca cultivation.

Even that there was not a formal relationship with ENACO, it was important that ENACO's activities be consistent toward the ultimate goal of coca eradication. On this account, it seems contradictory the ENACO's resumption of local acquisitions of dry coca leaves by the Tingo Maria office. Personal testimonies of coca cultivators confirm that they sought ENACO's policy as the way to legitimize coca production. Consequently, many coca farmers are trying to become "legal" by registering in ENACO to sell through this channel a small small portion of their production. So far there is not any relationship between the project and ENACO's activities, nor have been any intersectorial consultation for the ENACO's come back to the region after having been absent since 1986.

2.2.4 Adequacy of the monitoring systems and the baseline data

The project's complexity has contributed to the tendency of pursuing project's activities as if they were independent or distinct. Obviously, monitoring difficulties increased and project's supervision capacity was exceeded somewhat.

Monitoring methods in public entities tend to be misleading as they just "measured" the activities done, and not the practical results accomplished. This way most reports are administrative in essence, even when they refer to technical activities. The PEAH was not an exception, and while there are detailed accounts about the project activities, project's direct impacts data or studies are scarce.

The Project collected a very important amount of technical and social data and studies about the region. However, this information was not organized in order to be available for outsiders, and the Project lost the chance of reinforcing its role as a technical reference center for the region.

In 1993 the PEAH began to implement an specialized informational system for physical development and resource use planning, which is called the Geographic Information System (SIG). Even that there was a lot of enthusiasm about its adoption, its practical results are not very useful so far. PEAH did not have experts on regional planning, and it does not deal with forestry and protection lands, also, where most issues about natural resources management lie.

2.2.5 Evidence that exists for measuring achievements

Most project's accomplishments are related to physical and social infrastructure and their functioning can be appreciated directly on the field. Roads construction or maintenance are praised by local people as the most important contributions for the economic recovery the area has began to experiment, especially in the Ponaza and Biabo valleys. With regard to social infrastructure built by the Project, all of them are being used by the corresponding official entity.

Production facilities built by the Project, as plant-nurseries, fish-pounds and agroindustry plants, can be appreciated directly, also. They are located on public grounds or in private properties and local authorities and residents, as well as the would-be owners, are very frank about the operative problems these facilities are confronting. With the exception of the agroindustry plants, because the financial debt they still represent, PEAH does not keep a detailed account of their current functioning.

About project's agricultural production programs, it can be appreciated directly on the field several promising facts. The participating farmers express themselves very clear about their unchanged interest in crop diversification, and about their current problems and expectations. There are also many cases of farm-neighbors that have been influenced and are following the diversification path. However, the PEAH has not conducted so far any study or has recorded factual references of spontaneous adoption by other farmers. The most important achievements seen to be with permanent crops as palm-heart and hierba-luisa, as well as with some cropping systems designs.

2.2.6 Project reporting systems

The reporting system was make up mainly by the trimestral, semestral and annual project



reports. The reporting format is well established throughout the Peruvian public sector and contains a detailed list of all activities done and the financial resources employed, in contrast with the initial annual planned goals. The format doesn't allow to pool together interrelated activities toward a particular project goal. In this sense, it reinforced the tendency to treat project activities as if they were separated from each other. These reports were presented to INADE and MEF, and to the Mission, also.

PEAH complied also with the specific reporting system established by the Mission about project's financial aspects and resources use. Besides, PEAH and the Mission contracted some specific studies about regional socioeconomic situation and coca cultivation. This studies filled somewhat the absence of an established method for measuring and reporting project's impacts.

Data collection has been a permanent project task, and the annual data reports present a fairly completed view of agricultural situation in the project area. The data collected by the project went into the national information system conducted by the MA.

Internally the project reporting flow followed the hierarchical line established by PEAH's organizational chart. It has been varied in the last two years affecting the reporting and supervision lines. In 1992 there was a direct relationship between the Executive Director (ED-PEAH) office with the three existing zonal directions (Leoncio Prado, Tocache, and Mariscal Caceres). In 1993 the organizational chart varied and three specialized directions (Infrastructure, Ag. Development, Comm. Development) between the ED-PEAH and the zonal directions were introduced.

2.3 CONCLUSIONS

- Given the difficult circumstances the PEAH has been an effective implementing agency of the UHAD Project.
- As the project setting improved there was an effective response by the project in order to go further in reestablishing community organization and government presence in the area.
- Project funds have been available on time and in appropriated amounts for the activities sought.
- Leadership role in the project has been shared by project's officials and Mission functionaries as the former has played a much direct implementing role.
- The Project has lacked specialized technical assistance, for security reasons mostly, and that has been a determinant factor for strategical planning and monitoring activities mostly
- The project has had political support from the GOP and the Mission.
- Local population response to the DCD oriented activities has been enthusiastic and very positive in all respects. Local governments and people's experience have been

enriched and a new local political culture could develop from it.

- The ICD concept implementing programs have had mixed results. Physical and social infrastructure built by the project, especially roads, are highly praised by local populations. However, productive activities are decayed because the PEAH was not able to develop efficient and sustainable management systems.
- Response of other implementing agencies in the public sector has been weak, probably because they did not had the chance to react as rapidly as they should to the improved local conditions. By the contrary, CEDRO and UNDP sponsored activities accelerated.
- In this phase PEAH and the Mission worked very closely and they were mutually well informed about project progress or problems. This institutional closeness helped to overcome certain failures of the official reporting system.

2.4 FACTORS THAT FACILITATED OR RESTRICTED IMPLEMENTATION

2.4.1 Economic Factors

a) Economics of Coca Cultivation and Trade

Coca production is the most important economic activity in the Project area. It serves as the reference or comparison base with any other activity which could be developed in the area. Coca's income and production costs are always compared by farmers against those of any other alternative economic activity. Income reduction and costs increments in the period have been important elements to motivate the interests of farmers for other activities.

Farmers have a positive attitude to look to alternative crops for the following reasons:

- Coca brought repression and violence in the project area. It made the cost of living unacceptably high. It destroyed family and community unity. It encouraged prostitution and delinquency.
- Decay of coca plantations as a result of fungus attack was perhaps the most important factor of coca production decrease in the Huallaga valley.
- Coca prices decrease as a result of the Colombian government persecution of the narco-trafficking cartels. This determined a reduction in the demand in the Huallaga Valley.
- Reduction of drug airplane transportation as a result of interdiction actions of the Santa Lucía air base in Huallaga Valley.

In general, all farmers interviewed in the project area would be ready to reconsider coca growing if they were left without an economic viable alternatives. They consider that this would be a desperate situation that they would evaluate to take the risk. The general

appreciation is that coca plantations are growing because farmers do not have alternatives. The pacification of the area is improving the conditions to coca growth. The valleys of Tulumayo and Pendencia were cited as specific expansion areas of coca, also Las Palmas because they do not have a road to transport their products. There were negative reactions against AID (Huañipo, Ponaza Valley) because farmers do not have crop alternatives.

Coca prices in the project area have began to increase according to the information given by the farmers interviewed. In Las Palmas (close to Tingo Maria), prices are now (October 1994) S/. 100-110 (US\$45-50) per arroba of coca leaves (US\$3.91-4.35/kg) and three months ago were S/. 70 (US\$31) (US\$2.70/kg). Since 1991 to 1993 prices were S/. 40-70 per arroba.

In Tocache, the arroba price is US\$47-50 (US\$4.09-4.35/kg) now and it was US\$15-18 (US\$1.30-1.57/kg) one year ago (October 1993).

According to former coca farmers, in Huañipo, Ponaza Valley, the installation of one hectare of coca costs S/. 5,000 (US\$2,273) and each cut gives a net income of S/. 5,000. There are 3-4 cuts per year, that means a net income of S/. 15,000 to S/. 20,000 (US\$6,818-9,091) per ha per year out of installation costs.

The Peruvian firm CUANTO S.A. gives the following prices:

DRY COCA LEAVES PRICES

YEAR	AVERAGE PRICE (S/kg)	YEAR	AVERAGE PRICE (S/kg)
1988	1.54	1993 - Feb.	2.12
1989	1.34	1993 - Mar.	1.68
1990	0.36	1993 - Apr.	1.48
1991	1.58	1993 - May.	1.57
1992	2.34	1993 - Jun.	1.47
1993 - Jan.	2.73	1993 - Jul.	1.22

Source: CUANTO S.A.

The 1988 and 1989 prices are averages from various authors. The 1990 and 1991 are averages published in reports from NAS, UHAD Project and the UN Project. The 1992 and 1993 prices come from PEAH's reports.

There was no fungus attack in Tingo María and Las Palmas due perhaps to climatic circumstances, this is a more humid area than the rest of the Huallaga Valley according to the information given by the Universidad Nacional Agraria de la Selva (UNAS). The fusarium appeared in 1987 and it was an epidemic in 1989. The focus was Uchiza, Paraíso and other areas.

Coca production costs have increased mainly because of the scarcity of labor which is its

main input. The availability of labor has been reduced and wages have increased because of subversion and terrorism. Coca is labor intensive and it requires labor each two or three months for harvest, and cultivation between harvest periods. The worker receives a daily wage plus three meals which must be prepared by the farmer's family or other contracted workers. With the pacification of the area the tendency should be to reduce wages as new migrants come to the region from the sierra.

In Leoncio Prado, Ponaza Valley, 50 workers per day are needed to harvest one hectare of coca. The salary is S/. 0.20 per kg of coca leaf or 80-100 kg per day that means S/. 20 (US\$9.09) per day plus three meals for days or weeks. This was very attractive for school students. The school had to make a campaign to offer notebooks and pens for the young to stay.

Banana (Tocache and Biavo), cotton (Ponaza, Biabo and Juanjui), corn (Ponaza), papaya (Tocache), palm-heart (Tocache and Uchiza) and citrus (Juanjui) are crops cited as coca substitution alternatives at this moment, but there is uncertainty about the permanent conditions of the crops in the future.

People interviewed in Juanjui consider that the coca is expanding and the narcotrafficking is not situated in the traditional market places, they have moved to other secure areas. The prices have increased but there are few buyers. The price is US\$ 1000 per kg of basic paste. 90% of farmers were coca growers and approximately 50% have abandoned coca cropping. The majority of farmers sells coca leaves and others are the processors in basic paste.

b) Macrolevel Conditions

Inflation has been more pronounced in the Huallaga Valley because of the considerable amounts of money coming from narcotrafficking and the difficulties to supply goods and services to the area because of roads conditions. Costs of crop production and other activities have increased and reduced the competitiveness of the products of the regions in relation to the rest of the country.

Poverty has had a negative influence in the disposition of the population to give its workforce without a monetary compensation. This was the case when they knew that FONCODES payed the labor force in its infrastructure projects. There was a different policy between the Project and FONCODES and in a few cases there was a resistance of the population to work without monetary compensation. It was evident the economic and social advantages of the Project approach which would be very useful and it would have the tendency to prevail in some stages of the community development to strengthen its democratic principles and to achieve greater results with the same available resources.

Education is of high value in the Huallaga Valley population. Poverty has induced many farmers to grow coca in order to be able to educate their children as was expressed in various interviews.

Unemployment and lack of employment opportunities for the sierra region have been important factors to migrate to the Huallaga Valley and participate as coca farmers or

workers. And, also, to have access to the infrastructure and basic services provided by the PEAH.

The lack of roads has been a protection and stimulus for coca growing in the Huallaga Valley.

c) Economic and marketing conditions for legal activities

Lack of internal permanent roads and yearlong access to the Coastal region are the main restrictions or impediments for economic legal activities. The Picota bridge determined for the first time the appearance of buyers of cotton (BIOCOTTON, CEDRO), banana and corn (MASELVA) at the farm gates in the Ponaza and Biabo Valleys. The impassable conditions of the Marginal Road from Juanjui to Tingo María prevent the transport of rice and agricultural products from the production areas in the north of the San Martín Department to be sold in the Central Sierra and Selva of the country. This is particularly important for the Selva rice production which has lower quality and it could be sold in the Central Sierra and Selva regions. Permanent good roads was the first priority expressed by all farmers interviewed as a prerequisite for legal activities.

The absence of markets linked to the problems of transportation was an important restriction to economic activity.

Roads have proved to be one of the most important deterrent for coca growers and the first requisite to permit agricultural licit activities. Roads bring the private sector, the sellers of inputs (seeds), the access of technology, the buyers of harvests and the competition among them to the benefit of farmers.

The absence of energy at competitive costs prevents the introduction of viable agroindustries. Only Tingo María is supplied with the energy coming from the Center North Interconnected System. The rest of the Project area is supplied by termoelectricity at high costs. Energy from biomass could be a cheaper energy source as is the case of Palma del Espino, a private enterprise which produces edible oil from the African palm tree. Apparently it could be other alternatives to produce biomass from secondary forest without disturbing the environment.

The restriction of agricultural government credit in 1992 and its practical disappearance in 1993 restricted in some way the agricultural economic activities. Credit repayment is a real problem in the area but apparently SL exerted pressure on small farmers not to pay and divert those resources to them. In fact, the agricultural credit restriction is at national level because one of the economic reforms was to eliminate the development banks and create economic conditions for the private banks to finance all economic sectors. The agricultural sector is behind in this process.

The abrupt and unexpected termination of the UHAD Project in December 1993 determined to halt or slow down many activities favorable to the economic and marketing conditions for legal activities. The expectations of farmers were particularly hurt in the Ponaza and Biabo valleys, where they have had a favorable development experience with the Project. They expressed their concern about conditions to implement legal activities.

One of the objectives of the Project was to strengthen the GOP agencies in the Project area: UNAS, INIPA, MTCVC, etc. It was a source to channelize financial resources to support the activities of these institutions within the framework of the Project workplan. This network was disrupted with terrorism and narcotrafficking and the PEAH was assuming the activities of those institutions. This reduced the effectiveness of the Project to promote legal activities.

d) Conclusions

- Coca prices must be maintained low to give an interest to farmers to cultivate licit crops and to look for economic alternatives to coca cultivation.
- Roads are a prerequisite to a competitive agriculture and an important deterrent to coca cultivation. Economic activity has increased ostensibly as a result of the Picota bridge and the road to the Biabo Valley.
- The identification of markets is a prerequisite to promote licit crops in the area.
- Energy from biomass could be a cheap and easy energy source available for agroindustry activity in the Huallaga Valley.

2.4.2 Political factors

a) The violence

The terrorist violence created by the SL and MRTA subversive groups disrupted gravely PEAH's activity since 1984. Project technicians were afraid of traveling through the field and consequently lost contact with reality. Their activity was limited to a relatively "secure" areas in the surroundings of cities and main towns and along the Carretera Marginal. Monitoring and supervision of contractors works were also very difficult. For Mission's officials traveling was even more restricted for security reasons.

In 1992, the social violence receded somewhat, and this tendency was accentuated in 1993. A comparison of the yearly number and kind of terrorist events against the PEAH and other agencies, as can be seen in the following table, gives a clear indication of that positive trend. However, what mattered was how the local people and the PEAH's personnel perceived the situation in those particular years. In September 1992, Abimael Guzman the most wanted SL's chief was arrested in Lima and that crucial event changed a great deal the mouth of the population about the course of terrorist subversion. A positive sense of relieve and confidence on a near termination of terrorist activity began to take place.

With respect to the terrorist violence there were some differences between the Upper and the Central Huallaga areas, as the latter was dominated by the MRTA who presented itself as less vicious and indiscriminate violent than the SL. Consequently, the field works in Ponaza and Biabo and other Central Huallaga areas were subject relatively to a much easier situation, especially during the 1992-1993 phase.

VIOLENCE AGAINST PEAH - CORAH OR RELATED AGENCIES OR INDIVIDUALS IN THE UPPER HUALLAGA REGION

Year	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
I			PEAH-Farmer[P] PEAH[F]			PEAH[F] INIPA[F] PEAH-FARMERS[P]						PEAH-FARMER[P]
II						PEAH[P]		PEAH[E]				
III									PEAH[P]	PEAH[E-P]		
IV			PEAH[F] PEAH[F]		PEAH-INIPA[F]		PEAH[P]					
V						PEAH[F-P]	PEAH[E] PEAH[E] PEAH[E]		PEAH[P]			
VI			PEAH[F] PEAH-INIPA[F]			PEAH[F]			PEAH[P]	PEAH[F]	PEAH[P]	
VII					PEAH[F]	PEAH[F-P]	PEAH[E]	PEAH[E]			PEAH-FARMER[P]	
VIII			PEAH[F] PEAH-INIPA[F]	PEAH-MA[P]		PEAH[F]	PEAH[E] PEAH[E]				PEAH[E]	
IX			INIPA[F] SENAMHI[F]		CORAH[P]		PEAH[E]					
X						PEAH[P]		PEAH- OSE[E]				
XI			CORAH[F-P]			PEAH[F]	PEAH[E]		PEAH[P]	PEAH[E]		
XII	PEAH[F]	Forest Police[F] CORAH[F]				PEAH[F]			PEAH- OSE[E]			PEAH[P]

Notes.- Attacks were directed to: PEAH's [F] Facility; [E] Equipment; PEAH's [P] Personnel; FARMER, farmer collaborating with PEAH; OSE, local ONG.

b) Relationships between USG and GOP

Nearly two-thirds of the world cocaine supply comes from coca leaf production in Peru. The 1992 estimate of Peru's coca plantations was 129,100 ha, and close to half of this area is in the Upper Huallaga valley. There are some indications that the Huallaga's coca area has been declining in the last couple of years, however, its effect could be more than offset by new plantations spreading in other parts of the country.

No wonder that coca cultivation reduction and the antinarcotics fight are some of the most important points of interest between the GOP and the USG. However, there have been some important differences of opinion between the GOP and the USG as there are entirely different social and economic consequences for the two countries derived from these matters.

The Garcia administration was very hard in putting the blame of narcotrafficking in the demand side and was very vocal in promoting the USG responsibility in fighting it. The Fujimori's doctrine of 1991 followed the same line but it also recognizes that poverty and social marginality are at the roots of coca cultivation and there was a need to grant farmers new "alternative development" opportunities.

Nevertheless, the Fujimori's doctrine was dominated by some strategical factors in order to defeat subversion, a goal that the GOP gave the highest priority. Essentially, it was directed to alienate the coca farmers from the SL and the MRTA protection and to make clear that pacification was a precondition for new economic alternatives to develop.

There was also a significant rise in public awareness about coca cultivation and narcotrafficking. Several factors contributed. The most important one was the outrageous strategic alliance between the narcotrafickers and the terrorist parties. But some others, as increasing evidences of corruption and connivence with narcotrafficking among public officials, awareness about devastation of tropical forest and rivers pollution, and the rising of urban drug consumption and related delinquency acts, sensibilized public opinion. The media and several NGOs have played a very important role in this direction.

However, most concrete initiatives against coca production have come from the USG and other external entities as the UNDP.

c) Drug awareness

Peruvian society in general rejects vigorously narcotrafficking because the following reasons:

- It has a first hand experience about the tremendous social, political and economic costs it can cause.
- There have been many casualties and victims by the joint violence of narcotrafickers and terrorist groups.
- Society relates directly with narcotrafficking the spreading corruption within some of the most important national institutions. Peruvian elite is specially sensible to this situation.

3. EFFECTS / IMPACTS

3.1 EFFECTS ON THE TARGET POPULATION

3.1.1 Employment

The impact evaluation results presented in this section are based mainly on a 13-day field visit to the following sites: TINGO MARIA, TOCACHE, UCHIZA, JUANJUI, PICOTA, PONAZA, BIABO, and LAMAS (see Persons Interviewed and Contacted). In accordance with the terms of reference of the evaluation, the approach responds more to a qualitative appreciation than to a quantitative analysis. Hence, the emphasis in the presentation of the observed impacts will focus in indicating the positive or negative trends with regard to the alternative development objectives.

The aspects to be considered in this section are the following: employment, income, public security, environment, social violence, and social and political organization. Where appropriate a reference to gender is made.

The employment problem refers to the activities performed by the people of the area to earn their living. For years most of the people in the area have been employed in the coca sector as independent producers or laborers for the production of coca leaves, and in a minor proportion, for the production of "basic paste" (pasta básica), "washed paste" (pasta lavada), and clorhydrate of cocaine.

But before going into a further analysis it is necessary to differentiate farmers in terms of their involvement in the coca production. Three categories of farmers may be distinguished:

- First, farmers who belong to the area and are longstanding residents, and whose lands are suitable for intense agriculture.
- Second, migrant farmers who mainly come from the highlands region and are attracted on a temporarily basis by the coca income lure; these farmers cultivate coca in forest or protection lands.
- And third, migrant laborers also mainly from the highlands that work as hired labor force for the coca producers, especially to harvest coca fields. Coca production is very demanding in labor force.

There is some mobility among these farmer categories, but apparently the most common one is the transit from hired laborer to coca producer in the forest.

In order to duly appreciate the PEAH's impact on employment, it is necessary to separately address the various areas visited by the evaluation team.

a) The main cities

The road program has had a wide impact on employment in the commercial, transportation and service sectors in the cities. These are the cases of Tingo María, Tocache, Uchiza,

Juanjuí and Picota, although the major impact may be observed in the city of Picota.

The Ponaza Valley and the Biabo Valley were recently (1993) connected to the Marginal Highway through the construction of the Picota and Ponaza bridges. In this way the economy of both valleys has undergone a process of integration to the regional economy. Within this regional system, the city of Picota has benefited from these infrastructure developments because of its location which is crossed by the Marginal Highway connecting the cities of Tarapoto and Juanjuí. Its nodal position as a center of commercialization and services has been enhanced.

The positive impact on employment in the cities will soon receive a further impulse through the rehabilitation of the Marginal highway section between Campanilla and Puerto Pizana. Until now, and for the last nine years, this section had been out of service. The PEAH has been working in the rehabilitation of this section in collaboration with the army. Its completion is expected to take place by the end of the present year, when the San Martín region will be fully linked to the markets of the Sierra Central and Lima Metropolitana.

b) Rural areas in the Upper Huallaga region

Through the extension and credit programs, the project set into motion a process of adoption of new crops. There are two situations that emerge from this:

- The major accomplishment has been the introduction of hierba luisa in the Tingo María area by means of an agreement with a group of farmers at the Shapajilla and Naranjillo communities. This agreement involved the growing of hierba luisa in 200 hectares. The farmers abandoned the cultivation of coca, and constituted a farmer organization of ex-cocaleros, as they named it. In this case it is possible to say that the project was able to promote a complete change on employment, diverting employment activities associated with coca to activities related to a new commercial crop.
- The promotion of traditional crops like maize, rice and plantain, and the introduction of alternative crops, like palm-heart, should also be mentioned, although it seems that in most cases farmers combine these crops with coca. In these cases the Project's impact on employment has been limited. A greater and complete change from the coca cultivation to the cultivation of other crops --whether traditional or new-- will depend on more favorable market conditions and presumably will occur gradually.

Farmers who are not participating in the PEAH's programs related to the pal-heart and hierba luisa crops say that they are waiting to see what the outcomes will be. They regard these experiences at the same time with some distrust and expectation.

With regard to the impact on employment, a note should be included with respect to the industrial processing plants promoted by the Project. Most of these plants have been established within the Upper Huallaga region. As it was pointed out before in the evaluation of the project implementation, these plants have been a failure without any major impact on the local economies.

Finally, the fishponds established in several communities did not produce the expected results. The management committees have not been able to follow the technical recommendations, and there have been and currently are fish harvests carried out by unduly third parties.

It is interesting to point out that at Huaranga, one of the communities visited by the evaluation team in the area of Tocache, the fishpond was under the management of a "club de madres" (mothers club). The fishpond was initiated in 1991 by the PEAH with the participation of the community which contributed with the required unskilled labor force.

According to the current president of the "club de madres", despite the fact that they originally received 5,500 tilapia spawns, they have not been able to harvest even 1000 tilapias. For a long period of time, the fishpond was abandoned. It is located at an open place, with no protection, and, frequently, unauthorized persons harvest the fish.

The point is that, until now, the fishpond has not yielded the incomes they expected, and this has produced great discouragement among the members. It is only recently and under the administration of the new president that efforts are being made in order to make it active again. Only 27 of the 54 mother members participate in this new effort. The others do not participate either because they have small children or because they live in distant places, in their fields ("chacras"). The current president thinks the people lack the union required in order to develop an industry.

In general, it could be said that the fishponds have not reached an adequate level of management. After the initial stage they entered a process of decay which shows no clear signs of recovery.

c) The Central Huallaga region

In the cases of the Ponaza Valley and the Biabo Valley, the Project's action was mainly addressed to the road infrastructure and the application of the Democratic Community Development component. In neither of these cases were expectations with regards to employment included.

However, as pointed out above, there has been an indirect and major impact on employment, mainly in the city of Picota. The construction of the Picota and Ponaza bridges, and the rehabilitation of the rural roads at the Ponaza Valley and at the Biabo Valley have largely increased the commercial, transportation and services activities.

d) Conclusions

In conclusion, the impact on employment is mostly indirect, and associated to transportation, commerce and services, with a very limited and localized impact in the agricultural sector.

Therefore, it is most likely that most of the labor force, especially in the Upper Huallaga area, will still continue to be associated to coca activities. The possibilities for change will depend on more favorable conditions and will take place on a larger period of time. These

conditions may be created by the completion of the principal roads network, and through the allocation of significant greater resources by the PEAH to technical and market assistance.

3.1.2 Impact on income

As in the case of employment, a separated treatment by areas is required in order to duly appreciate the PEAH's impact on income.

a) The Upper Huallaga region

In the Upper Huallaga areas, income originated mostly in the agricultural activities that are dominated by the coca production. In 1993, the PEAH gathered direct evidence that coca was grown in about 31,820 hectares, which accounted for 45% of the total cultivated land. (Compendio Estadístico Agropecuario del Alto Huallaga. PEAH - Ministerio de Agricultura, for years 1992 and 1993). However, estimations for the whole Upper Huallaga region stand around the 72,000 hectares of coca plantations.

The Upper Huallaga's agricultural economy based on traditional crops (excluding coca) has been undergoing a process of decline. There has been a significant decrease in cultivated areas affecting mostly cacao, coffee, and tea within the permanent plants, and rice and maize within the annual crops. In the first cases, the main problems are a combination of plants diseases and the wide variation in prices, and in the second ones, the problems seem to be associated to scarce credit funds, low technological levels and poor access to markets. Violence has been largely an important factor negatively affecting the local and regional economies.

Farmers agricultural interests moved from other crops into the coca business in response to higher prices, immediate cash payment, and modalities of commercialization and transportation not conditioned by the road infrastructure situation. During the eighties there was an economic boom associated to the coca business.

In the last years, including 1992 and 1993, there has been a decline in the coca business, and farmers settled at the bottom of the valley have reduced the plots of land they cultivated with coca.

For example, in a recent survey carried out in September 1993, Cuanto observed that only 32% of the 2,471 agrarian units in the district of Tocache included coca production. (Impacto de la Coca en la Economía Peruana. Encuesta sobre condiciones de vida en la Selva Alta del Perú. Cuanto, September 1993).

Coca production has been and still it is the main source of income in the Upper Huallaga region. In 1993 it accounted for 78.4% of the region's gross domestic product. (Compendio estadístico agropecuario del Alto Huallaga 1993. PEAH - Ministerio de Agricultura, p.14)

The Project's impact on income has been given mainly through the road program which

opened the local isolated communities and incorporated them to the main regional and national commercial streams.

There is an increasing number of farmers who can now sell their production locally to buyers that are able to go with their trucks up to the farmers' fields ("chacras"). Buyers are now competing and paying better prices. As a consequence, farmers are increasing their incomes. This is a favorable situation that reinforces farmers' interest in other profitable crops. And, in fact, there is an observable trend for crops diversification.

Throughout the Upper Huallaga area, there is a growing interest in papaya in response to market demand. The cultivation of this plant is expanding. Plantain is also improving its contribution to farmers income.

Through the credit and extension programs the Project has introduced and promoted new crops like hierba luisa (Shapajilla and Naranjillo) and palm-heart (Tocache and Uchiza). There are great expectations related to the possibilities of participating in the international markets.

The hierba luisa plantations are initiating the production stage and farmers are trying to establish connections with export market agents. And in the case of palm-heart, there is a processing industrial plant financed by UNIDO that will be operative in the beginning of the coming year.

Notwithstanding all these signs of better economic performance in the present year, most farmers claim that their income is lower than before. They indicate that the fungus oxysporum is the major cause, because it produces a significative increase in costs for the production of coca. And at the same time, there has been a decrease in the price of dry coca leaves in the last two years. This situation could lead to a greater interest on alternative crops or, on the contrary, to increase interest in the production of basic paste which has a large profit margin.

The situation of the other crops (cassava, plantain, rice, maize) has not been better due to, in some cases, the lack of roads connecting the area with neighboring cities and towns, and to the low prices of these products.

An informant in the Tocache-Uchiza area remarked: "no sabemos qué hacer con la yuca, hasta los chanchos estan cansados de la yuca y ya no la quieren comer" ("we do not know what to do with the cassava production, even pigs are tired of eating cassava and reject it"). Most farmers agree and complain about this situation arguing that their products "no tienen precio" ("there is no price for our products"), meaning that there is no demand for their products.

In 1994, there has been an increase in coca prices and apparently many farmers are increasing their coca plots. This is a trend that has been observed by the PEAH's field personnel and corroborated by other persons that were interviewed, including local farmers.

b) The Central Huallaga region

The more acute changes were observed at the Ponaza Valley and the Biabo Valley and are due to the recent construction of the Picota and Ponaza bridges and to the road construction. This will be enhanced soon with the total rehabilitation of the Marginal Highway section between Campanilla and Puerto Pizana. With the rehabilitation of this section of the Highway, the products of both valleys and of all the San Martín region will be able to reach the grand Lima market with less costs and time.

During the field visit there was an appreciable traffic of trucks collecting cotton, a crop that seems to be initiating a process of expansion in this area. There are several companies interested in this product, and in the introduction of new and more profitable varieties. An expansion of the area cultivated with cotton is expected.

Because of the law enforcement program implementation in the Tingo María, Tocache and Uchiza areas, the "firmas" moved toward the Central Huallaga region, looking for more isolated areas like the Ponaza Valley and the Biabo Valley to continue the exploitation of the coca business. These areas were taken up by the cocaine firms and also by the terrorist groups.

The mayor of the district of Shamboyacu, a community located at the end of the road that runs across the Ponaza valley, offered the following picture.

In 1990/1991, the area was not as violently disturbed as it was thought to be. People grew coca, this was the regular economy. In these years, Shamboyacu turned into a big fair every Sunday: balls of pasta básica (locally called "la bruta") were openly sold and bought.

The mayor of Shamboyacu says that immigrants started growing coca. They came from their "chacras" to sell their products and to buy food supplies to cover their needs. There were many shops and businesses, which included 66 bars/restaurants. The Shamboyacu people participated in these economic and commercial activities. Outsiders also came and established businesses. Some stayed. Shamboyacu experienced an economic boom during those years.

As a result of this economic boom based on coca, traditional agriculture decreased notoriously. Farmers were absorbed by coca. It was more profitable for them to grow coca so they reduced agriculture of other crops to the level of self-consumption. Coca was grown mainly in the upper parts of the valley. Labor force was not scarce for growing coca.

In 1993, coca production decreased. They became aware of this during the second semester of 1993 when, by December, the cocaleros did not longer come to sell their coca. There is a cyclic decline of this crop between December and June, but that year it did not recover during the second semester. The price fell and growing coca was no longer considered a profitable business.

The Shamboyacu authorities explain that the fall in the prices of coca was due to the decrease in its production. The "firmas" lost interest in the area and stopped sending their agents. Small intermediaries that payed poor prices began to appear.

A great deal of coca plants dried up due to the fungus that appeared in the area. The immigrant population that had come to Shamboyacu attracted by coca's profitability has begun to leave and migrate to other places. Authorities believe they would have continued growing coca in the area if the fungus had not appeared. This view is shared by the PEAH technician that accompanied the evaluation team.

There was hardly no development in agriculture. During the past five years, according to the PEAH technician, the regional branch of the Ministry of Agriculture had only one technician serving in the area.

The construction of the bridge has favored the agricultural economy. Farmers have more possibilities of selling their products. But they still have to face severe problems during the rainy season. Last year, (1993) they grew a great deal of maize, but because the road was interrupted due to the heavy seasonal rains, and because of the poor prices the intermediaries offered, farmers preferred not to harvest it.

The agricultural novelty is the increased demand for the "pachucho" cotton. This is a traditional product of the area that had been discontinued. In response to this new demand, farmers have begun to grow it again. The favorable trends of the international market have led cotton companies to renew their interest in the region, thus stimulating its production. This new development has taken place independently of the PEAH. However, farmers are able to participate in this new development thanks to the road program implemented by the PEAH.

However, farmers claim that their income has decreased and that the other crops cannot compensate their loss in income. In this case, the low incomes obtained are associated to a low technological level and to a poor quality control of the products, as well as to the practice of a rain-dependent-agriculture.

Some observations collected at the Biabo Valley should be mentioned here. In these areas, several informants indicated that some local people go to the bush ("monte") to grow coca and also to produce basic paste. For this purpose farmers gather and constitute an informal association to go together to the forest areas; in this way they share their own labor force and are in a better position in terms of security and defense.

These observations are a clear indication that farmers still consider coca as a crop they can revert to for their income.

c) Conclusions

It could be said that within the area of the project the trend is to increase the production of some traditional and new crops which are potentially profitable crops. In the case of the Upper Huallaga region there is a mixed pattern of cultivation that includes cultivation of coca.

Farmers rely on coca due to two of its principal characteristics: it is a ready cash crop and a crop that produces several harvests per year.

In the Central Huallaga the possibilities of diversification appear more openly under the influx of the cotton demand. However, the data provided by Cuanto should also be taken into consideration: 67% of the agricultural units in Shamboyacu include the growing of coca.

Apparently, the decrease in the incomes generated by the coca economy are not compensated by the commercialization of the traditional and new crops. There are several combinations of limitant factors depending on the particularities of the areas. The most important factors are the following: road access, maintenance of roads during the rainy season, markets location, price differentials, agricultural know-how, and access to credit sources.

In general, farmers apparently are approaching a crucial point: either conditions evolve in such a way that alternative crops become a truly and permanent source for an adequate level of income or they will have to go back to the coca business.

In a way, in the interviews with farmers the formulation of this option conveyed a somewhat dramatized threat expressed to persons they identified with the PEAH and USAID's Mission; it was a way of demanding more technical and financial support.

In conclusion it could be fairly said that within the context of a depressed economy, the activities carried out by the PEAH, despite its limited range of intervention, are helping to establish the basic and initial conditions required to increase income through legal economic activities.

3.1.3 Impact on social violence

With regard to social violence the Project has not had a direct intervention, although the DCD program has contributed to the reconstruction of local government and to the legitimacy of municipal authorities, an important institutional condition to reduce the dominant social anomy. Social violence has been restricted mainly by the law enforcement actions carried out by the police against drugtraffickers and by the army against the terrorist groups.

In general, the perception in October 1994 was that the social environment is much safer than it was in recent years. Several informants were able to share with the Evaluation Team their dramatic experiences related to terrorist attacks with some distance and sense of humor. The technical personnel of the Project move freely in the nearby countryside. They have developed an arrangement with community leaders and contacts in order to be informed about security conditions in the local area.

There is wide consensus among the interviewees with regard to the significative improvement of security in the area. People are able to travel, make business, and develop infrastructure work in the countryside. But at the same time everybody says that the terrorists are still in the area, especially in the surrounding isolated zones. People have the feeling that the threat of terrorism is more remote but is still a reality that is in some way present there, nearby.

The opening of the Ponaza and Biabo valleys by means of the construction and rehabilitation of bridges and roads have largely contributed to the retreatment of drugtraffickers and terrorists. The Ponaza valley was dominated by the MRTA (locally called "el movimiento")

and the Biabo valley was under the power of Sendero Luminoso. Now people feel free to move and organize their lives.

The project impact on this matter (social violence) lies in providing the population with a favorable attitude vis-a-vis the possibilities of developing an alternative economy based on legal activities. The idea of an alternative development is beginning to emerge and influence people's mind and behaviour.

3.1.4 Project's impact on the environment

This field was not included within the Project's mandate. But through the establishment of plant nurseries the PEAH has called people's attention on environmental problems, especially on those related to the river bank protection and to reforestation.

In the interviews, environmental issues were treated in a general and superficial way without any real commitment. Depredation of the forest continues to be an open practice by both the coca growers and the wood extracting companies and small entrepreneurs.

The fungus disease (oxysporum) that attacks the coca plant has had an indirect but important negative impact on the environment. Coca growers have to move at a faster pace from an area to another area of the forest to cultivate coca, degrading the forest also at a faster pace. It is worth noting that people widely believe that USA was responsible for the introduction of the fungus disease.

The municipal authorities recognize the environmental problem but feel that it goes beyond their mandate. Without a legal support they do not want to confront the Ministry of Agriculture authorities who granted exploitation permits.

Therefore the Project has not had a positive and significative impact on the environment. This is a matter that has been out of its reach. Surely this is a domain that needs immediately attention and where the local governments should play an important role.

3.1.5 Project's impact on social and political organization

The relevant program in relation to these aspects is the democratic community development, aimed to strenghtening the local government and the peoples' participation in decision-making for community development.

The principal elements in the DCD are the following. To stimulate the community organization through the financing of small infrastructure rural projects, bringing together the participation of the community's population, the municipal governments, and the PEAH.

The local community under the leadership of the municipal agent decided in assembly the appropriated rural project and contributed with the non-skilled labor force needed. The municipal government assumed the administration of funds, and the supervision of the project implementation. The decision concerning where to buy the materials needed and their actual

acquisition was made in interplay between the community representatives and the municipal officials.

PEAH contributed with the design of the program, which included training, and the financial funds.

It should be noted here that in the conceptualization and modelling of the DCD component the USAID played an active and important role, which led to a notorious presence of its personnel, especially in the Central Huallaga region.

In addition to the DCD component, and to a lesser extent, the extension and credit programs that promote the organization of farmers committees are also of relevance.

a) Upper Huallaga region

For a long period of time the terrorist groups and drugtraffickers' organizations dominated the Upper Huallaga region destroying the institutional life and forcing the retreat of the governmental sectors, thus nullifying the local municipal authority and putting a lot of pressure upon the population. Within this scenario, the maintenance of the PEAH project, notwithstanding its limited level of operations, has been a remarkable fact.

Sendero (SL) frequently forced farmers to attend indoctrination assemblies. SL continuously interfered in both the family and economic lives, and promoted a general atmosphere of insecurity and uncertainty. Farmers were forced to comply with the senderista requirements.

Currently, after several years of anti-subversive measures and actions, a peace process has finally began to take place in the Huallaga region, and people start to move more freely within the area. Because of this, the PEAH's technical personnel are now able to carry out field work although with caution and certain restrictions.

The pilot implementation of the DCD took place in Tocache by means of an agreement between PEAH and the provincial municipality, in coordination with the regional government. The implementation started in March 1992.

The model applied in the province of Tocache centralized funds in the provincial municipality, and had a mild participation of the district municipalities. The relationship was almost direct between the local communities and the provincial government. The explanation for this were the weak conditions found at the district municipalities, with exception of the district of Uchiza. This was also the case afterwards in most places, except for the Ponaza Valley and the Biabo Valley, where the DCD program was applied at the district level.

To justify the fact of disregarding the district municipal government, the Provincial Mayor of Tocache referred that once they delivered all the acquired materials to the Mayor of Uchiza, who attempted to give them another destiny. He claims that prior to delegating responsibilities to the district municipalities, it is necessary to develop a training program for the personnel of the technical offices.

The training efforts were accorded to the local municipal agents, and were especially directed to rural project prioritization procedures. There are about 500 local communities under the scope of the province and the Provincial Government selected 140 communities for the implementation of the DCD program.

The field trip allowed the evaluation team to visit many rural projects which have completed implementation and are in operation or use. And, in fact, municipal agents reported the social mobilization of their communities that had been prompted by the DCD program. They especially mentioned the opportunity they had to assemble and decide about their communal development priorities as well as about the contribution of their own labor force.

A greater and more active participation of women was also promoted in Tocache through the program of development of democracy. In October 1991 the "clubes de madres" were initiated. At present, Tocache has a total of 85 clubes de madres officially constituted.

In 1992, the idea was that women would participate in the production of vegetables. They were provided with seeds and technical advice through the municipality. But they had no market for their production, the prices were very low. They were demoralized.

Last year, the problem was solved with the support provided by the Army Commander in charge of the area who bought their products to feed the troop. But this year (1994), the problem is present again since the new Commander prefers to buy food supplies in Tarapoto. Women's food production does not have a market now.

In order to solve this problem, the Municipality proposed the organization of fairs, but women do not consider this a satisfactory solution and would rather be able to have a permanent market where they can sell their products.

The members of the "clubes de madres" meet mainly to organize and continue with the service of "el vaso de leche", but have difficulties in obtaining this product and rather work in the production of banana flour. Some women that were interviewed said that they had stopped attending the meetings at the "clubes de madres" because they were "a waste of time" and that they did not even receive informative talks. It seems that conditions are not favorable for the sustenance of these organizations. Only a few women in each community allows these organizations to continue operating.

b) Central Huallaga region

Before fully developing the pilot experience of Tocache, the PEAH extended DCD actions to the Central Huallaga Region, first to the Ponaza Valley at the end of 1992, and later on, in 1993, to the Biabo Valley. According to USAID officials, the Ponaza people had a better disposition vis-a-vis the DCD program.

Although the results of the DCD have been positive in both the Upper Huallaga and the Central Huallaga regions, they seem to have been much more fruitful at the Ponaza and Biabo. In these cases the district municipal governments were in charge of the administration of funds and were also the principal promoters of the DCD.

The greater success at the Ponaza and Biabo valleys could be at least partially explained by the closer linkage between the local communities and the district municipal authorities. The provincial government appears to be much more remote from the local communities.

In the interviews, communal leaders and municipal authorities conveyed the image of a large social mobilization that was prompted by the program. Local populations have had the opportunity to gather in assemblies to decide about their priorities with respect to local collective needs, to organize themselves to contribute with their own labor force, and to establish a new kind of relationship with the municipal authorities on the basis of participation and transparency in the management of resources.

Through this program, the project has set into motion a process of reevaluation of the community and a sense of collective orientation aimed to the advance of local development. And certainly it has also contributed to the reconstitution of the municipal governance.

The Shamboyacu mayor told the team that, in accordance with the PEAH guidelines, Infrastructure Work Committees ("Comités de Obra") were established in each town, and that at least 20 towns participated at the "Encuentro de Valle de Comités de Obra", which was held in the town of Barranquita. In this meeting they were informed about the opportunities offered by the DCD program.

In Shamboyacu, the first assembly of "comités de obra" took place in April 1993. A district meeting of the "comités de obras" is held on a more or less periodical basis.

In the central town of Shamboyacu the "comité de obras" organized the population in groups of 15 persons, one per family, along the streets. The leader of each group was responsible for the attendance of the group members, and he was also responsible for the quality of the performance. The mayor reported that people participated with a great deal of enthusiasm and, in many cases, people put aside other responsibilities to give their contribution. They do not have problems in calling the assemblies. The "cocaleros" did not participate in the DCD activities, and the drugtraffickers and the terrorist did not interfere with the functioning of the assemblies.

Under the DCD program, two rural projects of development were carried out in the Shamboyacu central town: an infrastructure project to provide the population with potable water, and the school. The first was initiated around October 1992.

According to the PEAH technician that accompanied the evaluation team, under the prevalent conditions it was easier to carry out small projects of infrastructure than to foster agricultural development in this area.

The Shamboyacu case constitutes a good example of the social mobilization that was prompted by the DCD program in the local communities.

c) Adoption of the DCD beyond the scope of the Project

After the termination of the program, provincial municipalities continue to use the new rules

of the game that were introduced by the Project, as has been appreciated in the interviews with the provincial mayors at the Tocache and Lamas sites. They are currently allocating provincial funds for physical and social infrastructure after consultations with the population through local assemblies. And the same is happening at the district levels. But funds are scarce and very limited, and therefore the community mobilization is losing momentum.

It should be noted here that in the case of the municipality of Uchiza, there was a meeting of "agentes municipales" last June (1994). With the aid of CEMPRO, a Lima based NGO, a training program for these local authorities is being prepared.

Furthermore, other Special Projects like the Huallaga Central and Bajo Mayo are also applying this strategy for the construction of small units of social infrastructure. This project takes into account the local initiative for the allocation of resources, but disregards the origin of the initiative, that is, whether or not it comes from an assembly's prioritization and decision.

The high ranking official interviewed stated that they grasped the idea of DCD from informal conversations but not from a direct and explicit interchange and coordination with the PEAH. This means that apparently the PEAH is seen as successful, even without having made a wider dissemination of its social and political innovations.

d) Prospects of the DCD's impact upon the communal organizational life

With respect to the impact of the DCD program upon the organizational life of the local communities, the observations made in the Upper Huallaga region and as well in the Central Huallaga region were marked by contrasting signs. In some cases there were positive developments that show continuity in relation to the DCD impulse, and in other cases there was a loss of interest. The observations made do not permit to establish a clear pattern of community behaviour. The following are some examples of these contrasting observations.

First, we shall refer to the positive cases. In Huaranga, a community located in the area of Tocache, the population continues to hold monthly communal assemblies to discuss their priorities in terms of communal development. The current agenda includes the maintenance of the rural roads, the construction of a soccer field, and the development of the town's plaza. Last August (1994), a Development Committee to support the Municipal Agent and the Teniente Gobernador in these communal projects was constituted.

There is also the case of some scholarships for primary school students which cover room and board, and that are granted by the community of Shamboyacu to students coming from the nearby hamlets. By this means the Shamboyacu people try to fulfill the normative requirement of a minimum number of enrolled students in order to keep the public school in service.

In some communities of the Biabo valley, particularly in the community of Alfonso Ugarte, the population partially contribute to pay the maintenance costs (room and board) of some health and school personnel.

In the case of San Miguel (Tingo Maria) the population contributed also with cash to start the construction of the road that connects the community with the highway.

However, on the negative side, it should be mentioned that, in most of the places that were visited by the team, people were generally reluctant to offering money contributions. This was especially the case when a health post had been built and the government administration was unable to pay for the required personnel. In these cases, government officials suggested that the populations assume such financial responsibility during the intervening time. The population rejected this solution and left the buildings without using them at all.

Another illustrative situation was found in the case of the community of Alfonso Ugarte, at the Biabo valley. Alfonso Ugarte residents refused to pay for the services of potable water. They argued that they had already paid for it with their labor force during the construction stage. Consequently, there is not enough money to pay the person in charge of the water service maintenance.

Another revealing case was found in the area of Uchiza zone at the community of Cruz. Here, the Agente Municipal had to resort to the army in order to make the population meet for a communal assembly.

Some agentes municipales reported problems regarding the contribution of unpaid labor. People thought that the USAID was going to pay for all the costs, including the required labor force, so they asked for money compensations. As they did not receive compensations, in some cases there was a suspicion that municipal agents were being dishonest. But municipal agents were finally able to convince the population that USAID's policy and agreement with the municipal government established that unqualified labor force was to be provided by the community, that this was the community's contribution.

e) Some shortcomings and problems

The way in which the application of the DCD program was made has led to an extremely local implementation, which lost perspective of wider integrated areas. The interest was concentrated in one community and disregarded the neighboring communities. The role played by the provincial municipal governments and by the district municipal authorities reinforced this local implementation.

The required coordination between the local rural projects and the central government branches was also neglected. Some health posts were built but are not in service because they lack medical personnel, and this is explained they were built without any coordination with the Ministry of Health.

Another issue that emerges from above is that all the social mobilization prompted by the DCD program has had the provision of external resources as a counterpart. In this kind of programs people react to expectations that are externally generated. The locus of control still remains outside. In the Ponaza and Biabo valleys most interviewees associated the Project's activities to USAID, they scarcely mentioned the PEAH. They were very familiar naming the USAID's officers that used to visit the area. This reinforced the idea of a funding

external agency.

In general, what is provided by the State is also perceived as something that they receive without any obligation of reimbursement. The payment of interests is out of the question. This trait seems to remain unchanged and the DCD program seems to have had no influence on it. The PEAH has not been able to get back the funds loaned under the subprogram of credit, except for a minor proportion.

However, some evidences show the existence of possibilities for the promotion of local development through people's contributions of resources other than unpaid labor force, which could give way to an internal locus of control. Some examples in this sense have been given above.

f) Farmers committees

Through the extension and credit programs many farmer committees have been organized to democratically assume responsibilities for small communal development projects, like fishponds, plant nurseries, and small agroindustrial processing plants. In most cases the committees reveal disorganization, no sense of communal responsibility, and individualism.

The number of farmer organizations promoted by the PEAH is large. There may be more than five committees in only one community since the process of organization is related to single crops and each specific communal project is under the responsibility of a specific committee. The problem is in the process of sustainability of the communal project from the point of view of management. When the external resources are discontinued or if they do not come at all, the committee tends to decay and dissolve; there is no internal drive for sustainability. There are usually few people really committed to communal development. This explains the lost of momentum after the termination of the program.

g) Conclusions

Considering the large number of small rural projects implemented, the mobilization of municipal governments, local assemblies, and people's contribution with their labor force, it could be said that the DCD program has been quite successful.

After the completion of the DCD program, municipal governments still apply to a certain extent the new rules of the game which have also been partially adopted by other Special Projects, like the Huallaga Central and Bajo Mayo. All this evidence seems to indicate a lasting influence of the DCD program.

However, at the local community level, it is not clear whether the DCD program has had an important and lasting impact upon communal organization for development beyond the initiatives financed by the same program. The observations carried out are contrasting. And, probably, this outcome is due to the short term in which the program was applied. Long-term programs of social development are required to change value orientations and modalities of social relationships.

There is a need to enrich the DCD program in the sense of contributing to induce an internal drive for democracy and development and, especially, to induce a sense of public responsibility.

3.2 Conclusions

In conclusion, the project's impact on employment has an ample character, is associated to transportation, commerce and services, and has been very limited and localized in the agricultural sector.

The change from coca to licit crops will probably take place on a larger period of time and depending on favorable conditions, for which the principal roads network completion is crucial.

Within the context of a regional depressed economy, the activities carried out by the PEAH, despite its limited range of intervention, are contributing to establish basic and initial conditions for an alternative development.

However, there are severe shortcomings that should be confronted and solved by the Project and/or other agencies that have to do with commercialization, provision of financial funds, research and extension, technical assistance, and road maintenance all over the year. A systematic progressive solution of these problems is necessary to advance and consolidate the initiated alternative development.

The project is giving sense to possibilities of an alternative economy based on legal activities. This idea is beginning to have an influence on people's mind and behaviour. But there is a problem of magnitude within the nature and extension of the problem and the resources allocated to reorient the whole regional economy.

Environment is a matter that has been out of the Project's reach. Surely this is a domain that needs immediately attention and where local governments should play an important role.

There has been an important contribution to the reconstitution of local government and the legitimacy of municipal authorities, and to people's participation in decision-making regarding community development. However, the social and political mobilization prompted by the program is now losing momentum. There is a need to enrich the democratic community development in the sense of contributing to induce an internal drive for democracy and development and especially a sense of public responsibility.

3.3 EFFECTS ON ILLICIT CROP PRODUCTION WITHIN THE PROJECT AREA AND ADJOINING AREAS

The idea in this section is to offer an appreciation of the Project's effects in the production of coca within the Upper Huallaga region and the adjoining areas (the Ponaza and Biabo valleys).

The intervention of the Project was aimed to incentivating and promoting the expansion and adoption of legal profitable crops, acting independently of the law enforcement action. The whole idea is to foster an alternative development based on legal activities.

3.3.1 Findings

a) Upper Huallaga region

The area devoted to coca in the Upper Huallaga region has had a significative decrease during the last year. It seems that the principal factors that account for this decrease in the coca leaf production are the law enforcement action and the incidence of the fungus oxysporum. The alternative development promoted by the Project is still of minor effect but has a high potential in the long term.

Law enforcement activities within the area of the Project have been an important factor in pushing into the forest and more isolated areas the production of coca. For local people this meant a more hazardous way of life due to the precarious conditions that characterized the forest areas, the greater exposition to terrorist attacks, and a closer and more direct involvement with drugtrafficking.

But probably the major factor that explains the decrease in coca cultivation has been the fungus oxysporum which has the effect of sharply shortening the productive life of the plant. The Tocache-Uchiza area has been mostly affected by this disease, but since 1993 it has also been affecting the Ponaza and Biabo areas. The Tingo Maria area until now does not show evidence of this disease which, apparently, is due to climate conditions.

Experts from the Universidad Nacional de la Selva (UNAS) explained that this fungus is a natural result of an indiscriminate use of agricultural chemicals. To grow coca, farmers use a great deal of chemical products, especially foliar fertilizers. With these chemical products, they seek to increase the yield of the plant, especially by shortening the growing periods of the leaves and thus obtaining a greater number of harvests per year. However, the application of chemical products is carried out with no technical advice since these crops are associated to drugtrafficking.

Most farmers are dealing with the fungus problem by means of an earlier replacement of coca plantations. The current practice is to replace plantations after two or three years. Farmers claim that under these conditions it is more difficult to maintain large tracts of coca, so they have had to reduce the coca plots.

Under the combination of these two factors: law enforcement actions and the diffusion of fungus oxysporum, the alternative development promoted by the Project has had a greater impact than it would have had otherwise.

The construction and rehabilitation of roads and bridges and the promotion of alternative crops have had a positive influence on most farmers who tend to increase and diversify their agricultural activities: traditional products like plantain, cassava, maize and rice, have been included; new crops like hierba luisa, palm-heart, and some tropical crops have been

introduced.

The introduction of agroindustrial processing plants also generated favorable expectations vis-a-vis the alternative development.

It is worth noting here that farmers find that hierba luisa is somewhat similar to coca since both plants can be harvested several times a year.

Palm-heart has generated great expectations, particularly since there is a large industrial processing plant under construction. This plant, with a capacity to process a 300-hectare production, is due to start operations by the end of the present year. Financed by UNIDO, the plant is located between the cities of Uchiza and Tocache. There is also a large private corporation (Palma del Espino S.A.) interested in palm-heart in the area.

The possibilities of a new pattern of development based on palm-heart would depend on the management of the Santa Lucia plant, and on the capacity to stimulate farmers to improve their agricultural practices and working discipline. On the basis of field observations it is very clear that there is a need for an important effort in terms of agricultural extension.

It is also worth noting that in several farms that were visited by the team there was a combination of palm-heart and coca. This means that, in this area, farmers still grow coca as their principal source of money income. The PEAH's technical personnel also informed the team of a recent trend oriented towards the increasing of the land cultivated with coca.

But as pointed above, farmers currently face different kinds of problems that could make the alternative development process come to a halt, if they are not solved. The problems observed and the farmers' major claims are the following: although better than in the previous situation, the prices for their products continue to be low; there is a poor technological level and a large demand for technological assistance; access to external markets is very difficult; and there is an absence of financial sources for working capital.

All these circumstances together explain farmers' ambivalence with respect to growing coca. Most of them still devote part of their land to grow coca, whether as a single crop within the plot or combining it with other crops. By this, farmers try to secure some income through the year. They can obtain at least three harvests and some say they are able to get up to five harvests. Based on their experience, farmers say that there will always be a buyer for their coca production.

Therefore, it could be said that during the last two years coca cultivation has decreased, although it remains to be an important source of farmers' income. On the basis of their field observations, the Project professionals estimate an increase in coca lands for the current year (1994), especially in the areas of Tulumayo, Aguaytía, and to a lesser extent in other areas. Here, a new expansion trend in coca growing seems to be taking place again in the Upper Huallaga region.

b) Central Huallaga region

Law enforcement actions in the Tocache and Uchiza areas induced the introduction and expansion of coca growing in the Ponaza and Biabo valleys. The Biabo Valley was also used as an airfield by planes that landed to pick up the basic paste gathered in the area and neighboring areas.

Law enforcement actions were applied more recently (1992 and 1993) in the Ponaza and Biabo valleys. Both valleys were dominated by terrorist organizations; the MRTA was stronger in Ponaza while Sendero Luminoso dominated the Biabo valley. These isolated valleys had been also under the control of drugtraffickers.

Law enforcement actions have been very effective in controlling most of the area in both valleys, destroying clandestine airstrips and achieving a significative retreat of both drugtraffickers and terrorist groups from the area.

It is in this area where the subprogram of road and bridge construction and rehabilitation shows more dramatically its positive impact. Most informants remarked the crucial position of the Picota and Ponaza bridges that facilitate the connection of both valleys with the Marginal Highway. As a result of this, freight costs have importantly decreased and a greater accessibility to regional markets has been achieved.

The opening of the Ponaza and Biabo valleys had a synergetic interaction with law enforcement actions upon the drugtraffickers and terrorists that dominated the area. The continuous and greater displacement of people gave more transparency to the whole area and generated a less propitious environment for illicit activities.

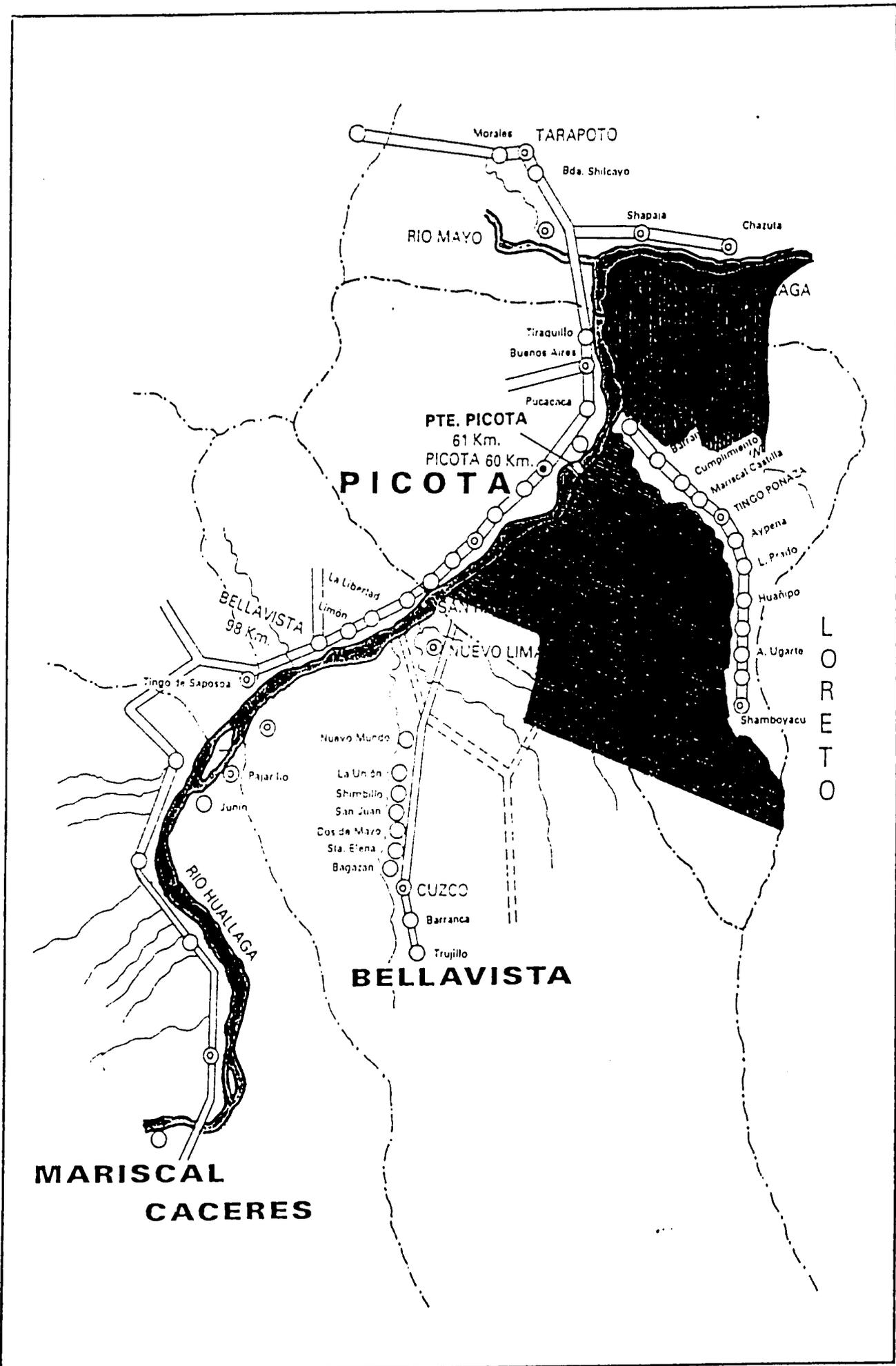
Furthermore, the fungus disease that affects the coca plant finally reached the area towards the end of last year, lowering significantly the returns obtained from its cultivation.

Under these new conditions, informants explained that the so-called "firmas" had lost interest in the area. Currently, minor intermediaries come to the area to buy basic paste at lower prices.

In the Ponaza and Biabo valleys the PEAH did not apply a strong subprogram in agricultural extension. Notwithstanding, in the present year there has been a process of alternative development based on a spontaneous response to regional market demands (mainly to the greater demand of cotton). This is an important difference with the Tingo Maria and Tocache-Uchiza areas where the PEAH promoted new alternative crops like hierba luisa and palm-heart, among others.

During the coca boom, the majority of farmers had reduced crops production to satisfy only self consumption. Now, in response to regional market demands they are cultivating again maize, rice and beginning to participate in cotton production. But they still have to overcome several problems that are not easy to solve.

In the case of maize the problem is that the main buyer is a supplier of the PRONAA. This governmental agency pays the supplier with a long delay, and this implies that farmers



receive their payments also with a longer delay. This situation has negatively influenced farmers' motivation.

The problem of rice is the poor quality of the grain. However, the INIA has recently released a new variety of rice that seems to be promising. It should be said here that the Project extensionist was not aware of this development.

In the case of cotton, there is a careless farming of pacucho that gives place to mixed colors of cotton. As a consequence, farmers obtain lower prices for their products.

The dissatisfaction produced by all these problems is leading some farmers to return to growing coca.

In the case of the Ponaza and the Biabo areas, the need for a stronger agricultural extension subprogram is of the highest priority in order to give an adequate response to market opportunities.

3.3.2 Conclusions

The observed decrease in coca production in the Upper Huallaga region is the result of two factors: the fungus disease, which is probably the major causal factor, and the law enforcement actions. Under the combination of these two factors, the proposed alternative development program has had a greater impact than it would have had in other conditions.

The promotion of alternative crops has had a positive influence on most farmers reached by the Project who tended to increase and diversify their agricultural activities, and raised their expectations in the possibility of a full integration to the legal way of life.

Nevertheless, as it has been pointed above, there are severe problems on commercialization, financing funds, and technological assistance that do not permit a complete change in farmers orientations. They still cultivate coca as their secure source to obtain cash income.

A new expansion trend in coca growing may be starting again in the Upper Huallaga region in response to an increase in prices.

In the case of the Ponaza and Biavo valleys, and in terms of the alternative development components, the construction and rehabilitation of roads and bridges program has also had a major influence on coca decrease since it opened these isolated areas to the licit flow of life.

The diversification of agriculture in this case respond more to the opening of the area to regional and national markets than to the agricultural packages promoted by PEAH. Cotton appears as the most important and promising agricultural commodity. But the main shortcoming for agricultural development is the poor technological level with regard to cultivation and plot administration. Therefore, the income generated by agricultural diversification is still low and under farmers expectations.

In general, law enforcement actions and the fungus disease have produced a migratory

displacement of farmers who seek to continue coca cultivation in other areas. There are two trends in this displacement: first, to move into the nearby forest areas, and second, to move to adjacent but isolated areas. In this way, there is a lower drugtrafficking pressure on the area, which is favorable to alternative development.

Since the income generated by agricultural diversification is still low and under farmers expectations, they still have ambivalent value orientations with regard to growing coca. Most of them still devote part of their land to coca cultivation whether as a single crop within the plot or combining it with other crops.

The Project's intervention has benefited from the favorable conditions produced by law enforcement actions, the opening of isolated areas through road construction and rehabilitation, and by the democratic community development program. Under these favorable conditions the Project initiated a process of alternative development. However, the weaknesses and shortcomings previously mentioned must be promptly solved to prevent the risks of a return to the coca business.

3.4 EFFECTS ON PROJECT SUSTAINABILITY

In this section on project sustainability, the evaluation emphasis is placed on the long-term impact on the standards of living, on the change in perception about growing coca, and on the institutional establishment.

3.4.1 Findings

With regard to the standards of living, the most direct intervention made by the Project is in physical and social infrastructure. In the long term, the problem will be the maintenance of all these facilities, especially roads and bridges. Field observations indicated that the idea of investing time and monetary resources on maintenance does not belong to the local culture, not only with respect to public infrastructure work but also with respect to private installations and facilities.

Therefore, government support and monitoring are necessary. An important point should be the involvement of local governments and a wide and permanent campaign aimed at promoting people's education and participation on this matter. A positive point to start upon is the motivation and interest promoted by the DCD program.

In all the communities visited, the population was greatly interested in education and health programs, and expressed gratitude to the Project. There were some complaints regarding the final quality of the construction work, but the more difficult issue is related to the equipment. The health posts and the schools offer a poor service in quality due to the lack of materials and equipment. The governmental sectors are not in capacity to attend these demands. In the case of new and expanded schools and new health posts, the major problem is that the communities can not secure the necessary personnel appointment. There are classrooms and health posts that remain idle.



With regard to farmers perception on coca, people's ambivalence has already been mentioned. The turning point in favor of a definitive departure from coca to legal activities depends upon the profitability legal activities may have. But people seem to be really interested in changing and having a legal way of life. They look ahead, investing in the education of their children. The majority of the interviewees have their children studying in big cities, especially in Lima.

In Tocache, the evaluation team collected some expressions about coca that reveal contrasting views. On the one hand, some people talked about coca as the "coca maldita" (the damned coca). This expression refers to two different aspects. First, that most people that made business with coca were not able to capitalize their income, and continue to be as poor as they used to be. And, second, it refers to the disruption of family life and to a sense of social and personal insecurity.

On the other hand, another expression was used by farmers that participate in the palm-heart program. When they refer to those other farmers that refuse to participate in the palm-heart program, they say that they "están endiosados con la coca" (are in a deity relationship with coca).

However, currently, the idea of following the migratory pattern of coca growers going further into the forest appears to be less attractive for most interviewed farmers.

It could be fairly said that within the context of a depressed economy, the activities carried out by the PEAH, despite its limited range of intervention, are helping to establish basic and initial conditions for an alternative development.

Finally, with regard to the project's impact on the institutional establishment, the Peruvian government apparently will continue to invest in the area through the modality of special projects. The Universidad Nacional de Tingo Maria is undergoing a process of reactivation, and is interested in working in coordination with other institutions and in giving a dynamic administration to the experimental station at Tulumayo. Municipal governments also appear to be very active within the limitation of the available resources.

In general, there are favorable conditions for institutional inputs that could contribute to the sustainability of the Project.

3.4.2 Conclusions

In its current stage, the sustainability of the project is precarious. Achievements are important but are not enough to secure the alternative pattern of development propitiated. Most probably, it would be necessary to work with the population for two to three years more, especially in terms of providing technical assistance and promoting institutional support (research, information, and financing, among the most important).

E. LESSONS LEARNED

1. RECOMMENDATIONS FOR THE DESIGN OF THE COUNTERNARCOTICS SUSTAINABLE DEVELOPMENT (CSD) PROJECT (527-0348)

a) Include the Democratic Community Development (DCD) component in the CSD Project.

This component has had very positive effects to strengthen the role and functions of provincial and district municipalities, as well as the local communities organization.

Although the UHAD Project terminated on December 1993, the local governments are applying the methodology of the DCD with their own and external resources, because of the positive effects they have had.

It is recommended that this component be one of the most important axis of the new project.

Through the DCD component, the provincial and district municipalities and local communities could gradually assume more important roles and functions in agreement with their own interests and capacities. The CSD Project could be a vehicle to enhance democratic governability at the local level.

The CSD Project potential could be enhanced by a coordinated relationship with other acting or planning projects in the zone. Project design and implementation proceeds should be coordinated among them. Following this idea the CSD Project should coordinate with the Rehabilitation and Urban Management Project which is going to be financed by the World Bank and the Inter American Development Bank, each one making a loan to the GOP of US\$150 million.

b) Include the Primary and Secondary Roads component in the CSD Project.

This is a crucial component for the competitiveness of regional agriculture, and as a deterrent for coca cultivation and related activities.

The CSD Project should enhance local community participation in road improvement and maintenance. For instance, local governments could participate on road watchfulness for traffic control under rainy conditions. This watchfulness could be very effective for reducing maintenance costs and for assuring a permanent transit. There are very positive experiences in other countries in this respect.

c) Include a marketing and agroindustry component in the CSD Project.

To solve the acute marketing problems that affect most crops in the area is a crucial important factor for regional development. The CSD Project should act as a **facilitator** in this respect.

Main project activities in this line could be:

- To assist farmer groups with market information and technical support for market

studies, appraisal of market opportunities, agroindustry potential, and the like.

- To assist farmers groups in searching opportunities of operative agreements or joint ventures with agroindustry firms or investor groups
- To assist farmers in developing commercial relationship with the banks.
- To be a link between the farmers and the Micro-enterprise and Small Productions Support Project (MSP). The objective would be to provide technical assistance to nontraditional exports in agriculture and to improve the export promotion services capabilities. The identification of markets is a prerequisite to promote licit crops in the area.

The component could support the search of solutions to the agroindustry plants implemented by the PEAH.

d) Include the Cuenca Integrated Development (ICD) component in the CSD Project.

The 1992-1993 strategy tried to incorporate this component in "developing cuencas", which were understood as the basins or watersheds which were currently being used for coca production or are possible expansion areas for coca cultivation.

The CSD Project should incorporate this concept. However, it is needed to substantiate it more carefully, both from the theoretical perspective and from the practical implementation perspective.

In essence the ICD concept should provide a framework for matching the set of people's needs and demands with the resource base and the market opportunities that could be reached.

A key factor would be the participation of the provincial and district municipalities in ICD activities. A particularly important aspect is the use and protection of forest areas for which an agreement should be reached with the Ministry of Agriculture.

e) Include a Training component in the CSD Project.

Through the whole Upper Huallaga area there is a large and urgent need for training in almost every field of activities including the domestic domain.

The ICD must assume a strong commitment with regard to this component.

In the design of the Training component the ICD must work using and networking the available institutional resources within the area, from the Universidad Nacional Agraria de la Selva (UNAS) to the last health post.

One important activity of this component would be credit advice and support. The Project would be the facilitator. The objective would be to improve the agricultural credit efforts which would develop the GOP agencies in this matter. The Project (or a NGO) could support

farmers to form groups of community credit bond ("solidarity groups") and to facilitate their access to the commercial banks.

A second important activity refers to research with regard to agricultural alternative development needs. The UNAS had already converted the Experimental Station of Tulumayo in an NGO in order to be more efficient responding the requirements of the farmers.

Third, the ICD should act as a reference center facilitating the access to information needed by farmers and other local agents to solve current problems or to develop new initiatives.

A positive experience of the 1992-1993 strategy has been the accountable and administrative training offered to the municipalities as well as the strengthening of the mechanisms of communal participation through the leadership elected by them. The Evaluation Team found positive responses to the benefits of this training that would enable them to assume the new tasks programmed by the community.

2. RECOMMENDATIONS FOR THE IMPLEMENTATION OF THE CSD PROJECT

The GOP should act properly to maintain low the coca prices. The objective is to give an incentive to farmers to cultivate licit crops and to look for economic alternatives to coca cultivation.

3. RECOMMENDATIONS FOR USING INFORMATION GATHERED, REPORTING SYSTEMS AND FOR MEASURING ACHIEVEMENTS AND FAILURES

The main idea is to design systems to generate and interpret periodical flow of information for decision making. For example, the monitoring of the Democratic Community Development component should be an integral function in the handling of the executive management. The information should not be limited to provide a number of assemblies or the number of participants in the assembly, but to show the achievement of goals related to the objective of the component: to fortify the strength of the community to accomplish new actions in a sustained fashion. In the case of communal fishponds, the indicators could be, for example, volumes of periodical production. The analysis of the variations registered on this indicator will be basic for decision making about the fishpond operations.

The beneficiaries should intervene to proportionate information to the Project in order to apply corrective actions. The regularity of the meetings of the assemblies and the fulfilling of the objectives are two important indicators to be taken under consideration. The application of the methodology of the Democratic Community Development component in the municipalities and districts after the Project finished in 1993, is an outstanding indicator of the success and sustainability of this component as it was applied by the UHAD Project.

ANNEXES

PERSONS INTERVIEWED AND CONTACTED

LIST OF DOCUMENTS REVIEWED

PERSONS INTERVIEWED AND CONTACTED

The Evaluation Team made a 13-day field visit to the Project area in October 1994. Fieldwork accounted for 29 per cent of the total effort. The following list of persons were interviewed in the institutions and facilities sites listed.

LIMA

Merritt Broady, USAID
Pedro Carrillo, USAID
Esaú Hidalgo, USAID
Miriam Choy, USAID
Angel Díaz, USAID consultant
James Green, Deputy Director, NAS
Fernando Rey, Sierra and Selva Projects Division Manager, INADE

TINGO MARIA AREA

Tingo María

Máximo Silva, Acting Executive Director, PEAH
Jorge Ruiz, Planning and Budget Director, PEAH
Teodoro Chuman, Agriculture Supervisor, PEAH
Teodomiro Quiroz, Leoncio Prado Zone Director, PEAH
Luis Enrique Wangeman, Advisor, Agroforestry, PEAH
José Loayza Torres, Academic Vice Rector, UNAS
Enrique Arévalo, Phitopatologist, UNAS
Fernando Gutiérrez, Natural Resources Specialist, UNAS
Rolando Ríos, Agronomy, Dean, UNAS
Nilo Maguiña, Head, Fundación para el Desarrollo (Tulumayo),
Eber Cardenas, Animal Sciences, Dean, UNAS
Raúl Natividad, Food Industry, Dean, UNAS
Manuel Pérez Solís, Head, ENACO Office
Sr. Espinosa, Planta de Néctares y Jugos, owner and manager.
Loisette Reátegui, Tingo María Mayor

San Miguel

Zacarías Obando, Plantain Mill Manager
Erta Bravo, Farmer and community leader

Cayumba

School Director, Colegio Agropecuario

Las Palmas

Carlos Huamán, District Council member

Shapajilla

Carlos Ramírez Prato, farmer and President of Producers Association

Naranjillo

Carlos Camasca, earthworm fertilizer producer

Walter Rivadeneyra, Naranjillo District Mayor

Supté

Sr. Ramírez-Cobos family, farmers practicing integrated farm systems

TOCACHE-UCHIZA AREA**Tocache**

César Lozano, Tocache Zone Director, PEAH

Adán Puelles, extensionist, PEAH

Tadeo Rengifo Tocache Mayor and Council Members

Víctor Revoredo, rice mill general manager and director

Julio Villanueva, PEAH fishfarm head

Centro Poblado Limón

Juan Soto, fruits and coca producer

Alberto Calderón, palm-heart, corn, small animals producer

Agapito Vidal Ramírez, tropical sheep and coca producer

Villa Acceso Huallaga

Aldo Rojas, tropical sheeps producer

Pedro Quispe, Teniente Gobernador

Nueva Esperanza

José Campos Medina, pineapple and palm-heart producer

Alto Limón

Justina Aguilar, plantain and pineapple producer

Buenos Aires

Pescacio Viera, School Director

Uchiza

Víctor Hugo Romero, Uchiza Mayor

Cruz Pampas

Nena López, School Director

Nazario Alvarez Ríos, Municipal Agent

Santa Lucía

Pedro Sullón, President, Comité Central de Productores Agropecuarios de Uchiza

Sáenz, Past-president

Sr. Rivera, palm-heart specialist

Luis Albítez, Coordinador Regional Proyecto 759-United Nations

Huayranga

Teófilo Pérez, Agente Municipal

Anderson Fusga, Presidente del Comité de Padres de Familia
Salomón González, Presidente del Club Municipal de Huayranga
Sra. Presidenta del Club de Madres y encargada de la piscigranja

Sarita Colonia

Wenceslao Gómez, General Manager, Cassava and plantain mill
Sr. School Director

Chanchán

Sr. School Director
Sr. Encargado del molino de alimentos balanceados

TARAPOTO

Consuelo Rivera, former UHAD Project's professional
Jorge Saavedra, agronomist, Zonal Office, Juanjuí
Víctor Raúl Zapata, former PRODAP Director
Genaro Navarro, President, Board of Directors, MASELVA
Fidel Bazán, former UHAD Project's Executive Director
Miguel Alejandría, Manager, Seeds Regional Committee
Alejandro Vasquez, Agriculture Director, CLHV Project
Bernardo Paredes, former UHAD Project's extensionis agent

PONAZA VALLEY AREA

Shamboycu

Alvaro Macedo, Mayor of Shamboycu

Alfonso Ugarte

Ilper Salas, Mayor of Alfonso Ugarte
Ademir Acuña, President, Works Committee
People in charge of school, water utility, fishpond, rice mill, health post and kindergarten facilities

Huañipo

Miguel Reátegui, Coordinator, "Juntos Para la Vida" Programme
Ritber Panaifo, former Works Committee's President
José Sangama Navarro, former Agente Municipal
People in charge of school, health post, plant nursery facilities

Leoncio Prado

Sixto Trigos, Coordinator, "Juntos Para la Vida" Programme
Alexander Paredes, Tingo de Ponaza's council member
Segundo Grandes García, Mayor of Leoncio Prado
César Augusto Suélpares, Council member
Bernanzar Sánchez, teacher and former mayor
People in charge of school and health post facilities

Mariscal Castilla

José Tello, M. Mayor of Castilla, and Tingo de Ponaza's council member
Alfredo Pinche, former mayor, Tingo de Ponaza's council member

Tingo de Ponaza

Miguel Segundo Tenazoa, Works Committee's President
Hugo Rengifo Tello, school teacher
Jorge Ruiz del Castillo, school teacher

Picota

Rosendo Tuesta, Mayor of Picota
Hildebrando García, Rice Producers Committee's President
Alcibiades Sánchez, ARROSANSA Picota's Office Head
People in charge of ARROSANSA's rice mill
Arturo Villavicencio, rice and cotton producer
People in charge of Industria del Maiz Picota S.A.
Alberto Tello Paredes, President of Industria del Maiz Picota S.A.
Eduardo Paredes, Vice President of Industria del Maiz Picota S.A.
Daniel Ramírez, cotton dealer

Juanjuí

Henry Centeno, Mariscal Cáceres, Head of PEAH Zonal Office
Wilson Pinedo, Deputy Mayor of Juanjui
Servio Saldaña, Municipal Director
Luis Escalante, Central Committee Producers' President

BIABO VALLEY AREA

Barranca

Herman Torres Arévalo, Barranca's Teniente Gobernador
Silvia Chávez Escobar, medical doctor

Cusco

Leonardo Vásquez, Teniente Alcalde de Cusco and Council Member
Israel U. Silva, Juez de Paz

Abancay

Luis Ramírez Quijandría, Agente Municipal
People in charge of kidergarten facilities

Puerto Nuevo

Marisol Cárdenas, school teacher

Nuevo Lima

Abel Alarcón Requejo, Mayor of Nuevo Lima

LAMAS

Dilfrido Soria Días, Lamas's Mayor

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