SECOND QUARTERLY REPORT

PERU POLICY AND INSTITUTIONAL DEVELOPMENT COMPONENT OF THE ALTERNATIVE DEVELOPMENT PROGRAM.

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POLICY AND INSTITUTIONAL DEVELOPMENT COMPONENT

QUARTERLY REPORT (October 1- December 31, 2005)

EXECUTIVE SUMMARY

Throughout the fourth quarter of the year 2005, four lines of action destined to back up the actions of the Peruvian Government in its fight against drug dealing were implemented. These initiatives have mainly had three approaches. One regarding sensitiveness of the main political actors and of the public opinion itself, through direct contacts, presentations and diffusion through the media; with respect to the reality of drug dealing in Peru and to interrelations mainly due to the illegal production of coca leaf.

A second approach has been destined to ruling issues, mainly the Law of Control of Chemical Inputs, to avoid deviation to drug dealing. Here actions were developed the same that will allow the effective implementation of the norm and its regulations. Efforts are being particularly carried out to design and implement a true and effective system of management of information of chemical inputs through a commitment made by SUNAT, institution counting with a real technical and logistics capacity to have a successful implementation.

In the third place the institutional strengthening has determined an approach that will allow to progress within a commercialization system and production control of the legal coca leaf, that must be constituted based on a true control of the production of coca leaf in Peru.

These approaches and the lines of action developed during the fourth quarter of the year 2005, are creating the conditions in order that in the year 2006 the advances outlined in this Project be consolidated.

1. Chapter One: Strengthening of DEVIDA.

- At the beginning of the quarter DEVIDA counted with the counseling of (retired) General Juan Zarate, expert on internal security issues and on relationships with the Ministry of Interior and the National Police. DEVIDA through its Offer Control Management achieved to define responsibilities regarding the control of chemical inputs, activities that were not within its scope of action before the publishing of Statute 28305 and of its Regulations in July of the year 2005.
- With the hiring of Mr. Jaime Antezana, specialist on coca leaf farmer movements issues, drug dealing and security, detailed and permanent information was at hand the same that was shared with DEVIDA through coordination meetings to which their representatives have attended.
- Two activities that were initially planned but that were not implemented are referred to a legislative advisor so that he may provide support for a better coordination with the Congress of the Republic, which was not required. The hiring of an institutional coordinator at DEVIDA so that he may support its relationship with other dependencies of the State was finally not required.

2. Chapter Two: Control of Chemical Inputs

- ***Diffusion of procedures and mechanisms set forth in Statute 28305 and its Regulations:*** Were carried out as planned, the activities for the diffusion of the new Statute and its Regulations of chemical inputs control, through the preparation and printing of materials, as well as carrying out training events for the public and the private sector in the cities of Lima, Arequipa, Chiclayo, Huanuco and Iquitos. For the year 2006 are still pending events in Lima, Cuzco and Tarapoto.
- ***Basic Design of the Information Management System for the inspection of Chemical Inputs:***

  The need to count with a new scheme of information management and to have SUNAT as the institution that may ensure an effective implementation of this system was detected.

  A basic architecture was design for the implementation of an information management system for the inspection of chemical inputs. This activity required the coordination with the institutions responsible, mainly with the Ministry of Production and SUNAT.

  Likewise, presentations of this model were prepared for the institutions responsible through their coordination unit where DEVIDA participated, as well as the Ministry of the Production, the Ministry of the Interior, SUNAT and the Prosecutor's Office.

Also arrangements at the highest political levels were made in order to get the support necessary for this initiative.

It is expected to count with the political support and to achieve that SUNAT decides to provide the necessary technical support for the design and implementation of the information management system for the effective control of chemical inputs.

3. Chapter Three: Coca Leaf Control

- ***Advising to the Media:*** through the preparation of reports and articles, that make easier the understanding by the media of the real situation of the fight against drug dealing.

  Particularly, the content of the document FONAFE "*Coca Leaf Offer /Basic Statistics",* was used. The supply of materials to journalists who are leaders of opinion (Juan Paredes Castro, César Hildrebrandt, Luis Rey de Castro, Luis Jaime Cisneros) and publications in the newspapers El Comercio, Perú 21, Expreso, La Primera.

  Likewise, the results of the poll *"Knowledge, perceptions and attitudes towards the coca leaf farming"* were divulged. The diffusion in provinces via the "communicators network" of DEVIDA/ CHEMONICS, achieving impacts on regional newspapers ("Correo" newspaper of Tingo María).

- **Direct Communication with the Media:** In order to keep an active presence within the media and to achieve that the public opinion is better informed of the drug-dealing situation in the country, there was the participation of a spokesman at the interviews on newspapers, radio and television. The main issues were: control of the coca leaf market and legal framework. Interviews were carried out at Canal N. / J. de Althaus; CPN/ Alberto Ku King, Expreso/ Isabel Limache; RPP/ J. Arboleda; Correo/ A. Manco.

- **Technical Assistance to the Executive Direction of FONAFE:** The support to FONAFE was required (FONAFE is a public entity owner of the National Enterprise of Coca Leaf) for the exposition on the *"Control system and Updating of the Record of Legal Producers"* before the Commission of Defense/Security/Drug Dealing of the Congress of the Republic.

  Thus, answer Reports were prepared to *seven bills regarding coca leaf* submitted by several parliamentary groups. Jointly with officials from FONAFE were prepared the presentations for the meetings at the Congress of the Republic programmed for October 26 and November 02, 2005.

Also were carried out activities to orient parliament members – ex ante exposition- regarding the coca leaf problem and the control of the legal market. (L. Iberico, J. Figueroa, J.L. Devescovic, L. Solari), the supply – ex ante exposition- of possible questions or concerns from the parliament members. And the arrangements for the direct transmission via the Congress television channel of the second presentation.

- **Diffusion of Technical Surveys:** Based on the survey "*Coca Leaf Offer/FONAFE", "Coca Leaf Formal Market/ GRADE" and "Coca Leaf Informal Market /DESCO".* Two events were carried out: For foreign press on November 30 and for local press last December 07. A positive impact was obtained: written press articles regarding the coca leaf problem.

- **Integration of the Investigations GRADE/ DESCO:** The need to ensemble the works of GRADE and DESCO in one sole documents with a reference heading "*Coca Leaf Economy: coca leaf farmers, ENACO and unofficial farmers"* was determined. It has not been published yet, it is currently being prepared.

- **Provide information regarding the situation of the fight against drug dealing to members of the Congress of the Republic:** Support through advisors from CEDRO for a *better knowledge of the coca leaf farming reality* at the Legislative Branch: emphasis on the need of an efficient control system for the legal market of the coca leaf.

- **Conference "*Drug Dealing and the Entrepreneurial Activity":* within the frame of pre CADE 2005:** Pursuant to that planned an exposition was carried out on November 15, 2005 (consultant M.Estela) being panelist Mr. Gabriel de Vega (former official of anti drug policies in Colombia). This activity has permitted to inform in detail to the businessmen about the real situation of drug dealing in Peru.

- **Monitoring and follow up of the coca leaf farmers' movement at the coca leaf production basins:** A permanent analysis of the situation of the coca leaf farmers' movement and of its actions, particularly regarding the following issues: Analysis of the *fourth coca leaf farming congress of Ayacucho;* Analysis of the *trip of the coca leaf farming leaders to Bolivia;* Analysis of the exposition regarding *decriminalization and industrialization of* the coca leaf by the coca leaf farming organizations; and, Analysis of the participation of the *coca leaf farming movements* in the *elections' process.*

- **Follow up and analysis of the perception and attitude of the public opinion before the anti-drugs policy and the Alternative Development Program:** From November 03 to November 15 was carried out an Awareness, Perception and Attitude Survey regarding coca leaf cultivation at the cities of Lima, Pucallpa, Aguaytía, Huánuco, Ayacucho and Cuzco.

Said survey evaluated the degree of importance of the main problems of the country, the knowledge of issues and institutions related to the coca leaf cultivation and drugs, as well as the degree of success of Alternative Development Programs.

Likewise, it provided important information regarding the perception and the attitudes of the population that took place in the survey regarding coca leaf cultivation, drug dealing and drug consumption derived from cocaine.

- **Media Outreach on Alternative Development:** Activities were carried out with the media, which allowed the publishing of reports, articles and interviews, which supported communication strategies from USAID, DEVIDA and DAI.

- **Support to DEVIDA impact annual poll:** The poll evaluates the impact corresponding to the year 2005 of the Alternative Development Program at the following coca leaf cultivation areas: Huallaga Central, Juanjui, Alto and Bajo Mayo, Bajo Huallaga, Aguaytía, Campo Verde-Nueva Requena, Leoncio Prado, Tocache, Pichis Palcazo and Pachitea, and the Apurimac River Valley – Ene. The project provided financial and administrative support in order to carry out the poll.

4. Chapter Four: Licit Coca Leaf Control Implementation:

- **Advising FONAFE/ENACO: corporate plan ENACO 2006:** The institutional mission of ENACO is to control the coca leaf legal market. The estimated of purchase/sale of ENACO as of closing of the year 2005 was about 4,000 MT approximately. The budget target has foreseen to advance from 4,000 MT to 9,000 MT of the legal demand. The reference level for the year 2006: 5,000 MT. These targets outline a very high institutional defeat to ENACO and that FONAFE is willing to lead the same. Through this advising, orientation was provided in order to achieve the targets proposed.

  Amongst the main tasks are the revision of the price policy and the structure of costs; and the definition of inter-institutional agreements to implement an effective control.

- **Institutional strengthening ENACO:** It was coordinated with the Executive Direction of FONAFE – after its expositions before the Commission of Defense/Security/Drug dealing of the Congress and USAID regarding the implementation of the Control System for the coca leaf legal market.

  The requirement of FONAFE to the Cooperation for the *modernization of ENACO,* is in the following issues:
  - Renew the information management system
  - Improve the commercialization policy.

- Strengthen the technical and ethical capacity of the personnel from the enterprise.
- Subscribe agreements with the participation of FONAFE with other institutions involved in the control of the coca leaf market (RENIEC, CADA, SUNAT, PETT).
- Subscribe agreements with private agents in order that they may allow their participation in the coca leaf legal commercialization under the inspection of the control system).

5. Chapter Five: Administrative Issues

- Monthly program expenditures for the quarter ending on December 31, 2005 were somewhat irregular due to a variety of reasons. The former COP, Peter Orr, left the position in mid October, and Mrs. Symantha Holben was deployed by DAI HQ as acting COP while a suitable replacement was selected for the duration of project. Labor hours by our consultant team were slightly cut down as a new work plan was being prepared by Mrs. Holben and Mr. Ian Maxwell, USAID CTO.

  In November, the Peru PIDC covered expenditures for DEVIDA´s Impacto 2005. This activity included surveys in areas where alternative development programs were being implemented. Significant funding (US$272,000) was provided to collect, summarize, edit and publish results. Also, additional spending took place in December due to bonuses paid to our field office staff.