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# QUARTERLY REPORT

PERU POLICY AND INSTITUTIONAL DEVELOPMENT COMPONENT OF  
THE ALTERNATIVE DEVELOPMENT PROGRAM

July 1 – September 30, 2006

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Of the Alternative Development Program**

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**EXECUTIVE SUMMARY**

This report describes the progress made during the period July – September of Calendar Year 2006 (the first quarter of the second year of project implementation). The project continues to follow four primary lines of action, as detailed in the October 2005 Work Plan, to support the Peruvian Government on counter-narcotics issues. They include:

1. DEVIDA Strengthening
2. Precursor Chemical Control
3. Licit Coca Control Policy, and
4. Licit Coca Control Implementation

In order to implement actions in each of these categories, the project has continued to focus on a strategy of public information dissemination, training and information dissemination related to new law and regulations, and institutional strengthening.

Due to the sensitivity of counter-narcotics issues and coca production in Peru, the PIDC has worked to provide political actors and opinion leaders with the best credible, up-to-date information on drug production and consumption and the role of coca in drug production in Peru. PIDC consultants have relied on their personal and professional contacts in the new Peruvian Government to disseminate data and reports produced with PIDC support. They have also made presentations at a variety of seminars and conferences, written articles for publication in the national and international media, and given interviews to journalists on these issues.

The PIDC has also carried out training and information dissemination activities related to the Peruvian law for the control of Chemical Inputs, and its associated Regulations (Statue 28305). Here, actions were continued to promote the effective implementation of the law, including the preparation of materials and the delivery of training for the public and private sectors through events held in Lima. Related to the new law, the PIDC continues to support the development of a management information system for precursor chemicals, which will be hosted by SUNAT. PIDC consultants have worked to facilitate the coordination and cooperation that implementation of the new information system will require.

Finally, the PIDC continues to provide technical assistance to FONAFE, at the request of its Executive Director, on options for implementing control of the legal market for coca. Due to the announcement of the GOP President to transfer ENACO to the Regional Government of Cusco and the possible negative impact to the control of the illicit coca leaf, the PIDC provide legal and technical support to FONAFE in order to review other alternatives that will not jeopardize the anti-drug policy.

The project continues to consolidate the advances made in the first half of 2006. A reevaluation of the Work Plan is planned for October, 2006, to cover the period from October 2006 to the end of the contract, in July of 2007.

## 1. DEVIDA Strengthening

PIDC consultant Jaime Antesana, a specialist on the cocalero movement, drug trafficking and security, continues to provide detailed, up to date information and analysis of these issues to the project. This information is regularly shared with DEVIDA during USAID Alternative Development Communications coordination meetings attended by representatives of USAID, DOS, DEVIDA, PIDC, other USAID projects, and GOB institutions implementing counter-narcotics activities and AD in Peru.

DEVIDA strengthening activities that are identified in the DAI PIDC proposal and Work Plan include:

- The hire of an advisor to strengthen DEVIDA's capacity to work in counter narcotics areas and to build cooperative relations with counter narcotics institutions, particularly the Ministry of Interior.
- Developing Jaime Antesana's role to include providing direct advice to DEVIDA on potential and actual conflict situations in the coca valleys and prevent or manage conflict.
- The hire of an inter-institutional coordination advisor to improve DEVIDA's ability to work with other government institutions responsible for aspects of counter-narcotics and alternative development programs.

Although it had not been feasible for PIDC to provide advisory assistance to DEVIDA, new developments in late September, 2006, signal a possible opening in this area. The recent appointment of the former Minister of the Interior, Romulo Pizarro, as the new head of DEVIDA and his expression of interest in exploring the possibility of collaboration may provide an opportunity that was previously lacking. In the final weeks of September 2006, COP Jaime Garcia met extensively with Pizarro to discuss DEVIDA's needs for institutional strengthening, and advice. Pizarro asked for an active participation of COP Jaime Garcia in the coming discussions to develop the new anti-drug national policy and the new role of Devida. These discussions will continue as the PIDC moves into the second quarter of year 2 of project implementation.

Other recent developments that may facilitate PIDC work with DEVIDA in the area of inter-institutional coordination include the appointment of Hector Buzaglo as special advisor to the new Minister of the Interior, Pilar Mazzeti. Buzaglo, a former advisor to the Director of FONAFE, Hilda Sandoval, is very familiar with PIDC, and has been a project ally. Finally, General Juan Zarate, a former PIDC consultant, was recently named the director of the Coca Reduction Project of Upper Huallaga (CORAH).

## **2. Precursor Chemical Control**

Over the first half of 2006, the PIDC project worked with the Ministry of Production and GOP institutions such as SUNAT, DINANDRO, FISCALIA and DEVIDA to facilitate the agreements and political commitment necessary to implement Precursor Chemical Control. The approach has followed two basic lines of action: support for the new PCC Statute; and the development of a new management information system, to be hosted by SUNAT, for PCC control.

PIDC had meetings with the new Minister of Production, responsible of the precursor chemicals information system. Minister Rey actively supports all these activities.

### **Design of a Management Information System for Precursor Chemical Control.**

Throughout the first half of 2006, PIDC consultants worked to facilitate communication and coordination among GOP officials at the highest political levels. The purpose of this communication was to ensure the support necessary for this initiative. Over the last three months, PIDC consultants have been working to finish developing the design of the software for the PCC information system, to be completed in November/December of 2006. Amador Meza and Carlos Carranza provided direct support to the Ministry of Production and the technical team, coordinated the work of all the institutions involved, and ensured the advances of this project. After the design of the software is complete, steps to be taken in the next quarter may include supporting SUNAT to implement the MIS, in coordination with other partner institutions; training key personnel; and disseminating the MIS throughout Peru, to the various government institutions involved in precursor chemical control.

## **3. Licit Coca Control Policy**

This objective area includes a) advocacy, media and analysis to promote policy decisions for a practical solution to control the licit coca market based on the current legal framework; and b) providing support and analysis to partners and to USAID.

PIDC advocacy, media and analysis activities are ongoing. These activities are all directly related to disseminating the empirical data on coca regulation that has been established through previous USAID/DAI studies, as well as communications efforts to promote better control of the legal coca market and to discourage bad coca legislation.

From July to September 2006 PIDC carried out the following Licit Coca Control Policy-related activities:

**Media Activities:** During the first project quarter of year 2, PIDC consultants prepared reports, articles and commentary for journalists reporting on counter-narcotics issues, opinion leaders, and the general public. These materials appeared in publications such as Correo, El Comercio, Ojo, La Republica, Peru 21, Expreso,

La Primera, TV news shows such as La Ventana Indiscreta, and La Hora N, as well as national and local radio shows.

**Direct Communication with the Press.** Jaime Antesana continues to maintain an active presence in the media as a spokesman for Coca Control Policy, control, current information on the cocalero movement and counter-narcotics issues in general. During the first quarter of project year 2, Antesana provided interviews to journalists working for Correo (Lima), El Peruano, Correo (Ayacucho), Radio CPN, Al Dia (Ucayali), Pulso Regional (Tingo Maria), Pulso Panamericana, Studio Light 102.3 (Aguaytia), Sembrando la Paz program (Alto Huallaga), Canal HP (Tingo Maria), Correo (Huanuco), La Hora N, Agencia Andina de Noticias, La Primera (Lima), Radio 1160 (Lima), Canal 5, and Canal 9.

PIDC Chief of Party, Jaime Garcia, also interacted directly with the press. Garcia wrote articles commenting on the coca issue for the Lima publication, Correo.

**Coca Pricing Study.** During this quarter, GRADE carried out a study to analyze coca prices that are offered by the most important buyers of coca in Peru - drug traffickers, informal markets, and ENACO. The study also examined the relationship between the prices offered by these three agents, and offered recommendations for the Peruvian government to formulate a coca pricing policy.

This document will allow FONAFE/ENACO to develop a technical approach to the permanent pressure of the cocaleros to raise the price that ENACO pays for the coca leaf.

**PowerPoint Presentations.** PIDC consultants prepared a number of PowerPoint presentations for important political actors in Peru, under the auspices of the Institute for International Studies (IDEI) at the Catholic University of Peru. The presentations included:

- *Perú: Introducción al Mercado de la Hoja de Coca.*
- *Perú: Consideraciones sobre el Mercado de la hoja de Coca.*
- *Introducción al Mercado de la Hoja de Coca y narcoterrorismo.*

PIDC consultants made 20 presentations during this quarter to politicians (congressmen and GOP authorities, journalists, opinion leaders, businessmen and diplomats):

1. Congressmen from Alianza para el Futuro: Keiko Fujimori, María Luisa Cuculiza, Carlos Raffo, María Chacón.
2. Congressmen from Unidad Nacional: Lourdes Alcorta, Gaby Pérez del Solar, Luis Fernando Galarreta and Wilson Michael Urtecho.
3. Congressmen from UPP: José Urquiza, Miro Ruiz, José Maslucán.
4. Board of Directors from CEDRO
5. Journalist Jaime de Althaus

- Congressman from APRA. Aurelio Pastor and advisors.
6. Congresemen from Alianza para el Futuro: Santiago Fujimori and Alejandro Aguinaga.
  7. Opinion Leaders Ignacio Basombrio and Alejandro Deustua.  
Minister of Interior Pilar Mazetti, Vice Minister Dr. Dardo Lopez-Dolz, Advisor Luis García Corrochano y Generals Montoya, Vizcarra y Olivo from MININTER.
  8. Journalist: Pedro Tenorio, Víctor Ponce and Enrique Castillo.
  9. Intelligence Commission at the National Congress: Luis Giampietri (APRA), Lourdes Alcorta (UN), José Urquiza (UPP), Alberto Andrade (Somos Perú), Carlos Cánepa (UPP) y Ricardo Pando (Alianza por el Futuro).
  10. Congressman Guido Lombardi and advisors.
  11. Journalist: Rossana Cueva and Carlos Cornejo
  12. US Embassy (Ambassador Struble) and USAID
  13. Vice Minister of Agriculture Carlos Luna y Nelson Larrea Coordinador Nacional del Programa para el Desarrollo de la Amazonía
  16. Pime Minister Office: Dra. María del Rocio Vesga (Directora de la Unidad de Coordinación para la prevención de conflictos), Rómulo Pizarro (Jefe de DEVIDA), Fernando Hurtado (Gerente de Desarrollo de Devida), Juan Manuel Figueroa (Presidente de INDEPA), Eduardo Musso (Asesor de PCM).
  17. Defense Commission at the National Congress: Congressman Luis Gonzáles Posada and advisors Dr. Jorge Trujillo de Zela - Asesor Principal, Dr. Juan Carlos Huarcaya Oré - Secretario Técnico, Dra. Raquel Díaz Espinoza - Especialista Parlamentaria, Dr. Andrés Gómez de la Torre Rotta - Asesor Especialista, Dra. Paola Fune Zambrano - Asesora Asistente.
  18. Journalist: Antonio Manco (Correo) y Adan Ríos (Perú 21).
  19. Former Defense Minister Aurelio Loret de Mola
  20. Journalist: Rafael Romero (Expreso), Piero Llano (Perú 21) and Luis Jo (Diario Ojo)

**Provide informational briefings to targeted members of the Peruvian Congress.** PIDC congressional advisors continue to provide information and support to Peru's Legislative Branch on issues related to control of the legal coca market and counter-narcotics. Advisors Cruz and Martinez worked with new Congressmen from the following political parties: PNP-UPP, RN, APRA, AF, UN, and RPP to present and explain information on coca, using the powerpoint presentation developed by PIDC entitled "El Mercado de la Hoja de Coca en El Peru." They also continued to provide targeted briefings and information to the new members of the Congressional Commission for National Defense, Internal Order, Intelligence, Alternative Development and the Fight against Drugs, as well as the Commission on Agriculture.

**Monitor the Cocalero Movement in Peru's Coca Producing Regions.** Monitoring and analysis of the cocalero movement is an ongoing activity, carried out by PIDC consultant Jaime Antesana.

**Media Outreach on Alternative Development.** The PIDC project continues to participate in a USAID working group on communications. Participants include representatives from the US Embassy, USAID Alternative Development projects, and DEVIDA. The goal group is to share information (public opinion data as well as updates on AD activities) as well as to set the primary strategy and agenda for media outreach activities.

**Tironi** continued to implement its media relations subcontract. Activities carried out from July – September 2006 include developing press releases to publicize successes of the Peruvian government's alternative development program (supported by USAID), and a public relations campaign against deforestation of the Ucayali region.

Tironi worked to develop journalistic pieces for dissemination through Peruvian newspapers, radio programs, and Internet portals on the following topics:

- Production of Cacao contributes to the development of St Martin.
- Campaign against the deforestation of the Ucayali Region.
- Success of ex-cocaleros who are now producing peanuts.
- Increasing consumption of drugs in Peru.

**Perception Audit.** During the months of July and August, Tironi completed a Perception Audit of new members of congress. DAI has conducted several previous perception audits, implemented by subcontractors under the SPIR contract in 2003 and 2004, and under the current PIDC contract in 2005. This most recent perception audit continues and deepens the analysis carried out during the first three audits, focusing this time on in-depth interviews with new congressional representatives who will serve from 2006-2011. Previous audits focused on interviews with political authorities, representatives of civil society and journalists.

The analysis of perceptions of the new congressional representatives will allow us to evaluate and measure the existing perceptions of drug trafficking and coca production in Peru, and will allow us to observe changes (or lack of changes) in opinions over time. The PIDC will use this valuable information to formulate and refine communication strategies to strengthen the impact of Peru's Alternative Development Program.

Topics included in the 2006 perception audit are:

- Alternative Development
- Drug trafficking and the consumption of drugs
- Coca production and cocalero peasants
- Coca laws and the possibility of decriminalization
- The industrialization of coca production and the nutritional benefits of coca
- Counter narcotics strategy.
- The role of Peruvian state institutions and of international organizations

A questionnaire on these topics was prepared by PIDC consultants, and the in-depth interviews were carried out by Tironi, in Lima, in July and August of 2006. A total of 35 interviews were conducted. Tironi presented the results of the perception audit in a report, dated August 2006.

**Environmental Forums.** The objectives of this activity were to provide information to the public opinion and the new Peruvian government on the environmental impacts of illegal coca growing in Peru, and to hold a series of forums to heighten public awareness of these impacts in the period before the 2006 regional elections. The forum was held in Pucallpa (Ucayali), on September 15.

#### **4. Licit Coca Leaf Control Implementation**

**Support to FONAFE and providing Institutional strengthening to ENACO.** These activities were largely on hold during the third project quarter, due to the political situation in Peru. At the end of this quarter, the PIDC prepared a general analysis of the coca issue and the advances that the PIDC has achieved to date working with FONAFE and ENACO, for USAID.

PIDC continues to provide technical assistance to FONAFE, at the request of its Executive Director Hilda Sandoval, on options for implementing control of the legal market for coca. Due to the announcement of the GOP President to transfer ENACO to the Regional Government of Cusco and the possible negative impact to the control of the illicit coca leaf, the PIDC provide legal and technical support to FONAFE in order to review other alternatives that will not jeopardize the anti-drug policy.