

QUARTERLY REPORT

(APRIL - JUNE 2006)

PERÚ ALTERNATIVE DEVELOPMENT PROYECT

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CHAPTER I: CONTEXT AND CHALLENGES

A. Introduction

Throughout the course of development of PDA activities, it is important to constantly analyze the context in which these are being carried out and examine the way in which the challenges affecting security are being addressed. In this context, the program takes action to: monitor security in PDA's areas of intervention; prevent risk situations that could potentially affect regional activities; provide information on the political, social, subversive and delinquent situation of the area in order to support PDAP decision-making and offer ongoing preventive security training to all staff. The following paragraphs analyze the general framework for the April – June 2006 quarter and the situational conditions of the coca basins located within PDA's areas of intervention.

B. General Situation during the Quarter

During the second quarter of the year, the OT-SL (Sendero Luminoso Terrorist Organization) has limited its activities to agitation and propaganda (distributing flyers and putting up flags) in the communities near to where they have historically hidden, that is to say on the left margin of the Huallaga river at Tingo Maria, Aucayacu (where they are more numerous), La Morada and Paraiso. Interdiction activities carried out by the Huallaga Police Front have been effective in dealing with this threat. Intelligence services on the other hand, have helped to capture some of the main leaders (not high ranking in the organization but still in charge of directing the movement). This has been a severe blow to the terrorist organization, which is now so dismembered that one could say they have regressed to their original condition. We were expecting major terrorist activity prior to, during and after the Presidential elections (April), but fortunately this did not occur was merely a threat. No major killings, assaults or ambushes were reported.

Actually, the Presidential and Congressional elections appear to have somehow reduced the number of social disturbances as a result of a general sense of inertia and the consolidation of political forces. We presume that the political forces are waiting to see what is going to happen during the first days of the elected administration, to see whether or not the incoming government fulfills its promises.

As in the previous quarter, common delinquency increased and largely implied assaults with firearms, highway robberies and kidnappings. Towards the end of the reporting period however, these attacks were significantly reduced thanks to intensified police patrols and the arrest of a number of delinquents.

The Peruvian Government has extended the State of Emergency in the six (6) provinces of Huánuco, San Martín and Ucayali until August 20, 2006. In this scenario the police forces supported by the Armed Forces, have been controlling the main access roads and have conducted a number of random operations in sectors known for having subversive infiltration.

C. Situational Analysis of the Coca Basins

C1. Regional Office of Ucayali

Socio-Political Situation

Most of the activity that took place in the reporting quarter was in connection with the first and second round of elections. A number of characters with political aspirations, some of which are staunch defenders of coca farming, spent their energy on political campaigning. The Peruvian Nationalist Party (Partido Nacionalista del Perú) led by Ollanta Humala captured a significant percentage of votes from voters in the Ucayali region. This resulted in the election of Nájjar Kokally, as Congressman, as representative of this political party. There were a few sporadic protest marches against the signing of US/Peru Free Trade Agreement (FTA) staged by some organizations. These did not amount to much as there was not much interest. No violent incidents organized by the coca leaders were reported against the PDA or its activities.

Subversive Situation

On June 20, in view of the incidents being carried out by Sendero Luminoso, the Peruvian Government decided to extend the State of Emergency for another 60 days in the Province of Padre Abad, which is within PDA Ucayali's area of intervention and comprises the districts of Irazola and Curimaná. Since the situation is now under control, there were no terrorist-related incidents reported during the quarter, which meant that PDA staff was able to develop their field activities without being exposed to much risk. There were a couple of rumors reporting the presence and some minor activity by Sendero Luminoso militants in the PDA Ucayali area, but these were eventually discarded as false.

- **Situation of Common Delinquency**

In view of the unsafe traveling conditions and high rate of highway robberies, the National Police Force implemented an operation known as "Police on Board" which consists of policemen traveling in the inter-province busses to safeguard the safety of the passengers. This has proved to be a significant deterrent for delinquents. Unfortunately, this operation was not extended as far as km 86 where the road forks off to the Province of Puerto Inca and highway robberies are commonplace. This area is under the jurisdiction of the National Police of Huánuco and geographically speaking, the location where buses are attacked lies very far away from its center of operations. In this sense the National Police of Ucayali has requested its counterpart in Huánuco to take action and exert greater Police presence in this area to dissuade the delinquents who operate in the area.

- **Situation of Narcotrafficking**

The area where most narcotrafficking occurs lies in the district of Llullapichis. There, inhabitants are dedicated to collecting and distributing drugs. The main export route lies along the Pachitea river and then it travels on to Iquitos from where it is sold to dealers abroad. It is public knowledge that this particular drug dealing business is run by the 'firm' of Jorge Chávez Montoya, a.k.a. POLACO who is currently detained

and undergoing legal processing. A number of small-scale cocaine paste (PBC) dealers were arrested by the Police in Pucallpa.

C2. Regional Office of San Martin

- **Socio-Political Situation**

San Martín was mainly affected by strikes orchestrated by the SITASE (Syndicate of Administrative Workers of the Education Sector) and ESSALUD (Social Security and Health System) during the second quarter this year. There was also a smaller-scale protest march against the FTA organized by the rice-farmer union in San Martín.

The Presidential election period (1st and 2nd round) took place peacefully. The preferred candidate for voters in the San Martín area was without a doubt Ollanta Humala.

- **Subversive Situation**

PNP intelligence reports have determined that the reported activities allegedly being carried out by the terrorist known as “El Cojo Gerson” and the continual executions taking place in the Tabalosos and Pinto Recodo areas, are in fact nothing else but typical vendettas among common delinquents who chose to imitate SL tactics to distract the attention of the local inhabitants. The “Cojo Gerson”, is being hunted down by a group of mercenaries who want to kill him. They have been hired by the relative of a victim (apparently a drug dealer), murdered by Cojo Gerson’s gang. All of the victims killed in this area in the last months were a part of, or at some point had formed part of Cojo Gerson’s gang.

On the other hand, we have received information that the MRTA might possibly be regrouping in the NE sector of San Martín and that this organization has already established a base named “Rafael Salgado Castillo”.

- **Situation of Common Delinquency**

Compared to the previous quarter, common delinquency increased significantly along the Fernando Belaunde Terry Highway (Tarapoto – Yurimaguas stretch and the sector of the Ponaza Valley – Picota).

Urban Tarapoto has also continued to be considerably affected by the high rate of delinquency. Common delinquency has not only affected commercial establishments but the population in general, as a great number of people have been assaulted and robbed of their mobile telephones, cash and other items of value.

- **Situation of Narcotrafficking**

The permanent drug confiscation efforts the PNP made last quarter, to follow-up the forced eradication campaign carried out in the Southern part of the San Martín Region, has had the effect of curtailing narcotrafficking quite substantially. Intervention has mainly targeted small-scale dealers in the city of Tarapoto and has produced good results.

C3. VRAE Office

- **Socio-Political Situation**

The situation in the VRAE has not been as calm, following the parole granted to coca leader Nelson Palomino LA SERNA, Secretary General of the CONPACCP. Since he was released on parole, he has been visiting the different VRAE communities in an effort to reorganize the coca growers. His aim was to establish a new political movement under the name of KUSKA Ayacucho. This was launched on July 8 in an event that took place in the city of Ayacucho with the participation of farmers and some of Ayacucho's union leaders.

There have not been any reports of disturbances caused by VRAE base organizations, particularly by the FEPA VRAE, in the last three months. The favorite Presidential candidate of the people of the VRAE in the last two rounds of elections was Ollanta Humala (90%).

- **Subversive Situation**

There were no significant incidents by SL terrorists reported during the quarter under review in PDA's area of intervention, but a few terrorists have been seen moving around the community of Carburan in Huanta and Puerto Amargura, in the jurisdiction of the district of Llochegua – Huanta, trying to make their presence felt. Some SL remnants still work in collusion with narcotraffickers especially where larger amounts of cocaine paste are produced (Santa Rosa – La mar, Sivia, Llochegua – Huanta, and the Ene river area). They protect the so-called 'runners' or 'burriers' along the different routes they use for exporting the drug out of the area.

- **Situation of Common Delinquency**

Compared to the previous quarter common delinquency in the VRAE has increased. There have been a number of assaults on vehicles and travelers along the different routes leading to the VRAE. Some incidents have even reported considerable personal and material damage and injury. Attacks are carried out by organized gangs who use firearms to assault their victims. There are no police stations in this jurisdiction. In fact there is only one police station for the entire jurisdiction, and it is located in the district of Ayna San Francisco.

- **Situation of Narcotrafficking**

According to the statistical data, illegal drug trafficking is progressively mounting despite the interdiction measures being carried out by the anti-drug police force of Palmapampa. Illegal traffic dealers and cocaine paste producers seem to have relocated their business to other strategic locations that are less accessible.

Moreover, we have detected major illegal coca-fields in different areas within the VRAE, particularly in Santa Rosa, Palmapampa, Monterrico, Lechemayo, Arwimayo, Pichari, Llochegua, Sivia and along the left margin of the Ene River. It is worth mentioning that there is a total lack of State presence in these places.

C4. Regional Office of Tingo María

- **Socio-Political Situation**

Elections were carried out normally on April 9 and there were no disturbances. The UPP party led by Ollanta Humala was the favorite party of voters this region. However, after the second round of elections, following the victory of the APRA party, the UPP supporters seem to have phased out. Congress women Elsa Malpartida Jara (Andean Parliament) and Nancy Obregón Peralta (Republican Congress) did everything possible to unite the coca-farmers under one main group but their efforts were in vain and in fact ended up exacerbating the already existing differences with IBURCIO MORALES (coca-grower leader representing the Monzón valley). No forceful action was reported in this sector which confirms that there is still no consensus among coca-farmer leaders. There was only one march towards the city of Huanuco and this was to request the support of the Regional President and demand the issuance of a regional resolution declaring the coca leaf to be part of the region's cultural heritage. The protesters had to leave without being attended by the Regional President Mrs. Luzmila Templo Condeso. PDA activities were carried out normally in the city of Aguaytía. There were no marches or protests staged by the coca-farmer sector.

- **Subversive Situation**

The PNP and the Peruvian Army have identified a number of remnant SL supporters specifically in the villages located on the left hand margin of the Huallaga River (the Mayor of that area was forced to leave due to constant threats). SL members carried out one or two executions in the city of Aucayacu. The victims were accused of belonging to the intelligence services. Overall however, SL's activities in the area appear to be curbing in response to the ongoing intervention operations organized by the Huallaga Police Front (FPH). SL's activities in the Province of Leoncio Prado have entered into a passive phase but this does not imply that they are not planning future violent action against the Armed Forces, the PNP, and NGO's working in this region. The Huallaga Police Front has intensified operations and intelligence work to detect and eliminate all remaining terrorists in the region. The Central Government extended the State of Emergency in the area, for an additional 60 days. Terrorist activities (SL) were also reduced in the district of Padre Abad. The number of policemen (PNP) was reinforced with extra DINOES staff. No SL propagandistic activities were reported during this quarter.

- **Situation of Common Delinquency**

Common delinquency escalated at the beginning of the quarter as was expected in view of the upcoming elections. There were a number of assaults reported along the Fernando Belaunde Terry highways which is the road that connects the city of Tingo María with Aucayacu. The victims were primarily passengers traveling in 'colectivos'. The Huallaga Police Front implemented a permanent patrol system along this stretch as a dissuasive tactic. The stretch between Aucayacu and the district of Nuevo Progreso (San Martín) was targeted by assailants who even killed their victims to rob them. By the end of the quarter, and as a result of

armed intervention by the PNP, assaults along this road were considerably reduced and now only occur sporadically. In the Province of Padre Abad highway robberies have been reduced to zero thanks to Police intervention.

- **Situation of Narcotrafficking**

Interdiction efforts were carried out targeting cocaine paste processing laboratories. This work was undertaken by DIVOTAC-DINANDRO staff posted in the city of Tingo María, who centered their attention on the villages of the Monzón valley particularly the communities of Cachicoto, Palo de Acero and Sachavaca. The drug firms were resorting to a number of different ways to transport their shipments of narcotics, even via passenger busses. Intervention efforts included stopping and inspecting the belongings of passengers traveling in 'colectivos'. A considerable amount of cocaine paste and related inputs were confiscated. However, despite the PNP's interdiction efforts through the Antidrug Directorate, the narcotrafficking firms continue to produce and distribute cocaine paste and cocaine relentlessly. In the city of Aguaytía there are a growing number of establishments dedicated to the small-scale (retail) sale of drugs and this has brought about an increase in the number of addicts, particularly cocaine paste consumers. The PNP makes no effort to stop it. The increased sale of cocaine paste is a particularly serious problem in Huipoca where there are many firms dedicated to the retail sale of drugs. It is becoming a no-man's land ruled by narcotraffickers.

C5. Regional Office of Tocache

- **Socio-Political Situation**

Both rounds of Presidential elections were carried out peacefully in Tocache. The strike organized by SITASE ended on June 2, after 2 months. The intended strikes to protest against the FTA failed to gather enough support. The rural peasant patrols in Nuevo Horizonte captured some peasants and the PNP had to intervene to release them.

PDA's recent entry into the district of Pólvora triggered some negative reactions from opposing groups such as the "Rural Peasant Patrols of Pizana". This group insisted on preventing the PDA from carrying out its work and even managed to involve Karina de la Cruz, who conducts the Solar radio station. She made it her aim to discredit PDA workers and used her radio program to broadcast daily messages against PDA workers calling them armed delinquents. She even went as far as declaring her opposition and open rejection of the authorities (deputy governors and the rural peasant patrol leaders who originally sought out her help), accusing them of having been paid off by the PDA.

- **Subversive Situation**

During the course of the last few months, SL has been active in the District of Progreso but activities have centered mainly on putting up flags and distributing flyers (Agitation and Propaganda) protesting against the FTA, the forced eradication of coca crops, as well as anti-government slogans.

We were also informed that they have been meeting with community members of the different villages they have been visiting to discuss social issues. The

communities they visited include: Alto Uchiza, La Florida and other nearby communities.

- **Situation of Common Delinquency**

Common delinquency in this province has been significantly cut back over the last three months with respect to assaults and robberies. Notwithstanding, we have no official information on delinquency in the district of Pólvora because there is no Police presence there. Off the record, we have learned that there have been a number of unreported executions, many of which are attributed to Sendero Luminoso. The district of Tocache registers the highest rate of delinquency and this is further aggravated by the youth gangs working in different areas.

- **Situation of Narcotrafficking**

The reporting quarter saw the discovery and destruction of a maceration pit in Challuayacu and three clandestine laboratories in Pizana, all in the district of Pólvora. In the district of Uchiza the PNP intercepted 10,000 coca seedlings which were being transported to Pólvora.

D. Lessons Learned

- We must maintain and improve communications with the different work areas within the company.
- It is important to follow-up the complaints and claims made by the communities affiliated to the program in order to improve the processes.
- We should aim at establishing a close relationship with the authorities and farmers in the communities, in order to obtain relevant information and thus ensure better security.
- PDA staff's field activities should be closely coordinated to reduce any chance of risk.
- Security efforts transcend the limits of the Regional Offices which means that we must coordinate security on an inter-office basis. This is the only way that we will be able to reinforce security while our workers are traveling to and working in the field.

E. Work Plan

- Permanently review and update the security Action Plans in order to respond effectively to any situation of risk in the regional offices.
- Offer ongoing training to company workers on the procedures of the Emergency Plan.
- Visit the Regional Offices regularly to collect information, and review and correct PDA policies and norms on security.

F. Recommendations

- Coordinate security activities with other security areas inside and outside the company (USAID partners), to better execute security plans.
- Share information on regional situations with other security areas outside the company (USAID partners), to improve the decision-making process for PDA activities.

G. Constraints

- Lack of initiative on the part of the Peruvian State (PNP and Armed Forces) to provide a secure environment in certain parts of the regions (areas with prevailing SL presence) for the effective deployment of PDA activities.
- Lack of planning in the regional offices with respect to some PDA activities obstructs the security actions designed to minimize risk for personnel.
- So long as there is no Police or Army presence, SL will resume activities to liberate patrolled areas and support illegal drug trafficking activities.

H. Next Steps

- Reinforce the communications network in the regional offices in order to obtain quick, direct and accurate information.
- Train PDA workers on the new procedures and security policies in line with the Emergency Plan.
- Carry out frequent visits and inspections to regional offices.
- Carry out more frequent interviews with our sources of information in the more critical zones (Tingo Maria, Tocache and Aguaytia), with the objective of updating information related to situations and to issue opportune recommendations for decision-making.

Outlook for the Future

- We are not too sure what the incoming Government's anti-drug policy will be. This will become clear to us over the course of the next semester. We shall also have to see how the pro-coca legislators who reject forced eradication, behave once in Parliament.
- The upcoming regional and municipal elections are expected to cause a certain amount of uncertainty in PDA's areas of intervention with respect to the incorporation of new communities and families into the program. The normal development and completion of PDA's field activities may be jeopardized. Some might even have to be abandoned due to politically-motivated violence or expectations.
- The execution of PDA's Strategic Plan still hinges upon Sendero Luminoso changing its anti-Chemonics International sentiment, which affects local PDA

workers. It all depends on whether the present scenario continues. This can only occur if the State of Emergency continues to be effective in the region; the Huallaga Police Front continues to hunt down the main Sendero leader who is still in liberty, to give the organization the psychological defeat needed to finally eliminate SL, and, when the State of Emergency is eventually lifted, interdiction and drug control activities are regularly and forcefully maintained.

- The lack of state presence in distant and isolated places makes it easy for SL to reorganize its internal structures. This restricts the development of PDA activities and its capacity to fulfill the commitments assumed during 2005-2006. In this respect, the outlook for PDA staff for the upcoming months is tinged with insecurity.

VOLUNTARY ERADICATION

During the II Quarter the Voluntary Eradication personnel of the Regional Offices carried out sensitizing actions in the communities in order to comply with the eradication objectives, the control of coca - free communities and the eradication of non-declared coca crops. In spite of the social political situation (general elections and social unrest) Voluntary Eradication (V.E.) personnel, taking the appropriate precautionary measures carried out fieldwork which enabled them to comply with the programmed objectives. CADA provided its support towards this effort, by "forming" a single team with PDA's facilitator agents, and supported each other mutually according to the circumstances.

1.- Principal Activities

1.1.- Stance of the new Voluntary Eradication message

During the II Quarter there were no major problems in relation to the negotiation of PDA contributions; after the work carried out in the I Quarter, the communities understood the "exclusion" of the bonus as a benefit. In general, the message for PDA's contribution to the communities is:

- Payment for work hours employed in voluntary eradication. (0-100 per household head).
- The works will be carried out with the support of the municipality and the local population.
- The economic activity must have the support of the farmers.
- Eradication is at 100% of the existing illegal coca in the communities.

1.2.- Information meetings with communities

One of the first activities of the V. E. was the visit to 81 communities with the objective of explaining the PDA's advances and objectives. Also, 215 meetings were held with the local authorities (municipal agents and deputy governors).

Chart 1: Meetings with communities and authorities

Regional Office	Communities	Authorities
San Martin	32	98
Tingo Maria/Aguaytía	30	115
Ucayali	15	30
Tocache	04	08
	81	251

These meetings were held in new communities with the purpose of explaining the objectives and goals of the E.V. Communities who have signed the framework agreement in order to "sensitize" them respect the importance of maintaining the communities free of coca and identifying non-declared coca hectares.

1. 3.- Procurement of CADA letters and signing of the frame agreement

During the II Quarter a total of 83 letters for the authorization for the measurement of coca crops by CADA were obtained. From that amount 52 (63%) correspond to communities with non-declared coca fields. The remaining 31 communities (37%) are new communities.

Chart 2: Letters and Frame Agreements

REGIONAL OFFICE	Letters for non-declared coca	Letters of new communities	Signed Frame Agreements
San Martin	7	21	23
Tingo Maria/Aguaytía	28	2	2
Ucayali	15	6	1
Tocache	2	2	1
	52	31	27

The sum of the 83 letters obtained during the II Quarter to the 90 obtained during the I Quarter, adds up to a total of 173 letters of communities at June 30th. In conformity with the planned strategy, the intervention of communities with non-declared coca was prioritized in order to increase the number of coca free communities.



Local Development Facilitator agent and Promoter, during process to purge the list of community participants.



PDA technical team during the negotiation process with the Pampa Hermosa community, district of Yuyapichis.

The most difficult stage is the negotiation process with the local population. During this stage, the PDA visits each of the communities to invite them to sign the frame agreement. DEVIDA staff also participates in this process.

10.4.- Measurement of coca-crop reduction

Total measurement during II Quarter was to 1,094.72 hectares. Added top the 167 hectares measured during the I Quarter, at June 30, there are a total of 1,361.72 hectares of measured coca crops.

A total 1,084.78 hectares were reduced during the II Quarter which represents a reduction in the order of 99% that Quarter. This data shows that the communities reduce their coca crops in less than 30 days after measurement.

The total as of June 30 (II Quarter) of eradicated hectares is 1,231.78, which is 49 % of the total annual objective (2,500 has). Should this reduction trend continue, we see no problem to achieve the annual goal of 2,500.

Chart 3: Reduction and measurement goals.

Regional Office	Has Measured	Has. Reduced
San Martin	411.70	382.05
Tingo Maria/Aguaytía	327.79	255.52
Ucayali	455.23	447.21
Tocache	0	0
	1,194.72	1,084.78

The compliance with objectives reached to date is due to the joint effort carried out by the PDA personnel and CADA's teams. In order to convey the same message and to be identified as part of a sole process, both teams carry out field trips jointly.



Team of CADA facilitator agents and beneficiaries after a day of measurement and reduction at a community. The reduction process is carried out by joint-community work.



Joint team of PDA and CADA facilitator agents in transit to the Santa Clara de Uchunya native community, district of Nueva Requena.

1.5 Communities evidencing coca crops

According to the follow-up reports on coca-free communities (Monitoring), 45 communities "evidenced" coca crops. To date, we obtained a total of 22 letters from these communities for CADA to measure the hectares of coca. The remaining 23 will be visited during the III Quarter.

The verification of coca crops will be carried out during the III Quarter. CADA will identify the number of hectares of coca crops and the PDA will then carry out a negotiation process with the communities so that eradication is performed voluntarily.

3.- Constraints

The main constraints were the following:

- Misleading information campaigns in some of the areas (Aguaytía, Ucayali, Tingo María) carried out by coca leaders.
- Social unrest incidents in some places (Tingo María, Aguaytía) limits field trips for facilitator agents.
- Mistrust by some farmers regarding PDA's compliance with the program.
- Paternalistic attitude on the part of coca leaders towards development, which translates into "demands" that everything must be assumed by the program.
- CADA teams on holiday.

4.- Recommendations

- The communications area must carry out information campaigns on the achievements of the PDA.
- In those places in which "some degree of social unrest takes place", negotiations could be carried out in the presence of district or provincial authorities (Governor or Sub Prefect).
- Organize visits of authorities to communities with successful experiences; it is recommended that Local Development organizes these visits in order to "reverse" the sentiment of mistrust of these communities who are actually rather "apprehensive" about entering the Program.

- Joint work efforts coordinated with Local Development must be carried out in the communities that are most skeptical of the program.

5.- Activities planned for the III Quarter

- Obtain verification letters from communities that still have coca crops .
- Reduce communities with non-declared coca crops by 100% .
- Update database of reluctant communities.
- Identify possible new areas of intervention for the III Quarter of 2007.
- Carry out information meetings with the communities in order to obtain more CADA measurement letters.
- Continue working with the support of CADA to be able to measure more hectares.
- Obtain more framework agreement signatures from communities where coca crops have been measured.
- Voluntary Eradication of approximately 431 Ha in the Regional Offices of Tingo Maria (120), Ucayali (135), San Martín (155) and Tocache (21).
- Measure 1000 hectares in Tingo Maria (208), Ucayali (385) and San Martín (407), to boost coca-crop reduction in the IV Quarter.

LOCAL DEVELOPMENT

Introduction

The effective work of Local Development in each of the Regional Offices began in March 2006, In other words, during the II Quarter this division began to carry out activities directed at achieving the sustainability of the PDA's intervention. For this effect, each Regional Office implemented activities designed to ensure:

- Active participation of the local population for the identification, prioritization, execution and maintenance of the productive project and/or work.
- Involvement of local governments in each of PDA's activities.
- Coordination with State institutions to complement or improve activities executed by the Program.
- Facilitate the intervention of other USAID operators in districts and/or communities in conjunction with the Program.

1.- Activities carried out

Transfer of works

Regional Office	Works Transferred
San Martin	42
Tingo Maria/Aguaytia	33
Ucayali	33
Tocache	6
VRAE	0
	114

During the II Quarter Local Development offices achieved the transfer of 114 works from a total goal of 535 works (R-379 and R-217). One of the main constraints for achieving more transfers was the end of period for the public sector's financial and administrative processes.

In order to accelerate the transfer process, Local Development staff supported the regularization of documents and sensitized municipal authorities respect the "acceptance" of transfers. This process involves the local governments' responsibility for ensuring that these works of infrastructure are adequately used and maintained.

1.2 Information given to Municipalities and communities

As part of the effort to involve municipalities in PDA's intervention work, we delivered 57 information cards were delivered to the district and provincial municipalities.

This has enabled us to strengthen municipality/PDA relations in the sense that there is now more interest on the part of the local governments to complete the remaining balance of the funds needed to complete the projects. It was also important to inform the municipalities on the works that the PDA has in the pipeline so that these are not duplicated by the municipalities.



Informative Meeting for Community Authorities managing Works and

Regional Office	Information Cards delivered to Local Governments
San Martin	13
Tingo Maria/Aguaytia	16
Ucayali	8
Tocache	20
VRAE	0
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	57

A total of 458 information cards were delivered to the signatory communities. It is important to point out that these cards provide information on the advancement made by the Program. They are also particularly important since they summarize the opinions and suggestions of the members of the communities, which are passed on to the specialists. These cards are delivered in work meetings held as part of the "citizens' vigilance" organization and it is here that the members of the community and their authorities express their approval or disapproval of the information contained therein.

Regional Office	Informative Cards delivered to communities
San Martín	152
Tingo Maria/Aguaytia	146
Ucayali	50
Tocache	110
VRAE	0
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	458

The good thing of this activity is that it convinces most of the municipalities to work with the PDA and, it also has the added effect of reducing the number of community complaints made against the PDA.

1.3. Participation of Municipalities

To achieve the participation of 18 municipalities in the implementation of PDA activities, we started a process to procure municipal documents committing to co-funding, which first must be formalized by agreement of the municipal council. During the II Quarter, 16 such municipal documents were obtained committing to invest (as co-financing) the amount of S/. 494,070.

Chart 3. Participation of the Local Governments

Regional Office	Contribution Commitments	Municipalities executing the works	Committed municipal contribution S/.
San Martín	6	8	420,659
Tingo Maria/Aguaytia	2	2	18,411
Ucayali	8	8	55,000
Tocache	0	0	0
VRAE	0	0	0
	16	18	494,070

In conformity with USAID's programming for the execution of works, in the course of the II Quarter the municipalities had already contributed the amount of S/49,000. This amount will be increased as the works advance.

This new model for intervention (municipal contribution) not only signified a reduction in the amount of PDA's investment but the empowerment of the local governments in the execution of the works.

1.4 Community participation

The PDA has modified its policies in that it no longer finances 100% of its projects. Through negotiation, it has required the communities themselves to co-finance the projects by contributing with communal labor and/or construction materials.

In the negotiation processes, many communities expressed their willingness to contribute towards the construction of the work. In order to "formalize" these commitments, we procured 123 community contribution documents for an approximate amount of S/. 430,999.

Chart 4. Community Participation

Regional Office	Community Contribution documents	Community work days	Contribution committed by the communities S/.
San Martín	78	34	189,216
Tingo Maria/Aguaytia	9	0	33,603
Ucayali	33	54	150,000
Tocache	3	0	58,180
VRAE	0	0	0
	123	88	430,999

One of the Local Development division's main achievements in the II Quarter was having obtained the active participation of community members for the execution of the works. In all they executed 88 project-related tasks. The contribution of the communities through the execution of project-related tasks and contribution of

construction materials is valued at S/. 430,999. Of this total amount, S/. 84,000 have been "spent" to date. The challenge is for Local Development to use 100% of committed resources for the execution of the different tasks.



Adobe bricks made by the community of Sapotillo as contribution for the construction of the PRONOEI

In order ensure the active participation of the community in the area, Local Development must continue with its efforts to sensitize the local population and thus guarantee the agreed contribution.

1.5 Training workshops

A total of 63 training workshops were organized with the participation of 2,562 household heads. These events provided the opportunity for us to inform them on the objectives of the PDA, and give them the necessary tools so that they can understand what sort of development process their communities should have.

These workshops were conducted by PDA staff and some were carried out with the help of PRISMA. The following issues were addressed during this first intervention stage:

- Integrated Community Development
- Leadership and self-esteem
- Healthy communities

1.6 Committees for the use and maintenance of works

In order to ensure that the completed works are kept functioning as per their design, a total of 110 committees were created to supervise the use and ensure maintenance of the works. These committees were part of the environmental requirements related to the works, while others were required by the Local Development division and the authorities.

Chart 5. Committees for the use and maintenance of works

Regional Office	SAP Committees	Roads' Committees	Others
San Martín	3	3	16
Tingo	8	1	0
Maria/Aguaytia	34	31	0
Tocache	4	9	0
VRAE	1	0	0
	50	44	16

These Committees will be trained in the management of the works that have been delivered to their communities. Our greatest challenge is to ensure that the municipalities provide technical support to these Committees.

1.8 Coordination work with PRODES

Work meetings were held with the Local Technical Teams in Pucallpa and San Martín, to draft a joint schedule of activities. This plan contemplates providing support to roughly 20 communities.

It was decided to:

- Include all of the PDA's contributions to the municipalities in the PIM (Modified Institutional Budget). For this, PDA has complied with procuring the Municipal Council Agreements and the Local Technical Teams provided technical assistance.
- The Local Technical Teams offer assistance for the use of SIAF (Integrated System for Financial Administration) respect the use of PDA funds given to the municipalities.
- All of the municipalities must provide at least two expenditure reports using formats provided by PRODES.

Joint work with the Local Technical Teams achieved the following during the reporting period:

- 16 municipalities incorporated PDA's contributions into their budgets.
- 05 expenditure reports of works executed by municipalities.
- 18 municipalities that execute works with PDA's funds use SIAF.
- 05 PRODES residents offer technical support on the use of the SIAF to the municipalities within the PDA's area of intervention.

- Support provided to the communities to enable them to take part in the participative budget.
- 06 municipal officials are taking part in the SNIP training process (National System for Public Investment).

1.9 Coordinations with APRENDES

The PDA has been offering support to APRENDES in 44 Schools out of a total of 46 initially identified. Due to different reasons, two communities (Nueva Unión and Nuevo Porvenir in Padre Abad) opted not to work with APRENDES.

As part of joint work with APRENDES, the PDA :

- Facilitated the organization of training workshops directed to the communities and teachers.
- Offered support for the delivery of reading books and educational guidelines.
- Sensitized the people to encourage them to continue participating in the activities programmed by APRENDES.

2. Constraints

- Weather-related problems and others related to social unrest (lack of security) were obstacles to our visits of some communities.
- The change in policy to co-financing of works (municipalities and communities/PDA) required making strategical changes for which many communities were not prepared.
- The municipalities are used to be taken as passive "recipients" of PDA contributions.
- In view of the "general elections" situation many municipalities opt for avoiding making any commitments with the PDA.

3. III Quarter Activities

- To comply with the transfer of 100% of the works in R-379 communities.
- To train 100% of the committees on the use and maintenance of the SAP.
- To begin 100% of works in R- 217 communities.
- To ensure the compliance of communal projects tasks in the execution of the works.
- To ensure the contribution of the municipalities for the execution of the works.
- Presentation of expenditure accounts by executors.

- To continue with the information visits to the communities.
- Start strengthening producers' organizations under the approach of "association for production."
- To expedite the execution of community works according to the 2006 Plan.
- To continue obtaining the municipal council's minutes respect contributions to the Program.
- To promote public or private sector projects or activities in PDA communities.
- To continue joint efforts work with PRODES and APRENDES.

CHAPTER III

INFRASTRUCTURE

The main objective of this PDA component is to finance infrastructure projects designed to improve the quality of life in the communities that have signed voluntary coca crop reduction agreements with the PDA.

The Infrastructure component comes into play by financing projects at the design level and during the operational stage. It can undertake partial or complete financing of prioritized projects according to the level of commitment.

Financed projects are related to the construction, expansion or rehabilitation of medical posts, classrooms, schools, sports and recreational areas, potable water and/or sewage systems, drainage, and electrification grids. They are geared towards improving overall social conditions; while projects such as road rehabilitation or the construction of bridges, irrigation channels and productive infrastructure, promote economic development.

On the other hand it is important to mention that intervention of the Infrastructure component in the beneficiary communities entails indirect benefits in as much as it:

- Provides temporary income in beneficiary communities through labor requirements associated with the construction of the infrastructure projects.
- Generates employment by utilizing construction firms in the coca areas for the design, evaluation (in some cases), execution and/or supervision of projects.
- Increases the degree of interrelation between local, regional and national producers from the respective coca basins.
- Improves communities' governance by way of strategic alliances with local governments resulting from construction grants awarded to municipalities.
- Increases household income in beneficiary communities through sustainable economic activities.
- Strengthens the institutional capacity of community organizations.
- Through a spill-over effect from participating communities, increases "buy-in" and as a result broadens program impact.
- Sensitizes communities to promote sustainable use of natural resources.

Quarter Activities

The infrastructure component is guided by overarching PDA objectives and by commitments derived from community-level voluntary coca eradication agreements. For this reason, infrastructure office activity during the April – June period centered on the following:

R-379

- The main tasks carried out during the reporting quarter have focused on finishing the projects, that is, completing the reception and liquidation stages and moving on to the beginning of the transfer stage. This is shown in Tables 1 and 2.

- Agreements regarding pending commitments were reached with the Hormiga Community during the quarter. As a consequence, the PDA agreed to finance the following (through the Infrastructure component):
 - Preparation of the Technical File in preparation for the construction of the Shambo and Hormiga bridges for wheeled traffic
 - Repair of the Hormiga rural road over a distance of 3 kms.
 - Construction of a multi-purpose building in Hormiga.
 - The repair of the local highway and the construction of the multi-purpose building are programmed to commence in August.
 - Supervision of infrastructure construction projects has continued.
- The regulating document that covers the PIL projects transfer process has been put in place:
 - Transfers to municipalities within the field of action of the Tingo Maria Regional Office (32 projects) were initiated. A package of 31 projects has been prepared for transfer to entities within the Ucayali Regional office's sphere of influence during the next quarter.
 - With regard to the process of transfers to the Ministry of Education, the pertinent documentation exchanged between USAID, DEVIDA, PDA and MINEDU was approved during the quarter, resulting in a program to develop co-ordination workshops within the different spheres of influence. The object is to permit the representatives of the institutions that constitute the field projects transfer commission to become fully aware of the content of the documentation. Two workshops were set in place in June. The first was set up within the field of action of the San Martin and Tocache Regional Offices, and the second in the Department of Ucayali, thus involving the Ucayali and Tingo Maria-Aguaytia Regional Offices.
 - The projects to be transferred that fall within the Health (14) and Agriculture (3) Sectors are the responsibility of the PDA Regional Offices. These entities will take charge of project co-ordination and the eventual implementation of the process.
 - In co-ordination with the Regional Offices, the Lima Office has developed strategies for implementing operational plans and for the maintenance of works of infrastructure.

R-217

This phase of intervention is principally concerned with the implementation of projects to be financed through donation recipients, and other funding sources – for example by the communities themselves. The following activities have taken place during this quarter:

- Preparation and evaluation of technical documentation, under the guidelines set out in the instructions, taking special care to avoid functional incompatibility.
- Recognition of the practicality and viability of prioritized projects, while reconvening with those communities where actions had resulted in a negative outcome.
- During this quarter the principal projects have been launched (see Tables 1 and 2). Consequently, monitoring and supervisory functions have been initiated with reference to the infrastructural component.

Plan 2006

The intervention referred to as Plan 2006 recently implemented according to the processes and guidelines of the R-217 intervention, has involved the infrastructure component with regard to:

- The identification of those projects that can be feasibly prioritized by the communities, in accordance with their requirements and the agreements currently in place.
- Procurement of approximate budgets, in order to estimate costs to be absorbed by the PDA in accordance with commitments assumed with the beneficiary communities.

Table 1 presents the universe of infrastructure projects at each stage of the project cycle, by target region.

Table 1: Implementation Stage, by Region

R-379						
Infrastructure Project Cycle	Ucayali	San Martin	VRAE	Tingo María	Tocache	Total
In design phase	0	0	0	3	0	3
Approved/ready for contract award	0	0	0	0	1	1
In implementation	8	2	1	5	0	16
Temporarily stopped	0	0	0	0	0	0
Completed	153	56	65	152	44	470
Cancelled	1	1	13	4	0	19
Executed by other institutions	4	0	0	16	0	20
TOTAL	166	59	79	180	45	529

R-217					
Infrastructure Project Cycle	Ucayali	San Martin	Tingo María	Tocache	Total
Pre-implementation	4	0	0	0	4
In design phase	11	7	4	0	22
Approved/ready for contract award	1	3	1	1	6
In implementation	20	60	4	2	86
Completed	2	4	0	0	6
Cancelled	1	19	2	2	24
To be re-formulated	0	3	0	0	3
TOTAL	39	96	11	5	151

Table 2, which presents a breakdown by project type, shows the distribution according to phase of execution (pre-implementation, in execution, completed).

Table 2: Summary: Project Status, by Project Type

General Classification	Project Type	Pre Implementation	In Execution	Completed
<u>R-379</u>				
Educational Infrastructure	Educational centers	0	4	110
	Community Centers	2	0	116
Community Infrastructure	Community Infrastructure	0	3	8
	Steps	0	0	4
	Recreational areas	0	0	20
Water and Sewage	Construction of sewage infrastructure	0	0	6
	Potable Water systems	0	3	76
Health Infrastructure	Health Post	0	2	12
Road Infrastructure	Road Rehabilitation	1	1	61
	Bridge Construction	1	2	31
Economic Infrastructure	Productive infrastructure	0	0	8
	Irrigation channel construction	0	0	2
Electrification	Electrification System Construction	0	1	14
Other	River Embankment Protection	0	0	2
TOTAL R-379		4	16	470
<u>R-217</u>				
Educational Infrastructure	Educational centers	3	37	4
Community Infrastructure	Community Centers	1	17	0
	Community Infrastructure	3	2	0
Water	Potable Water systems	10	6	0
Health Infrastructure	Health Post	0	2	0
Road Infrastructure	Road Rehabilitation	4	12	1
	Bridge Construction	4	1	0
Economic Infrastructure	Productive infrastructure	0	4	0
Electrification	Electrification System Construction	6	1	1
Other	Engineering structures	1	4	0
TOTAL R-217		32	86	6

In this quarter the number of project start-ups R-379 were two and correspond to: 1.) the “Culmination of the Jose Crespo y Castillo Repair Shop Parking Lot”, for which financing was requested by the Jose Crespo y Castillo District Council (Tingo Maria) and accepted by USAID, and 2.) the “Maronilla Potable Water System” project, also within the Tingo Maria Regional Office’s sphere of influence.

The relationship of the number of project start-ups R-217 (15 totals) is shown below:

Table 5a: Project Start-Up, by Region

Period		Number of Infrastructure Projects		
		Ucayali	San Martin	TOTAL
2006	April	2	0	2
	May	0	0	3
	June	0	13	0
	TOTAL	2	13	5

Regarding “Plan 2006” intervention, five projects are in design and evaluation phases. Two correspond to education centers, two to productive infrastructural works, and one to a potable water system. All five fall under the auspices of the San Martin Regional Office.

Also, in this quarter 12 projects were completed within the R-379 implementation (excluding complementary works), as shown in Table 5b:

Table 5b: Completed Projects, by Region

Period		Number of Infrastructure Projects			
		Ucayali	Tingo Maria	San Martin	TOTAL
2006	April	2	2	3	7
	May	1	0	2	3
	June	1	0	1	2
	TOTAL	4	2	6	12

Note: This does not include complementary works (bathroom installations)

Finally, others key internal improvements were made this quarter, like:

- Regulating cost bases in each region, per type of infrastructure work, based on historical PDA data, to be used in project formulation.
- Monitoring, coordinating and supporting the development of the new functions assumed by Regional Specialists as a result of the decentralization process.

A2. Lessons learned

- The participation of different financial sources in the development and execution of projects help to foment their sustainability. This includes the following factors:
 - Working with the communities in their commitment to operate and maintain executed works as well as to improve their level of organization.

- Working with local and regional governments by strengthening cooperative work relationships with beneficiary communities.
- Delegating the execution of works keeping in mind (previous) performance of executing entities (sub-contractors or donors).
- The implementation of stricter contractual tools makes it easier to meet the deadlines and attain quality products (technical files, execution, supervision), resulting in budget compliance and even savings.
- On-site visits are a key in ensuring community satisfaction and sub-contractor or donor compliance.
- Coordinating efforts with institutions and/or entities related to the Infrastructure projects in order to obtain:
- Ensuring technical support for optimal development of the projects.
- Obtaining the required documentation within the stipulated time-frames so as to be able to transfer the completed works as soon as possible after these have been concluded.

A3. Recommendations

- Infrastructure staff should continue intervention from the outset in the planning of PDA intervention in new geographic units.
- Continue the use of direct-hire supervisors.
- Given that in the new R-217 and 'Plan 2006' interventions stage, most work will be carried out with donors and with the co-financing of third parties, we recommend foreseeing legal and contractual mechanisms that contribute to ensure due compliance of the works and their financing.
- To keep in mind the database for municipal governments to red-flag those with lackluster performance and non-compliance issues at the time of delegating the execution of the works.
- Continue to perform evaluations of project implementation in order to identify shortfalls and determine best practices.
- Increase the amount of on-site inspections.
- Project cost bases created at the regional level, which have served as the basis on which to prepare the technical files for the R-217 projects will be subject to ongoing evaluation as the works are developed. The aim of this is to obtain standard costs for the works in PDA's intervention areas.
- The operation should be initiated and maintained within optimal deadlines to obtain the best results.
- Offer advice and financial follow-up with donation recipients in order to ensure compliance with the rendering of expense accounts related to projects.

A4. Constraints

- Inability of Donors to comply with established work schedules.
- In relation to the Donors as executing entities, the contractual – legal tools are not and cannot be sufficiently strict as to guarantee the fulfillment of datelines, the non-occurrence of work stoppage and as consequence incurrence of greater costs.

- Social protests, organized coca producer strikes (paro cocalero) and security measures to counteract the presence of terrorism in the intervention zones restrict access to PDA areas.
- The lack of experience of Donation Recipients in rendering financial accounts has resulted in a discrepancy in the amounts to be disbursed by the PDA. The Recipients failure to present adequate accounts has had the following effects:
 - The Donation Recipients/Municipalities refuse to act as transfer agents for the projects.
 - They fail to pay the workers on the projects (community members).
 - The community beneficiaries refuse to sign the legal documents that are required for the termination and subsequent transfer of works.

A5. Activities for next quarter

The activities for the upcoming quarter include:

R-379

- Start-up remaining R-379 commitments (4 works).
- Define the commitment of the Infrastructure component with respect to the work to be reformulated, remnant of R-379.
- Complete the bulk of R-379 commitments.
- Transfer the infrastructure works to the corresponding entities (Education, Health, Agriculture and District or Provincial Municipalities).
- Development and implementation of the strategy for the operation and maintenance of infrastructure works.
- Monitor and track implementation of projects underway in order to ensure technical, environmental, and timeline compliance.

R-217

- Monitor fulfillment of the assumed Infrastructure commitments.
 - Formulate and evaluate technical files.
 - Obtain approval of technical files by the other financing entities.
 - Adjudicate contract awards for the execution of projects to the Donors qualified by PDA's Finance Area.
 - Execution of works.
- Implement control tools and open new fields of information. This would have a significant bearing on results.
- Training of regional PDA staff.

ECONOMIC ACTIVITIES

Executive Summary

Economic activities in the PDA area of intervention were focused on monitoring the crops that are being planted as part of the commitments assumed under the R379 and on undertaking tasks related to the installation of pending projects. The regional offices directed their activities towards closing the grant agreements and sub-contracts that are now technically complete.

This period also saw the completion of the process to formulate and sign the grant agreements and the sub-contracts of technical assistance to attend the beneficiaries of the R217 and those pending under the R378.

Field visits to the areas of Tingo Maria and Tocache were restricted as a result of direct threats made by terrorists against PDA (Chemonics International) staff. This hindered our work in the field. We expect that this level of risk will gradually decline so that we may be able to resume our field work normally again.

Staff employed in the Economic Activities divisions in PDA's regional offices received training on how to operate the information module. This will provide them with a tool that allows them to monitor and supervise the activities, as well as manage the information for decision-making for the benefit of specialists, coordinators, management, regional direction and PDA direction, at their corresponding work levels.¹

Additionally, inspections carried out by the Environmental division in the areas of Tingo Maria, Ucayali and San Martin to check on the grass, cacao, and rice crops belonging to the R379, have helped to identify the non-compliance of some of the environmental conditions, which in turn has made it necessary for us to develop a mitigation plan² to alleviate the impacts encountered.

Results

Stage R379

During this period the hectares of pending crops were reduced from 2,366 to 106. From those, 34 Ha of cacao correspond to the community of Juanjuy and 72 Ha of soil improvement for rice to the area of Ucayali. It must be noted that the 1,060 Ha of bananas, 97 Ha of hearts of palm and the 1,335 Ha of oil palm that have been completed during the reporting period must be added to the 10,186.25 hectares reported during the former quarter. Regarding the 1,453 Ha of 'paralyzed' crops reported in the previous report, we can now report that the administrative problems have been solved and the agreements in question have been terminated (oil and heart palm).

¹ Standards have been integrated in the recording of progress of each crop, as well as in the supervision of donating entities and supervisors.

² The mitigation plan has been developed and will be shortly put into effect.

SITUATION OF PRODUCTIVE PROJECTS R-379

ESTADO AGRONOMICO R-379

CULTIVO	CONCLUIDO		EN EJECUCION		PARALIZADO		POR INICIAR		RENUNCIANTE		TOTAL	
	Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias
Arroz	201.00	201									201.00	201
Cacao			14,849.50	13,403			34.00	34	1,233.50	876	16,117.00	14,313
Café			2,883.75	2,687					592.25	433	3,476.00	3,120
Camu Camu	59.75	57									59.75	57
Cítricos			265.00	313							265.00	313
Frijol			21.00	21							21.00	21
Maiz	1,993.00	1,943	66.00	66							2,059.00	2,009
Mani	275.75	304									275.75	304
Molino de Granos	1*	64									1*	64
Palma Aceitera	1,335.00	267	1,072.00	532							2,407.00	799
Palmito	97	97			21.00	21					118.00	118
Papaya	22	22									22.00	22
Pastos	2,470.00	1890	2,986.50	1326							5,456.50	3,216
Piladora de Arroz	3*	128									3*	128
Piña	66.75	183	2.50	20							69.25	203
Platano	1,060.00	1030	168.50	149							1,228.50	1,179
Algodón	4,968.00	3182	108.00	76							5,076.00	3,258
Mejoramiento de Suelos							72.00	36			72.00	36
TOTAL	12,548.25	9,368.00	22,422.75	18,593.00	21.00	21.00	106.00	70.00	1,825.75	1,309.00	36,923.75	29,361.00

* Hectares have not been counted

Table 1

Stage R217

In the reporting period, the regional offices maintained a presence at the start-up of all of the prioritized crops. The only thing pending now is the start-up of 94 Ha of oil palm in Ucayali and 4 Ha of hearts of palm in Aguaytía. Also, 468 Ha of rice were concluded; they belong to the Development Unit of Baja Huallaga 1 – San Martín.

AGRONOMIC SITUATION BY CROPS R-217

ESTADO AGRONOMICO POR CULTIVOS R-217

CULTIVO	CONCLUIDO		EN EJECUCION		POR INICIAR		TOTAL	
	Has	Familias	Has	Familias	Has	Familias	Has	Familias
Arroz	468.00	468					468.00	468
Cacao			2,678.00	2,614			2,678.00	2,614
Café			870.00	885			870.00	885
Cítricos			6	12			6.00	12
Palma Aceitera			64	34	94.00	63	158.00	97
Palmito			163.00	163	4.00	4	167.00	167
Plátano			12.00	12			12.00	12
Piña			6.00	26			6.00	26
Semillero de piña					1*	18	1*	18
Pastos			759.50	596			759.50	596
TOTAL	468.00	468.00	4,558.50	4,342.00	98.00	85.00	5,124.50	4,895.00

*Hectares Not counted.

Table 2

Agronomic Situation of Crops in the Regional Offices

San Martín Regional Office R379 and R217

During the present quarter, the Regional Office has continued working with 5,046.50 Ha of cacao, backed by the program since 2004 – 2005. Of those, 3,188 are located within the Juanjuy Operative Unit and 1,858.50 in Chazuta (Table 3). The installation

of 34 Ha of cacao in the community of Chumanza that is still pending will be started in July.

With respect to the activities of R217, we have begun attending 3,285 Ha of crops. The main crop is cacao with 2,426 Ha, of which more than 90% are new installations. Coffee is the second most important crop with 696 Ha, of which 38% are new installations and 62% are existing plantations. Hearts of palm are also being produced although in a smaller quantity (163 Ha).

The important role of the technical assistance sub-contractors is to be praised. These are enterprises that form part of distribution chain for the sale of these products, and include companies such as ACOPAGRO, and Agroindustrias Mayo in the cacao business, Alianza in the hearts of palm business and La Cooperativa Oro Verde in the coffee business.

SUMMARY OF AGRONOMIC SITUATION – BY CROPS IN SAN MARTIN

RESUMEN DEL ESTADO AGRONOMICO POR CULTIVO EN SAN MARTIN

DIRECCION REGIONAL	CULTIVO	CONCLUIDO		EN EJECUCION		PARALIZADO		POR INICIAR		RENUNCIANTE		TOTAL	
		Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias
SAN MARTIN R-379	Cacao			5,046.50	5,077			34.00	34.00			5,080.50	5,111
	Maiz	1,513.00	1,513									1,513.00	1,513
Sub Total, R-379		1,513.00	1,513	5,046.50	5,077	0.00	0.00	34.00	34.00	0.00	0.00	6,593.50	6,624
SAN MARTIN R-217	Arroz	468.00	468									468.00	468
	Cacao			2,426.00	2,426							2,426.00	2,426
	Café			696.00	696							696.00	696
	Palmito			163.00	163							163.00	163
	Sub Total, R-217	468.00	468	3,285.00	3,285	0.00	0.00	0.00	0.00	0.00	0.00	3,753.00	3,753
TOTAL SAN MARTIN		1,981.00	1,981	8,331.50	8,362	0.00	0.00	34.00	34.00	0.00	0.00	10,346.50	10,377

Table 3

Tingo Maria Regional Office R379 and R217

Important changes have occurred during the present quarter with respect to the work load and geographic division of this office. Tocache was converted into an independent office and is no longer an operative unit of Tingo Maria. However, the Operative Unit of Aguaytia was incorporated into this Regional Office, and it is now called Tingo Maria – Aguaytia Regional Office. In the previous report, the office had to deal with 7,533.88 Ha where 6724.88 Ha were in process, only 373 Ha were completed and 436 Ha were pending initiation. This has changed notably since then, despite an increase in the number of hectares we have committed to (10,747.50). Our present results are as follows: 7,481 Ha in process, 3,241 concluded and only 24 paralyzed, leaving only 4 Ha pending initiation.

In spite of the existing security problems in the area and the restrictions on field visits, project formulation has been completed and projects have been started resulting in the fact that almost no hectares remain pending initiation.

SUMMARY OF AGRONOMIC SITUATION IN TINGO MARIA-AGUAYTIA – BY CROPS

RESUMEN DEL ESTADO AGRONOMICO POR CULTIVO EN TINGO MARIA-AGUAYTIA

DIRECCION REGIONAL	CULTIVO	CONCLUIDO		EN EJECUCION		POR INICIAR		PARALIZADO		TOTAL	
		Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias
TINGO MARIA-AGUAYTIA R-379	Cacao			2,861.75	2,831					2,861.75	2,831
	Café			1,402.25	1,487					1,402.25	1,487
	Camu Camu	59.75	57							59.75	57
	Cítricos			265.00	313					265.00	313
	Frijol			21.00	21					21.00	21
	Maíz	150.00	194	66.00	66					216.00	260
	Molino de granos	1*	64							1*	64
	Palma Aceitera	1,335.00	267	18.00	18					1,353.00	285
	Palmito	97.00	97					21.00	21	118.00	118
	Papaya	22.00	22							22.00	22
	Pastos	587.00	477	2,419.50	827					3,006.50	1,304
	Piladora de Arroz	2*	73							2*	73
	Piña	66.75	183	2.50	20					69.25	203
	Platano	924.00	877	139.50	120					1,063.50	997
	Sub Total R-379		3,241.50	2,311	7,195.50	5,703	0.00	0	21.00	21	10,458.00
TINGO MARIA-AGUAYTIA R-217	Cacao			30.5	22					30.50	22
	Café			60	60					60.00	60
	Cítricos			6	12					6.00	12
	Palma Aceitera			64	34					64.00	34
	Palmito					4	4			4.00	4
	Pastos			121.5	61					121.50	61
	Piña			0.5	4					0.50	4
	Platano			3	3					3.00	3
	Semillero de Piña					1*	18			1*	18
	Sub Total R-217		0.00	0	285.5	196	4.00	22	0.00	0	289.5
TOTAL TINGO MARIA-AGUAYTIA		3,241.50	2,311	7,481.00	5,899	4.00	22	21.00	21	10,747.50	8,253

* No se cuentan en hectáreas

Table 4

Ucayali Regional Office R 379 and R 217

After the Regional Office finished formulating its projects, it proceeded to put nearly all of its projects into operation - except one: soil improvement which represents 72 Ha of the total number of hectares pending for the R 379.

With respect to the R-217, the total number of hectares considered in the projects amount to 947 Ha. Of these, 853 have been started, leaving only 94 Ha pending. This represents 10% of the commitment and belong to an oil palm project that will be started as soon as the weather conditions improve.

As in the case of the Tingo María, there have also been important changes in this office, with respect to the geographical divisions and project load. During the reporting quarter, the work load and commitments of the Aguaytía unit were divided, made official and transferred to another Regional Office. Right now, the operative units incorporated in the RO Ucayali are: Neshuya and Puerto Inca. In the former quarterly report the number of hectares that this office had to attend to amounted to 18,830, where 8,024.50 were completed Ha, 6,102 Ha were in process and only 166 Ha were pending initiation. These are encouraging figures, considering that there are no more hectares paralyzed and pending projects amount to a mere 1.5% of the total commitment. This all means that we have overcome the problems that were affecting project execution.

SUMMARY OF AGRONOMIC SITUATION IN UCAYALI – BY CROPS

RESUMEN DEL ESTADO AGRONOMICO POR CULTIVO EN UCAYALI

DIRECCION REGIONAL	CULTIVO	CONCLUIDO		EN EJECUCION		POR INICIAR		TOTAL	
		Has	Familias	Has	Familias	Has	Familias	Has	Familias
UCAYALI R-379	Algodón	4,968.00	3,182	108.00	76			5,076.00	3,258
	Cacao			2,213.75	1,875			2,213.75	1,875
	Maíz	330.00	236					330.00	236
	Mejoramiento de suelos					72.00	36	72.00	36
	Palma Aceitera			1,054.00	514			1,054.00	514
	Pastos	1,883.00	1,413	567.00	499			2,450.00	1,912
	Plátano	136.00	153	29.00	29			165.00	182
	Piladora de Arroz	1*	55					1*	55
Sub Total R-379		7,317.00	5,039	3,971.75	2,993	72.00	36	11,360.75	8,068
UCAYALI R-217	Cacao			215.00	153			215.00	153
	Palma Aceitera					94.00	63	94.00	63
	Pastos			638.00	535			638.00	535
Sub Total R-217		0.00	0	853.00	688	94.00	63	947.00	751
TOTAL UCAYALI		7,317.00	5,039	4,824.75	3,681	166.00	99	12,307.75	8,819

Table 5

Tocache Regional Office R379 and R217

According to Table N° 6 cacao is the main crop grown in this valley (R379 – R217), with 1,746.5 Ha., involving 1,753 families. In second place is coffee with 417 Ha mainly in the Shunte area. Of this total the program continues supporting 1,740 Ha of cacao and 303 Ha of coffee crops that were installed by the PDA between 2004 – 2005, providing training programs for the farmers on how to prune, maintain and prepare bio-fertilizers to boost productivity when the plants grow.

With respect to the R217 activities, work was started with 173 families. These families committed to the productive projects at the moment of signing the frame agreement. The main crop was coffee, with 114 Ha, followed by banana, cacao and pineapple.

SUMMARY OF AGRONOMIC SITUATION IN TOCACHE – BY CROPS

RESUMEN DEL ESTADO AGRONOMICO POR CULTIVO EN TOCACHE

DIRECCION REGIONAL	CULTIVO	CONCLUIDO		EN EJECUCION		PARALIZADO		POR INICIAR		RENUNCIANTE		TOTAL	
		Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias
TOCACHE R-379	Arroz	201.00	201									201.00	201
	Cacao			1,740.00	1740							1,740.00	1740
	Café			303.00	303							303.00	303
Sub Total, R-379		201.00	201	2,043.00	2,043	0.00	0	0.00	0	0.00	0	2,244.00	2,244
TOCACHE R-217	Cacao			6.50	13							6.50	13.00
	Café			114.00	129							114.00	129.00
	Plátano			9.00	9							9.00	9.00
	Piña			5.50	22							5.50	22.00
	Sub Total, R-217		0.00	0	135.00	173	0.00	0	0.00	0	0.00	0	135.00
TOTAL TOCACHE		201.00	201.00	2,178.00	2,216.00	0.00	0.00	0.00	0.00	0.00	0.00	2,379.00	2,417.00

Tabla 6

VRAE R-379 Regional office

Training by technical assistance staff on techniques for harvesting coffee and cacao and post-harvest processes, was emphasized in the reporting period, since this is the corresponding season. We also worked with farmers teaching them how to care for the plantations installed by the program.

SUMMARY OF AGRONOMIC SITUATION IN THE VRAE – BY CROPS

RESUMEN DEL ESTADO AGRONOMICO POR CULTIVO EN EL VRAE

DIRECCION REGIONAL	CULTIVO	CONCLUIDO		EN EJECUCION		PARALIZADO		POR INICIAR		RENUNCIANTE		TOTAL	
		Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias	Has	Familias
VRAE R-379	Cacao			2,987.50	1880					1,233.50	876	4,221.00	2756
	Café			1,178.50	897					592.25	433	1,770.75	1330
	Mani	275.75	304									275.75	304
TOTAL VRAE		275.75	304	4,166.00	2,777	0.00	0	0.00	0	1,825.75	1,309	6,267.50	4,390

Tabla 7

Information System Module for Economic Activities

This Information System Module for Economic Activities was proposed to assist in the supervision, monitoring and decision-making of economic activities and is already under operation.

The information modules contain the following:

Grant Agreements: All information in connection with the agreements, from the data of the awarding entities to those of the beneficiaries.

Technical Assistance and Supervision: Comprise all the information on sub-contracts for technical assistance down to the minimum level of the beneficiaries. It also includes a supervision module to monitor technical assistance activities in the field.

Reports: Reports are shown by regional office. It shows the different tables designed to submit information in order to determine the progress made in each of the processes. It is very useful to have this information when decisions have to be taken.

All personnel involved in the regional offices have participated in training courses on the use of the system. It is currently in the 'testing' stage.

Lessons Learned

After having trained and having received the approval of those involved, the module has entered into a process of continuous improvement. It is necessary for the IT division to have the necessary capacity to respond and to be able to put the constant improvements into effect.

Recommendations

It is urgent to accelerate the technical closure of the grant agreements than have been concluded.

The quality of the projects must be improved by increasing the number of technicians and promoters that provide technical assistance to help us reach the beneficiaries of productive projects more easily.

Priority should be given to implementing the information system in the sense that we should try and complete the test stage as quickly as possible, and to this end we suggest hiring an expert who can focus on economic activities exclusively, for a period of two months.

NATURAL RESOURCES AND ENVIRONMENT

1. Executive Summary

The activities of the Natural Resources and Environment Area, for the present quarter, have developed according to what was programmed in the Annual Operative Plan in each Regional Office, and have basically focused on the follow-up and supervision of environmental compliance as well as on productive and infrastructure projects currently in execution in conformity with the guidelines which have been established in the PEA.

Likewise, the elaboration of the Initial Environment Tests of R217 projects, and the corresponding approval from DEVIDA, previously revised at the regional offices and at the Lima office has continued. Within the process of the PEA, in this quarter, the environmental inspection of cocoa in the Northern area of San Martin, thru sampling, has been carried out in 379 plots. The objective of the environmental inspections is to identify the significant environmental impacts caused by the development of the projects, and to present alternatives to mitigate negative environmental impacts.

In relation to coordination with DEVIDA, we participated in the organization of the workshop on the Evaluation of Productive Projects and Territorial Ordering. This workshop was addressed to consultants, technical assistance, donors and sub-contractors who are currently involved in the implementation of different projects throughout the PDA.

In relation to forest activities, approval has been granted to the R379 projects, corresponding to local forests, forest management within native communities, and privately owned plots and reforestation.

2. Natural Resources Management's Objectives

To promote and establish legal economic activities based on the responsible use of forest resources in such a way that the participating population may have access to better living conditions.

To contribute to the different projects undertaken by the PDA in order that such would develop according to Peru's environmental laws and USAID's environmental law 216.

3. Results

3.1 Projects executed – economic activities involving the use of forest resources

Exhibit 1 includes a table (Table 1) showing the projects that are currently undergoing execution or which have recently been concluded in each of the regional offices. The table includes a total of 26 forest projects.

The following sections provide a series of comments on the projects executed during the reported period.

Local forests and carpentry modules

Natural Resources and Environmental Administration is currently taking part in the Inter-Institutional Committee of Local Forests directed by INRENA and which is formed by USAID partners involved in forest activities and DEVIDA. Work is

presently underway on the drafting of the Proposal which would modify the Local Forest Regulation established in Peru's Tropical Forest Conservation Act currently in force.

Apart from seeking to achieve the implementation of local forests, we intend to install carpentry modules in communities with local forests or communities which are in the process of obtaining local forests, as explained in further detail below.

3.1.1 TINGO MARIA

THE LOCAL FOREST PROJECT OF GOSÉN – TINGO MARIA

In order to move forward with pending activities, work was coordinated with the authorities of the Local Forest of Gosén for legalizing of the minutes and bylaws and therefore carrying out its registry in the Public Register of the Association.

We have been elaborating the proposal of the project for the donation of carpentry shops in Gosén, which must be socialized with the donor and the authorities of the local forest.

LOCAL FOREST PROJECT IN BAJO GUAYABAL IN PADRE ABAD

Coordination with Inrena-Ucayali, has permitted to foresee the feasibility of the establishment of the local forest. These coordinated efforts have permitted the improvement of activities with the community.

LOCAL FOREST PROJECT IN HORMIGA IN PADRE ABAD

On the basis of conversations with the authorities and beneficiaries of the Hormiga community, it was agreed to carry out the rehabilitation of 3 Km of the road prior to the establishment of the local forest. Coordination is under way with Inrena in order to verify if a reforestation project does exist in the area.

3.1.2 TOCACHE

Mantencion Local Forest Project

At present, the technical files are under a process of revision by Ogateir-Inrena. At present observations are being studied for the subsequent derivation, once again, to INRENA for the corresponding approval of the Local Forest through an Administrative Ruling.

Alto Santa Cruz Local Forest Project

To date, the locality of Alto Santa Cruz has an administrative ruling for local forest establishment: N° 202 – 2005. The possibility has been studied to carry out the procedures for the implementation of way-bills and of the RUC (Single Contributor's Tax) for the exploitation of the first annual crop campaign, as well as the implementation of the project's carpentry module.

The donation process for the carpentry and wooden-boxes module is in its initial stages.

Forest Project Proposal in Nuevo Oriente

Coordination with local authorities of the Local Forest is under way for negotiation of changing the Bosque Local project. The proposal of agro-forestry Systems or the installation of forestry species in farmers' properties is ready.

3.1.3 SAN MARTIN

Local Forest of Shumanza- District of Campanilla

Due to the completion of the elaboration of the first technical file through which 500 Ha will be established and 67 families would be benefited directly, significant advances have been achieved in the establishment of this local forest. The technical file is now at INRENA's Forest Information Center (Centro de Información Forestal or CIF) undergoing review.

Rubber Project

Rubber Project in the community of Achinamiza in Bajo Huallaga

The geo-referencing and delimitation of the perimeter activities have been completed. The rubber tree plantations consist of 100 to 150 trees. The community is actively engaged in this project. It is setting up an association of rubber producers, which as a result, will strengthen sales.

MUNICIPAL CONSERVATION AREAS

Municipal conservation area in the Mishquiyacu Basin in Tres Unidos – Picota Districts

The "Establishment and Management of the Municipal Conservation of the Mishquiyacu Basin in the Tres Unidos District Area", in an inter-institutional management meeting was able to define the presence of strategic allies: CIMA – Cordillera Azul: CEDISA: Centro de Conservación, Investigación y Manejo de Áreas Naturales ARAA - CHOBA CHOBA: Centro de Desarrollo e Investigación de la Selva Alta, Asociación Rural Amazónica Andina, Mayor of the Tres Unidos District and Environment Councilman and Natural Resources Area of the PDA. The budget organization of the contributions for each of the participants is being carried out at present.

3.1.4 UCAYALI

SANTA MARTA AND UNIPACUYACU

The Municipality of Puerto Inca has accepted to be the project implementer for this activity. The community was consulted on the approval of the Donation Agreement, as previous requisite of this process. This Municipality was elected, due to its positive work-record with the program.

For technical assistance a preliminary evaluation of the first stage has been carried out. The project has been budgeted and five months of work have been programmed.

Forest Management in privately owned plots

Pijuayo Winston

The forest management pilot program in privately owned plots has been carried out. This experience has been repeated in four additional villages, with the voluntary participation of beneficiaries, which guarantees a greater commitment for appropriate management of these forest areas.

One of the characteristics of this project, and INRENA's requisite for the obtainment of forest licenses, is the work which needs to be carried out with land-holding titles beneficiaries. In the case of two new villages participating in this project, PETT has visited the communities for coordination and posterior presentation of property titles on the basis of the field work carried out by the PTT.

Work has ended at the Pijuayo Winston village. It is a matter of time before all beneficiaries obtain their RUC for its corresponding presentation to INRENA.

The four communities in which the project was implemented are Santa Cruz, Nueva Bellavista, Mar de Plata and Miguel Grau in the district of Irazola.

Forest Management in forests, belonging to native communities

CCNN Sinchi Roca

INRENA has issued a Norm approving the GFMP of Sinchi Roca. In light of the situation USAID has requested the continuation of the forest management process with this community until the forest certification for the managed area has been obtained. AIDER has been contracted to carry thru this area's certification process. Field work commenced towards the end of June and has been programmed for the six following months, period in which FSC forest certification must be obtained.

CCNN Unipacuyacu

The process of approval by the PGMF has been stopped because the community lacks title to the property, which would accredit it as holder of the area. In order to find a solution to this problem, INRENA must carry out the exclusion of the entire permanent forest production area by means of a Ministry ruling.

CCNN Santa Martha

The GFMP is now at its final stages. Visual inspection has already taken place. The Approval Ruling of the Management Plan has been delayed due to the transfer of INRENA personnel, which is in the process of re-taking, pending issues. It is expected that the norm would be issued before the end of July 2006. In spite of the lack of an approval ruling by INRENA, AIDER has commenced field work for this area's certification.

THE PEA AND ITS IMPLEMENTATION PROCESS

3.2. ENVIRONMENTAL INSPECTIONS

VALLEY: ORTM-AGUAYTIA

PRODUCTION PROJECTS

Inspections have been carried out during the execution of productive projects of cocoa, coffee, and plantain crops in the area of Padre Abad. This inspection will permit the identification of potential impact, which could be produced during the process of crop implementation. This inspection process is based on a sample of 20% of the supervised plots per crop, for a period of 18 effective field workdays. The results have already been presented by the consultants and are currently in process of technical evaluation.

Infrastructure Projects

Environmental Tests

During the present quarter, Initial Environmental Tests have been elaborated, of which some already have been approved by DEVIDA and others are still pending.

Technical Files

During the present quarter, five technical files have been evaluated. This process includes the study of all of the environmental measures to be considered in the technical file, according to the Initial Environmental Test and the project's characteristics.

Training Sessions

Together with DEVIDA, a workshop related to the environmental evaluation of a productive project and territorial ordering was elaborated. In this workshop, several diverse technical assistance professionals involved with the PDA and consultants, who are in the process of elaborating the Initial Environmental Tests, took part. The objective of this workshop was strengthening the implementation process of the environmental measures considered in the development of the project.

Valley: Tocache

Environmental Tests

The prioritization of the communities' projects has been identified. At present, coordination is under way with economic activities for the justification of these projects in order to carry out the Initial Environmental Tests.

Technical Files

Four infrastructure projects have been evaluated. The environmental conditions for the development of each of these evaluated projects have been verified and improved.

Valley: San Martín

Environmental Inspections

Production Projects

Environmental inspection of cocoa producing projects in Bajo Huallaga

Environmental inspections are being carried out on a sample basis from 20% of the total number of plots. At present, 373 plots are subject to the inspection process. The results of these inspections will permit the proposal to mitigate alternatives.

Environmental Tests

During this quarter, almost all Initial Environmental Tests have been carried out. At present, most had been approved by DEVIDA and others are being revised.

Technical Files

The review of 30 technical files has been evaluated, with the inclusion of budgeted technical environmental measures such as projects for the rehabilitation of country roads, potable water systems and classrooms.

Valley: Ucayali

Environmental Inspections

Production Projects

The Olamsa project is currently, in the environmental observations studies process. The inspections of the cocoa and coffee crops have begun, with a sample of 20% of 380 plots.

Infrastructure Projects

The inspection of infrastructure projects of R379 has been carried out as normal. Most of these projects are at their closing stage.

Initial Environmental Tests

After signing the frame agreement, the Initial Environmental Tests (EAI) of prioritized projects for each community are carried out. These evaluations are public. The members of the community participate and the environmental viability of the projects, as well as the establishment of the environmental conditions to be implemented is determined.

In December the elaboration of the EAI for the signing communities of the 2005 Plan was initiated. An advance in the order of 95% has been obtained, to date.

TECHNICAL FILES

There are 34 for projects which to correspond to R217. The Environmental Area has revised an approved 25 technical files, of which 9 have already signed the frame agreement. A large number of the projects are of categorical exclusion that is to say, did not meet the environmental criteria for implementation.

San Martín

Status of EAI	N° of EAIs	INF	PROD
Delivered to DEVIDA	68	48	20
Approved by DEVIDA	64	44	20
Observed	04	04	0
Elaboration	23	11	12
Total :	87	56	32

Ucayali:

Status of EAI	N° of EAIs	INF	PROD
Approved by DEVIDA	75	41	34
In revision by PDA	02	0	2
In elaboration	05	1	04
Total :	84	41	40

Tingo María-Aguaytia

Status of EAI	N° of EAIs	INF	PROD
Approved by DEVIDA	3	3	0
In elaboration	0	0	0
Total :			

3.2.4 MONITORING OF ENVIRONMENTAL ACTIVITIES

Table 2. Inspected Projects

Regional Office	Files evaluated		Initial Environmental Studies		Environmental Inspections		Elaboration of Environmental Management Plan
	Infrast.	Produc	Infrast.	Produc.	Infrast.	.	Infrast.
Tingo María	5	0	3	0	0	0	0
San Martín	58	3	84	66	4	0	0
Vrae	0	0	0	0	0	1	0
Ucayali	25	0	41	34	13	2	0
TOTAL	88	3	128	110	17	3	0

Key issues related to application by the PEA include the following:

Justification of projects to be implemented must be considered for up to standard elaboration of initial environmental studies.

The follow-up of environmental inspections of productive projects must be carried out in on-going coordination with technical assistance to improve the application of environmental norms.

Respect infrastructure projects, it is very important to consider the makeup of the maintenance committee. Not just its organization and set-up but also the need of an induction and training accompaniment.

The alternatives for mitigation plans of productive projects must be agreed with farmers together with an induction and training process.

Conclusions and recommendations

Lessons Learned

Close articulation with the rest of the areas permits satisfactory coordination with technical activities.

Frequent articulation with technical assistance permits a better development of environmental norms.

Environmental inspections must culminate with the proposal of alternatives for practical mitigation and field applicability, and not merely the identification of environmental impacts.

Constraints

- The execution of environmental activities through the municipalities has not been appropriately developed. To improve on that we must explain the importance of environmental norms through practical orientations.
- To date, we have not obtained satisfactory elaboration of environmental tests. Some consultants' performances have been sub-standard.
- Field visits in Tocache and Tingo Maria are subordinate to security measures.

Challenges

- To strengthen the application of environmental measures in the development of productive projects jointly with farmers.
- Critical environmental factors, such as slash-and-burn and deforestation are issues whose incidence must be lowered with the help of strategic allies.

Recommendations

- Close articulation with involved actors in the PDA, with the objective of improving the application of environmental norms.

5. Future Activities

Table 5 includes a list of what we consider to be key activities for forest-related projects for the consolidation of forest management as the main mitigation action of PDA's activities.

Table 5. Future Key Activities

Regional Office - San Martín

KEY FUTURE ACTIVITIES

Forest Certification of the Forest managed by Sinchi Roca
Approval of PGMF of Santa Maria and certification of the area
PGMF Local Forest Jose of San Martín de Chia
Rubber module CCNN Santa Marta and Unipacuyacu
Improvement of rubber module of Puerto Nuevo
Establishment of the Independiente Local Forest
Establishment of the Condor Local Forest
Set up of agro-forestry systems in Miraflores

KEY FUTURE ACTIVITIES

- Forest Certification of the Forest managed by Sinchi Roca
- Approval of PGMF of Santa Maria and certification of the area
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- Rubber module CCNN Santa Marta and Unipacuyacu
- Improvement of rubber module of Puerto Nuevo
- Establishment of the Independiente Local Forest
- Establishment of the Condor Local Forest
- Set up of agro-forestry systems in Miraflores

Tingo María

Execution process of the environmental mitigation plan for productive projects in the Tingo Maria area
Programming and execution of final environmental inspection of infrastructure works in the Padre Abad area
Signing of donation agreements for the installation and purchase of carpentry shops for the Gosén Local Forest
Procedures for the establishment process of local forests in Bajo Guayabal and Hormiga in Padre Abad
Execution of projects, in order to somewhat mitigate problematic productive works or projects
1. Effectuation of EAI for new infrastructure and productive projects in Tingo Maria and Padre Abad, according to 2006 Plan

6. EXHIBITS

Exhibit 1. Projects in execution stage as of June of 2006

Project	Regional Office				Level of progress					Observations
	T. María	Tocac he	Aguaytí a	San Martín	Start-up pending	Initial stage	Under execution	Final stage	Completed	
Alto Santa Cruz management plan	X								X	Project concluded, PGMF approved by INRENA Preparation of donation agreement for the implementation of the carpentry and wooden box module.
SAF Nuevo Oriente		X			X					Forest Project subject to forest diagnostic will be executed
Mantenimiento management plan	X							X		Observations study process, executed by OGATEIR
Sinchi Roca forest management plan			X						X	GFMP has been approved by INRENA and extraction permit has been given to CCNN Sinchi Roca. TORS for forest certification are being prepared.
Unipacuyacu forest management plan			X				X			GFMP of Santa Marta in last stage of approval.
Santa Martha forest management plan			X				X			
Gosén forest management plan	X								X	Project concluded, PGMF approved by INRENA

Shumanza management plan				X		X				Delimitation works have started; work to submit the technical file to INRENA in process.
Sortilegio agro-forestry system	X								X	Project concluded.
Honolulu agro-forestry system	X								X	Project concluded.
La Colorada agro-forestry system	X								X	Project concluded.
Planting of 6 hectares in Alto San Juan	X								X	Project concluded.
Planting of 45 hectares of <i>bolaina</i> , in the communities of San Pedro de Guinea, Santa Rosa de Guinea and Virgen del Carmen				X					X	Project concluded.
Production of Unipacuyacu rubber module				X		X				The Municipality of Puerto Inca has been chosen as the donor for execution of the project
Production of Santa Martha rubber module				X		X				
Technical assistance and monitoring of production and operation of rubber module in the communities of Unipacuyacu and Santa Marta				X		X				Technical assistance will be provided through a contract with a rubber expert

Forest management in privately owned plots in Pijuayo Winston			X						X	Project concluded.
Forest management in privately owned plots in Santa Cruz			X		X					Field work has started; first meetings are being held with communities.
Forest management in privately owned plots in Nueva Bellavista			X		X					
Forest management in privately owned plots in Nueva Libertad de Neshuya			X		X					
Forest management in privately owned plots in Miguel Grau			X		X					
Achinamiza rubber module					X				X	Perimetral delimitation has been culminated
Alto Santa Cruz industrial module					X	X				At preparation process for donation agreement
Gosén industrial module	X								X	Proyecto concluido, módulo instalado.

Carpentry module in Gosén					X					Preparation of donation agreement almost concluded
Establishment of ACM of the Basin of the Mishquiyacu – district of Tres Unidos										This is a joint intervention with CEDISA, CIMA and local authorities; financing for execution is being assessed.

CHAPTER IV: COMMUNICATIONS

A. Communications Strategic Planning Process

The first evaluation of the execution of the regional operations was carried out at the end of the year's second-quarter. Likewise, the instruments for the monitoring and evaluation of regional teams for better control of their execution have been provided. The articulation process of the communications component with that of local development has also been initiated.

The 2006-2007 operative plans are in full execution. At a regional level, activities have been organized for execution on two fronts: Community Communications Platform and Public Opinion Platform. The execution of communications activities has had the active participation of USAID associates, as well as the various components of the PDA (economic activities, local development, and auto-eradication).

During this quarter, the following stands out:

- The regional operative plans have permitted an improved and more ordered execution of communications activities, as well as a better management of resources.
- The communications components have had the leadership in the programmatic and operative processes of the PDA, as well as the creation of homogenous messages to be used in community work. As a result of this work there are joint execution plans with local development components in all of the intervention settings.
- The Communications Regional Technical Committee has been formed by the PDA, DEVIDA and CEDRO. In its enlarged capacity (other associates of USAID and representatives of public sectors) its management is shared with the local development component.
- A monitoring system of regional operative communications plans has been designed. This system includes tools, instruments and procedures which permit a better control and follow-up of executions as well as of the obtained results in public objectives.

B. Promotion and broadcasting of the activities of the PDA in the regions

Outstanding, during this period is the change in radio strategy for the diffusion of the PDA, as well as the initiation of the production of a television miniseries to be broadcasted during the year's second-quarter. Audiovisual production continues its normal rhythm and the women's leadership program broadcasted by radio is in full execution.

The diffusion of the promotion materials of the PDA have continued according to the following program:

Production and broadcasting of radio spots and programs:

- In all of the intervention settings, up until the end of April, **180** one (1) hour duration programs produced by the PDA's communications teams were broadcasted.
- Since the mid May, a **new radio communications strategy** for the broadcasting of PDA's information, which consists of the broadcasting of news in relation to the PDA during the informative programs with the largest audience in each of the settings, has been implemented. This strategy has been carried out in Tingo María, Aucayacu, Aguaytía, Pucallpa and the Vrae. Soon, it will be implemented in Tarapoto and Juanjui. This new scheme has generated positive results as corroborated in the daily monitoring reports.

Soap Operas:

- A media plan is being prepared for the re-broadcasting of the soap opera "Por un Amor" in the urban areas of the intervention settings.

Production and broadcasting of audiovisual material:

- The Informativo PDA Informa 4 (News Program) was broadcasted during a 10 day period in 10 local television broadcasting stations.
- The script for the documentary "Desafios y logros del PDA", which illustrates the tremendous difficulties encountered in bringing about change from an illegal to a legal lifestyle, has been completed.
- The registry of field images of PDA Informa 5, whose principal theme is "Proyectos Productivos en Ucayali (Productive Projects in Ucayali)," has been completed.
- A contract has been signed with Iguana Producciones for the production of a 10 -- chapter miniseries on drug trafficking. The plots and the drafts of the scripts have been approved. The first five written scripts are on hand.
- The proposal for the design of a theme, which will represent the PDA in the Fiestas Patrias' (Peruvian Independence Day) Wong Parade, is also ready.

Women's Leadership through the radio

- Within the framework of the Women's Leadership Project, and after the carrying-out of training workshops, a 13 minute radio program addressed to the women of Tarapoto was launched on June 9th.
- A repetition of this experience in Tingo Maria and Pucallpa to be executed during this year's second quarter, is underway.

C. Community communications platform

During the present quarter, induction workshops in community communications, with the objective of strengthening the communications capacities of the original teams of the Vrea, Ucayali and Tingo Maria-Aguaytia have been developed. Particular emphasis has been placed on those which will emphasize the promotion of behavioral change for a legal lifestyle in the beneficiary communities of the PDA. Also, the first community workshops for the construction of a joint development perspective in the region of Ucayali have been completed.

During this period, efforts have focused the articulation of activities with development associates who have been working in the intervention zones of the PDA to whom methodology has been transferred for the execution of community workshops known as "Construyamos una visión de futuro compartida" ["Let us build a shared vision of the future"]. The key messages of the PDA have also been homogenized.

The challenge is that the communities would come to understand that the responsibility for the achievement of their development is a shared responsibility, and that coca is an obstacle.

This work has permitted us to permanently coordinate and synergize not only with the areas inside the PDA but also with the other operators who work in the USAID financing zones and institutions which work for the development of coca growing valleys.

Likewise, person to person communications instruments such as the Malokas Informativas, the editing of pamphlets and manuals mainly in Tingo María, San Francisco and Pucallpa, are being created.

The consolidation of the community platform has been given us important short-term results such as, (1) getting to know the perceptions of the communities respect to the PDA, (2) that communities would make a public commitment to avoid replanting of illegal coca crops, (3) the mobilization of legal producers to public places and (4) a greater involvement of the communities with the program. During the reported quarter we highlight:

The community platform

- In Vrae and Aguaytia 17 community assemblies were carried out to socialize the advance of the frame agreements and to make known the program's key messages.
- We organized 3 meetings with the works maintenance committees in coordination with the local development area in order to sensitize and to follow up the sustainability of such work.
- Three workshops for the creation of common messages on development addressed to local university, school-age youths and authorities, were carried out.

- Seven workshops for the construction of a future perspective were carried out in the communities of Zona Patria, 02 de Mayo, Monte Sinai, 28 de Julio, Nuevo San Pedro, Nuevo Porvenir, Nueva Dinamarca-Santa Catalina, in the districts of Curimaná, Puerto Inca and Campoverde in Ucayali.
- The construction of 7 informative malokas have been initiated in the communities of Zona Patria, Nuevo San Pedro, Nueva Mériba, Zorrillos, Nueva Dinamarca, Santa Catalina and San Francisco in Neshuya.
- A sensitizing workshop was carried out for leaders from eight communities in Nueva Requena as part of PRISMA's training program.

D. Public opinion platform

Initiatives for the implementation of the public opinion platform to be carried out through associated work between the communicators' network for the development of the Amazon, CEDRO's young reporters, the women leaders network's actions through radio programs and the strategic alliance with the principal communications media, are available.

Pilot centers for the creation of information and for regional production in Tingo María, Aucayacu, Aguaytía and Tarapoto, are currently operational.

In respect to the work which has been developed with the network of communicators for the development of the Amazon, the following is highlighted:

- Workshops for Social Management directed to the networks in San Martín, Ucayali, Huanuco and VRAE, with the objective of designing a strategic plan with managerial perspective and social responsibility.
- Workshop on communications campaigns on the environment directed to the networks in San Martín, Ucayali and Huanuco, with the objective of facilitating the design of campaigns for the preservation of the environment and the recovery of degraded ecosystems.
- Workshop on specialization in radio and television environmental themes addressed to the network in San Martín with the objective of providing practical tools for the implementation of environmental campaigns.
- Technical support to the network in San Martín for the campaign against the indiscriminate cutting of trees.
- Technical support provided to the presidents of the communicators' network for the development of the Amazon in the design of the IV National Networks Congress to be carried out in Tingo María
- Technical support to the network in San Martín for the execution of the Foro sobre Coca y Amazonía (Forum on Coca and the Amazon Region).
- Granting of awards by the Concurso Pocho Apéstegui carried out in Tarapoto.

Reinforcement of the objectives of the public opinion platform through diverse activities executed in various intervention settings:

- The execution of the second phase of the “Curimaná, distrito modelo de Desarrollo” campaign, consisting of community communications actions.
- The cooperative La Divisoria and the Tingo Maria PDA carried out **one** ceremony in recognition of the work carried out by successful farmers in the beneficiary communities of the PDA.
- One march for peace and for the international day of the fight against drugs was carried out in Tingo Maria – Aguaytia, Juanjui, Neshuya, Pucallpa, Kimbiri and San Francisco.
- Five workshops for the creation of common messages for development, addressed to students of the local universities, school-age youths and authorities were carried out in Tingo Maria and the VRAE.
- Two legal products fairs in Curimana in coordination with the Agrarian Agency (Agencia Agraria) and the presence of PDA and USAID officials, in the communities of Vista Alegre, Nueva Mériba and 10 de Noviembre gathered, were carried out.
- Four inauguration ceremonies of works implemented in the communities of Maronal, Pueblo Libre, Maronal and Vista Alegre of the district of Curimaná in Ucayali were carried out.
- One (01) inauguration ceremony of the main square and classrooms in the community of Ramón Castilla in the district of Chazuta in San Martín was carried out.

The PDA participated in the organic coffee and cocoa festival and ecotourism in Kimbiri and Sivia (VRAE).

- In the four intervention settings bimonthly meetings with the Communications Regional were carried out.
- In the four intervention settings informative meetings with authorities and generators of public opinion for the socialization of advances and achievements of the PDA in the intervention zones were carried out.

E. Evaluation and construction of indicators

Follow up of strategic plan indicators

- The Preliminary results of the research on the follow-up of the PDA's communications strategy indicators are currently available.

Evaluation of the soap opera

- The results of the evaluation of the soap opera *Por un Amor: entre el bien y el mal*, are available.

F. Lessons learned

- The implementation of the public opinion platform for the creation and start up of regional information centers is urgent and indispensable. Therefore, the need to strengthen the capacity of our local teams is quite real.
- The articulation process between communications and local development has achieved a significant advance at an operative level. However, it is necessary to advance towards a more strategic and conceptual articulation.
- The implementation of a monitoring system of the original operative plans is indispensable for an adequate control of the impact of the programmed communications activities.

G. Activities for the following quarter

- To continue with the consolidation process of the public opinion platform in each intervention setting, through the incorporation of regional and situational particularities (for example, the implementation of the post eradication plan). Therefore, the production of information centers will be consolidated in the four intervention settings.
- To continue with the implementation process of the community platform. To repeat the pilot project of Ucayali in the other intervention settings. Therefore, to incorporate each valley's particularities. To articulate the strengthening of the maintenance committees of the local development component with the strengthening of capacity program for the management of the development contemplated in the regional operatives.
- To continue with the carrying out of the workshops known as “Construyamos una visión de futuro compartida” (let us build a shared vision of the future) with communities from the other intervention settings with the objective of sensitizing the population in respect to legal lifestyles and to commit them to their own development. The creation of communication spaces in the beneficiary communities, as from the installation of malocas (a small thatched roof hut for exhibiting things) known as "malocas informativas" in the coca-free communities.
- To continue the work plan with the Communicators Network for the Development of the Amazon, whose short run objective is to achieve its sustainability,

independent of the actions of the PDA, DEVIDA or USAID. Operatively the work with the networks, during this period, would be centered on the design and implementation of communications campaigns on environmental themes as well as the design and implementation of the IV National Networks Congress (IV Encuentro Nacional de Redes).

- The monitoring and technical assistance plan on the execution to the regional communications operative plans 2006 -- 2007 will be implemented during the second quarter of the year. The necessary instruments and procedures are correctly available.
- The action of the CTRs as basis for reflection, planning and joint action under one intramural development perspective. To this end the Local Development area must display its greatest efforts with Communications' support.
- Direct the relationship between the production area and the open informative spaces and the communications media (programs produced by the PDA, the transmission of specials such as soap operas, publicity strategy for the creation of strategic alliances) in order to facilitate the transmission of messages to the audiences through informative strategies will continue.
- Articulation with the economic activities area for the promotion of successful legal crops supported by the PDA through illegal products fairs and festivals, while incorporating the participation of the private sector and the local and regional governments will be promoted.

CHAPTER V PERFORMANCE AND MONITORING

Progress made on the Information System:

The main tasks and achievements for the April – July 2006 quarter include:

- New functions were incorporated in the course of the reporting quarter to the Information System, indispensable tool for following-up on activities.
- The Economic Activities Module has been implemented. Training has been carried out in the Regional Offices of San Martin, Tingo Maria and Ucayali. This module allows us to control and monitor the activities related to the grant agreements and technical assistance agreements, as these are now being merged with the contract and grant modules for more integrated control of the chain of production.
- We are presently in the process of incorporating new variables so that we can monitor the Post Eradication Plan to be carried out in Tocache. This will make it easier for us to register the people who will be benefited by temporary employment.
- The development of reports and executive alerts allows us to monitor eradication activities and verify fulfillment of objectives.
- The drawing up of reports allows us to monitor the process of transfer the works of infrastructure to the municipalities and evaluate it through the different stages.

Tasks pending for the Information System:

- Training courses on the use of the Economic Activities Module at the VRAE regional office.
- Configure the GIS Server with ARC-SDE to construct dynamic on-line maps.
- Implementation of the Natural Resources Module and integration of the M&E Information System.

Recommendations:

- Strengthen the level of Information System documentation and continue standardizing its many variables on the basis of the existing methods for data modeling, the development of applications, above all on the basis of the documentation on planning, changes in the system, reports and lessons learned.
- Continue implementing the Economic Activities Module taking into account the recommendations and lessons learned, resulting from regional training workshops.
- Continue consolidating the Information System with all or most of the variables which control the development of the PDA with the support of related tasks.

Progress made with respect to the Information System's Web Site

We finished posting the new version of the M&E Information System's web site online. We also started-up the equipment which supports the System's infrastructure (hardware). Specifically these tasks included:

- ***The implementation and start-up of the cluster servers to host the web page, the applications and the system's database.*** We have concluded the work to start-up the servers which host the System's software. This is going to require daily follow-up during the following months to ensure that it is working at full capacity and is stable.
- ***New web page version of the M& E Information System.*** The design of the web page has been created to conform to the norms regulating USAID-financed projects.
The initial views are currently available at: <http://www.pdapperu.org>

Tasks Pending:

Some of the tasks still pending include:

- Developing new GIS products for the WEB site.
- Connecting Auxiliary Power Supply Systems and automatic shutoff of Servers.

Performance and Monitoring

Within the framework of activities which the M&E area fulfills in the PDA, this component continued to monitor the implementation of projects and works being carried out in R-379 and R-217 communities, and to monitor the measurement and eradication efforts contemplated under Intervention Plan 2006.

We also continued drafting the weekly reports on the socialization of the 2006 Intervention Plan, and the formulation of different reports and CORVU alerts related to the socialization processes under Intervention Plan 2006 and others variables of interest.

Monitoring activities were also continued in the field, under the slogan of "*Feedback on the impact and/or effects of PDA activities in R – 379.*" These activities were undertaken in the areas belonging to the Regional Offices of San Martin, Tingo Maria and Tocache and the objective was to evaluate the degree of compliance of the commitments subscribed to in the Frame Agreement in the R-379 communities; evaluate the extent to which the PDA has improved the living conditions of the subscribing communities; and to measure the performance of grantees and contractors in charge of project execution.

In this quarter two reports were presented on coca-free communities. The aim is to monitor these communities classified by CADA reports as 'coca-free' communities in the Information System's database. This has helped us incorporate new communities into the 2006 Voluntary Eradication Plan.

We have also centralized information for the benefit of our Central and Regional Offices, to improve decision-making. For this we used consultation tools supported by CORVU and information from PDA's Monitoring and Evaluation System. Part of our work also entails monitoring the quality of the information entered into the M & E system (Socialization, economic activities and infrastructure). Other duties include controlling and safekeeping the physical documents (Agreements, addenda, registries and other related documents), digitizing them and posting them in the M&E system.

The staff working in the M&E division also complies with coaching users on the use of the system and the CORVU program as a consultation tool, to ensure optimal use of the M&E system.

EXECUTIVE SUMMARY

Chemonics International Inc. is pleased to submit the following Quarterly Report for the period April 1 through June 30, 2006 in accordance with Section F.2 of Contract No. 527-C-00-04-00043-00: Peru Alternative Development (PDA) program. The objective of this contract is to promote the sustained reduction of illicit coca production in Peru; it follows a previous contract (No. 527-C-00-03-00001) which was awarded to Chemonics in October 2002 for the implementation of pilot alternative development activities in Peru and concluded on August 30, 2004. The current contract runs from April 1, 2004 through September 30, 2007.

During this reporting period, modification No. 5 to Contract No. 527-C-00-04-00043-00 was negotiated and signed July 5, 2006, increasing the total estimated contract amount to \$108,297,508, for the implementation of post programmed eradication alternative development activities. Activities under this contract modification were initiated in the Province of Tocache, Department of San Martín, based on a USAID authorization letter to incur costs dated May 17, 2006.

In addition to the Executive Summary, this quarterly report contains a chapter describing the contextual and security environment, followed by progress made according to project CLINs 2, 3, and 5. CLIN 1, start-up, has been completed, requiring no further reports. CLIN 4, Situational Response, which is focused on unanticipated, yet essential services and goods to support the program, has no specific activities to report during this quarter. We welcome suggestions for its improved organization.

Chapter I: Context and Challenges

Chapter II: Socialization (CLIN 2: Auto or Voluntary Eradication)

Chapter III: Implementation of Community Programs (CLIN 2: Auto or Voluntary Eradication)

Chapter IV: Communications (CLIN 3: Willingness to Reject Coca Increased)

Chapter V: Monitoring and Evaluation (CLIN 5)

Following is a summary of the key activities undertaken during this period, results achieved, key lessons learned and projected activities for the next quarter. This quarter is characterized by the following activities:

Key Activities:

- **Post Eradication Activities.** The newly commissioned post eradication alternative development activities under Contract Modification No. 5 absorbed considerable time and effort during this quarter. As of June 30, the province of Tocache, site for this new initiative, was constituted as an independent regional office with a complement of staff to undertake both the post eradication work, essentially in the districts of Tocache and Pólvara,

Highlights of Second Quarter CY 2006

- 83 new letters from communities were obtained for CADA measurement for a total 173.
- 1,231.78 hectares of coca voluntarily eradicated to date in 2006.
- 81 new communities were visited to explain the program for a total of 106.
- 470 infrastructure projects completed for the R379 and 2 for the R217 (from a total of 136)
- Contracts and grants have been awarded to install 5,079 hectares of crops for the R217. 97 percent of R379 crops are completed or underway.
- Of the 4,946 completed titles turned over to PETT for final verification, over 2,000 additional titles are in the registration process in the Province of Padre Abad, Ucayali.

as well as the voluntary eradication efforts in the districts of Shunté, Uchiza and Nuevo Progreso.

The PDA divided Tocache and Pólvora, where CORAH removed 6,936 hectares thus far in 2006, into four operational post eradication zones for the introduction of the program activities in willing communities. With political support from the mayor of Tocache, Pedro Bogarín, the program offers a broad menu of benefits to communities that sign agreements with the PDA, committing them to refrain from planting coca in the future. As of the last day of this reporting period, one community (Filadelfia) signed an agreement and another 10 communities were about to accept the program. Another eight communities are in various stages of conversation to enter the program. These communities include approximately 950 families out of potential universe of slightly more than 3,000 families.

This first experience with post eradication AD underscores the precarious security environment due to the presence of hardcore coca production and drug trafficking interests. The program is under constant assault in the media, mainly radio, and a number of instances of intimidation and threats have been experienced. Extreme security measures are being taken. This situation contrasts with the willingness of many families, caught in the harsh environment that characterizes areas that are driven by a coca economy, to seize the opportunity afforded by this program to change their future prospects by banking on a licit economy and lifestyle. Despite personal sacrifice and risk, many families in the most hardcore areas have signaled their interest in joining the program. Though the jury is still out, chances for success auger well based on potential beneficiary receptivity. Much will depend on security, program effectiveness and a medium to long-term program commitment.

- **Voluntary Eradication.** The 2006 voluntary eradication program is advancing very well and without apparent hindrances. The first semester eradication goal of 1,061 hectares was met and exceeded with the eradication of 1,271 hectares of coca in San Martín, Ucayali and Huánuco. Spacing voluntary eradication throughout the year has enabled the PDA to entrust this activity to small specialized teams. This ensures greater professionalism and consistency in the socialization process and the messages conveyed to communities. The practice of dealing with municipal officials and officially designated community leaders continues to ensure broad acceptance of voluntary eradication and participation in the implementation of program benefits. The relationship and coordination with CADA is excellent. A key factor in the successful achievement of the eradication goals so far this year is the well planned and efficient coordination and application of both PDA and CADA staff resources.

A major goal for the 2006 Operating Plan is to conclude the year having designed and adjudicated all contracts and grants pertaining to community framework agreements signed with the estimated 170 new communities that will enter the program. This is in contrast with CY 2005, when the major PDA effort focused on meeting the eradication goal, leaving no time to initiate program activities with the 217 communities that agreed to enter the program. Thus far, six infrastructure projects that are part of the 2006 plan have been designed and adjudicated for implementation.

- **Implementation of the R217.** Thanks to the division of labor in the regional offices between the voluntary eradication teams and the local development offices established in January 2006, the PDA has developed the capacity to work both systematically with the voluntary eradication process while simultaneously addressing program implementation for the communities that entered the program in 2005, known as the R-217. The principal

institutional effort of the PDA during the first half of 2006 has been designing and adjudicating 151 new infrastructure projects and the implementation of 5,079 hectares of new crops. As of this report, 100 percent of the productive projects have been adjudicated to contractors and grantees and 75 percent of infrastructure projects have been commissioned as grants to municipal governments. For the implementation of the R-217 infrastructure projects, approximately S/500,000 has been obtained in cash from municipal governments and a similar amount as contributions in-kind (mostly labor) from project beneficiaries.

- **Implementation of the R379.** Completion of R-379 infrastructure projects is now in site. Out of a total universe of 490 projects (not including 20 projects executed by other institutions and 18 that were reprogrammed for agricultural projects), 470 have been completed, 16 are in the process of completion, and four are soon to be initiated. The 20 projects that remain to be completed were delayed by difficult follow-up negotiations with beneficiary communities, complex negotiations with other contributors (such as with a seven-community electrification projects), and environmental concerns.
- **Transfer of completed projects to municipalities and the ministries of Education and Health.** Another major undertaking during this past quarter was the transfer of ownership and responsibility of the 473 completed R-379 infrastructure projects to municipalities (344), to the Ministry of Education (112) and the Ministry of Health (14). The transfer process to the ministries follows one prescribed path and the transfers to municipal governments follow another. Both require multiple steps, are labor intensive and time consuming. The transfers to municipal governments (116 completed to date) in addition to requiring completion of a technical review and the satisfactory rendition of all financial accounts, must be accepted by the municipal councils and mayors and entered in the public registry. We are well advanced in this process, with approximately 40 cases still presenting difficulties of various sorts. A great deal has been advanced with the transfer to the Ministries of Health and Education, including physical inspections with ministry officials to all sites. The arrival of the new government has created a momentary delay, as the ministries are waiting for the new leadership to be in place before making the transfers' official. The transfer exercise has required the involvement of technical, financial and local development staff, as well as the regional directors who must sign each transfer document with the respective mayors. We will continue our efforts to complete the transfers during the third quarter of 2006. Fortunately, in the future the transfer issue will practically disappear, as most infrastructure projects are being carried out by the municipal governments with funding channeled through regular municipal accounts. This means that ownership is in municipal hands from the outset.
- **Program Sustainability.** Cost cutting, particularly related to the R-379 and fiscal discipline regarding financial commitments with the R-217 and in the 2006 eradication plan have generated some financial flexibility with which to consider additional investments in many of the communities that join the program. During this quarter, the regional offices submitted proposals to undertake productive activities that will enhance the quality of PDA interventions in R-379 communities and reinforce the budgets in R-217. In the third quarter, 54 projects will be presented for a broad range of activities that will strengthen the sustainability and economic viability of many communities that joined the voluntary eradication program. These projects include new cacao, cacao maintenance and processing, coffee improvement, cacao training, rice production, budget reinforcement for some infrastructure projects, reforestation, environmental mitigation, food security and others. The estimated cost of this additional investment in R-379 and R-217 is \$2 million. The

program anticipates that this programmatic reinforcement in many of the participating communities will be an important contribution to sustainability and consolidation of attitudinal changes in favor of a licit economy and lifestyle.

- **Land Titles.** Following long delays in the land titling program, we are pleased to report that PETT has approved approximately 3,000 titles of the 4,946 that were transferred to PETT for review on March 24, 2006. The PDA paid the SUNARP registration fee for these titles. A first batch of approximately 948 titles is ready for distribution at an appropriate moment. It is strongly recommended that USAID convene a high level public ceremony with the participation of the new APRA government for awarding these titles to program beneficiaries. Other ceremonies can follow as more titles become ready for distribution. We expect that PETT will conclude the full review of titles during the next quarter.
- **Local Development.** Local development is an increasingly important dimension of the PDA. Each office has established a local development office consisting of a general coordinator and local development promoters, each assigned to one or more districts within the jurisdiction of the regional office. The role of the LD promoters is to serve as the link between the PDA and the districts and communities under their responsibility. Within the framework of the R-217, the execution and community/municipal participation of most of the infrastructure projects (the infrastructure specialists report to the LD coordinator) is coordinated by the LD promoters. The LD coordinators also serve as the PDA link with the other USAID partners, such as CEDRO, PRODES, MSH, Apredes, etc. As the eyes and ears of the PDA, they make sure that all is on track with the program. If there are problems of any sort, their responsibility is to bring it to the attention of the proper person to resolve it. In general, the LD promoters are also mindful of opportunities in the districts for leveraging other resources, connecting communities and the municipal government with other private and public organizations, and helping to strengthen the community and municipal organizations. Over time, we hope to strengthen the professional skills of the LD promoters to become effective development agents at the grassroots level.
- **Credit Study.** On June 8th, 2006 Chemonics presented the final report of a USAID commissioned credit study to review both the demand and supply of credit in the alternative development areas, and propose ideas or alternatives for improving the availability of credit to PDA beneficiaries. The report was prepared by Eve Hamilton of the Chemonics Home Office and a team of COPEME researchers.

Program Management

Early June we hired Raúl Caro to replace Oswaldo Holguín, head of the PDA office of Administration and Finance, who will depart August 30, 2006 as part of the plan to Peruvianize the PDA staff. Oswaldo made an important contribution to the PDA, particularly based on his financial analysis and management skills. Raúl, who holds an MA degree in administration from ESAN, is a seasoned manager with more than 25 years of private sector as well as non-profit experience. He is familiar with USAID policies and procedures.

Security and Context

While there was no security issues related to the PDA program during this reporting period, the program took great precautions, particularly in the area of Tingo María, during the electoral period. Staff was asked to meet with community representatives in the Tingo María office, rather than to venture into communities. This measure helped ensure staff safety, but created some delays in

meeting program obligations, particularly pertaining to crop installation. This ban will be lifted following the second round of general elections, providing that they take place without incident.

The security scenario continues to be complex in most areas, particularly due to the increased levels of assaults and delinquency on the highways and major cities. The threat of Sendero Luminoso continues to constrain program activities. Contrary to some expectations, the electoral process was not an impediment to our work.

Our greatest security concern is in the area of Tocache/Pólvora where we initiated the post eradication development program. A special security coordinator was assigned to the office. Harold Perez, head of PDA security, traveled often to Tocache over the past three months to strengthen the network of contacts with the police and other authorities, and to refine the security and evacuation plan. Opponents of the post eradication program, mainly controlled by drug trafficking interests (Tijuana Cartel), have mounted an increasingly vocal media campaign against the program with veiled and not so veiled threats. Several meetings with communities were interrupted by opponents from other communities, particularly Puerto Pizana (center of drug activity). Several communities were intimidated and threatened, causing them to reverse their decision to enter the program. Progressively, however, the program has gained greater acceptance, which is also likely to increase the efforts of opponents to disrupt our activities. This issue will require very close monitoring.

Key lessons learned this quarter

- Alternative Development programs must be equally adept at eradicating coca and implementing development activities. Communities that eradicate have little patience for waiting for benefits. As such, the PDA has succeeded in transforming itself from a program heavily focused on voluntary coca eradication and the signing of framework agreements with willing communities to a more complex organization that can manage eradication and development work simultaneously. In this context, concern for the social and institution building side, in addition to the productive and economic, is key.
- Voluntary eradication must be a collaborative effort with municipal governments. They are necessary partners in the process, and crucial players for future sustainability. Building on 2005 experience, the 2006 eradication process is working smoothly in large measure thanks to careful coordination and cooperation with municipal and community authorities.
- The gigantic task of transferring 490 R-379 infrastructure projects to municipalities and ministries will practically disappear with the R-217, as all projects are incorporated into the municipal structure from the outset. If care is taken to undertake programs *with* the beneficiaries, rather than *for* them, ultimate ownership and maintenance issues become moot points.
- Post eradication alternative development is a work in progress. However, we have already learned that rapid adjustments to a game plan are necessary to keep the program on track.