

ANNUAL REPORT

(OCTOBER 1, 2007- SEPTEMBER 30, 2008)

ALTERNATIVE DEVELOPMENT PROGRAM

USAID CONTRACT NO. AID-527-C-07-00002



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**ALTERNATIVE DEVELOPMENT PROGRAM
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FIRST CONTRACT YEAR**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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EXECUTIVE SUMMARY

Chemonics International, Inc. is pleased to present the first annual report for contract No. 527-C-07-00002, Promoting Integrated Development, which encompasses the period October 1, 2007 to September 30, 2008. This contract is the follow-on to contract No. 527-C-00-04-00043-00, known as the Peru Alternative Development Program, or PDA by its Spanish acronym. Over most of this period, both contracts operated simultaneously, with one contract entering a close-out mode and the other initiating a start-up phase. As the two contracts overlapped during this period, this executive summary necessarily covers some major activities that were performed under both contracts.

In addition to the executive summary, this report contains a chapter describing the contextual and security environment, followed by progress made according to major program components: Economic Development, Social Capital, Governance, and Changing Lifestyles, and the two cross-cutting issues: Gender Equity and Concern for the Environment. These program components represent the principal activities to consolidate the work performed under the previous contract encompassing the approximately 800 communities that signed framework agreements for voluntary eradication.

This yearly report also includes a chapter devoted to post eradication work, which together with consolidating social and economic gains among voluntary eradication communities, represents the second major focus of the contract. Finally, a section is reserved for discussing advances in Monitoring and Evaluation activities.

During this first contract year, institutional efforts have focused on six major activities: 1) Close-out grants and sub-contracts awarded under the previous contract No. 527-C-00-04-00043-00; 2) Perform all mandated and necessary start-up activities for the new contract No. 527-C-07-00002; 3) Fulfill or meet all pending program commitments acquired with communities that signed voluntary eradication framework agreements in 2007 and earlier; 4) Continue providing technical assistance and program support to communities that joined the PDA under the previous contract in both voluntary eradication and post eradication in the Tocache province; 5) Build the results framework for the new contract and design the program strategies for meeting contract goals; and 6) Recruit and train program staff. Following is a brief discussion of each of these activities:

Close-out Contract No. 527-C-00-04-00043-00

A major institutional effort was required to perform the technical and financial close-outs of over one thousand grants and sub-contracts awarded under the previous contract for infrastructure, crop implementation and other program related activities. This effort, which involved technical field staff, financial analysts and contracts office staff, some hired specifically for this purpose, has been substantially completed. USAID will be presented with close-out recommendations for a final list of grants and sub-contracts, representing a fraction of one percent of total award actions, which required CO approval for final close-out.

New Contract Start-up

During the first six months of the new contract all required start-up activities have been completed, including the presentation of the grants manual, an operations manual, a personnel policy manual, the program branding manual and the establishment of the Letter of Credit to begin making grant awards under the contract. During this period Chemonics concluded its incorporation as a Peruvian limited liability company to comply with local law, and finished the installation of its current offices. By April 1 2008 most program staff, both for the five field offices and the Lima office, had been hired and were in place. The transition from the previous contract, while an extremely labor intensive process, was performed with minimal disruption to program activities.

Fulfill 2007 Voluntary Eradication Program Commitments

The bulk of the programmatic effort during this first contract year was devoted to meeting the commitments acquired with voluntary eradication communities that signed framework agreements during the final year (2007) of the previous contract. This required the formulation and awarding of grants (and a smaller number of sub-contracts) for the implementation of crops and farm animal modules and approximately 40 infrastructure projects. As of the close of the first contract year, most of these commitments have been met, except for some farm animal modules that are in the process of completion in the Pongo de Cainarachi area. The delay in completion was due to the need to change grantee organizations and re-awarding the work. While program work will continue in support of these last communities that joined the voluntary eradication program, they will transition into the overall effort to consolidate the areas of program intervention with the full range of program activities contemplated under the current contract.

Continuation of Program Support to PDA Communities

One of the most difficult transition elements between the previous contract that began phasing out program activities during the final quarter of calendar year 2007, and the start-up of the new contract involved ensuring continuity of the technical assistance program that was benefitting the thousands of farmers with new permanent crops and animal projects. The funding mechanism for the current contract required the establishment of the letter of credit mechanism and the obligation of funds, in addition to the formulation and awarding of new grants that reflected the on-the-ground reality of the beneficiary communities. To bridge the gap, Chemonics hired field technicians as consultants to maintain continuity while the new grants were awarded. A decision was made that these new grants should also reflect a transition period while longer term strategies for consolidation and sustainability were developed. As of the writing of this report, these transition grants for the continuity of the technical assistance efforts are phasing out through December 2008. They are being replaced by a new generation of larger, more comprehensive grants that have a two-year timeframe. Another consideration that led Chemonics to consider this first year as a transition year and not attempt to implement long-range projects at the outset was the need to develop an accurate baseline of beneficiary farmers that could serve to measure results and provide

a more solid basis for budgeting scarce program resources. At this juncture, the technical assistance program for crop implementation, animal husbandry and harvest and post harvest activities is functioning satisfactorily, and the new generation of technical assistance grants are in the award process and expected to be completed by the end of 2008.

The Results Framework

The development of the Results Framework was a long, difficult, laborious, but extremely worthwhile process for both planning and budgeting purposes. This activity was jointly conducted by Chemonics and USAID staff. The results, following an approximately four month period, have been socialized with all field staff in combination with the formal launching of the new contract in all regional offices with the participation of DEVIDA and local and regional government officials. Since this time, the Results Framework has served the regional offices as the basis from which to plan their own program implementation strategies, focusing on the needs, realities and opportunities of the 12 zonal offices (which under the new contract organizational structure constitute inter-disciplinary teams assigned sub-regional territories that report to one of the corresponding five regional offices). Following this first planning and transitional year, all offices are now poised with their individual strategies, plans, budgets and proposed partner organizations to implement the various components of this project.

Recruit and Train Staff

By the middle of this first year most program and administrative staff had been recruited and assigned to their various work sites. Simultaneously, Chemonics made a major effort to improve the staff skill level and provide the training and orientation regarding the program strategies, philosophy and values. On three separate occasions, regional directors and zonal coordinators convened for two-day workshops to discuss all aspects of program implementation. Similar training was provided in groups to field staff responsible for productive activities, business promotion, governance and social capital, monitoring and evaluation, communications, and administration and financial analysis. Through a sub-contract with the National Network for the Promotion of Women, all program staff, as well as grantee and sub-contractor staff, were requested to participate in two-day workshops on gender equity awareness and sensitivity.

In sum, this first contract year has been one of extraordinary intensity as Chemonics has transitioned from the previous contract that focused on winning over families and communities to embrace a licit lifestyle through the voluntary eradication process, or a commitment not to replant coca in the post eradication effort, to the current contract that seeks to foster integrated development through a broad range of activities involving economic strengthening, building social capital and improvement in local governance. This new contract has demanded a new development vision and strategy and the retooling of methodologies and program activities. As the contract enters its second year, most of the building blocks and foundations are in place for meeting program goals during this first three-year base period.

Post eradication work in both Uchiza and Paraíso were successfully launched based on a broad coalition of local and regional stakeholders that promise to form the basis for a new and improved model for future post eradication initiatives.

Highlights of the First Year of Contract No. 527-C-07-00002

- All mandated start-up contract requirements completed on a timely basis.
- Carry over activities from the previous contract (2007 voluntary eradication communities) completed or underway.
- Program fully staffed; provided specialized training to all staff.
- Conducted gender awareness training for all program and grantee/sub-contractor staff.
- Installed 2,918 hectares of cacao, 862 hectares of coffee, 116 hectares of pijuayo.
- Grafted 2.8 million cacao plants
- Signed agreements with 4 municipalities to implement 1,200 hectares of cacao
- Signed agreements with five financial institutions (Corporación Financiera de Desarrollo, Banco de la Nación, Caja Rural Señor de Luren, Caja Municipal de Maynas, EdPyme ProEmpresa) to establish credit financing in all PDA regions.
- Signed Public Private Partnership to strengthen five cacao producer associations
- Launched post eradication work in Uchiza and Paraíso with participation of US Ambassador.
- Established training programs for local and regional government technical staff with the Escuela Superior de Administración de Empresas (ESAN) and the Escuela Mayor de Gestión Municipal.
- Sponsored national specialty coffee competition with international tasters; PDA farmer won 1st prize.

CONTEXT AND SECURITY CHALLENGES

THE SITUATION IN GENERAL

While the overall context during this first contract year in which the Alternative Development Program (ADP) works has been one of reduced levels of narco-terrorism threats and violence, the Government has chosen to maintain the State of Emergency in most of the coca producing regions, including three provinces with significant program activity: Marañon and Leoncio Prado in the department of Huánuco; the province of Tocache in the department of San Martín; and the province of Padre Abad in the department of Ucayali. In these and other ADP areas there is persistent risk of highway banditry and assaults, which obligate extreme precaution and avoidance of any travel after 6 PM (though there is a growing number of assaults taking place during daylight hours). The cocalero movement has also been significantly weakened in the ADP areas, with only marginal disruptions to normal work activities. We continue to exercise great caution in the principal Sendero Luminoso areas of the Upper Huallaga, such as Aucayacu and Yanahanca. The area surrounding Aguaytía continues to be cause of concern due to the apparent influx of persons seeking to plant coca. Aguaytía could become a major problem for the program in the future, unless the Government decides to act with a firm hand against illegal coca and narcotics activity.

Within the Regional Office (OR) of Tingo María – Aucayacu, on both margins of the Huallaga River, the Shining Path terrorist organization has suffered losses in their military and political command. Consequently, a significant part of its structure and organization has been weakened. Because of this, the group has been forced to restructure and recompose itself in “People’s Committees” (COPOS) and move on to what they consider “safe zones.” This situation affects the program, given that in some of the communities where the Shining Path is active, they hinder the normal work of program implementers under grants or subcontracts.

A matter of concern to the program is that the Shining Path, in an effort to rebuild its weakened image among the rural communities, has issued death threats to its members in charge of their base forces on both sides of the Huallaga River, as well as to authorities in sectors of Aucayacu, La Morada, Gozen and other villages, if they do not act to prevent PDA workers and consultants from carrying out meetings in their communities. Moreover, they have allegedly been planning to conduct selective killings of those opposing the “People’s War” or the “Party.” Fortunately, these threats have not materialized, probably as a sign of the overall weakness of the movement.

A difficult moment was experienced in the Regional Office of Tocache between February and April of 2008 when some coca farming leaders and representatives of certain program communities organized demonstrations for the purpose of generating confrontations between the program communities and ADP staff. These actions coordinated with organizations and individuals seeking personal advantage as well as an intent to rekindle interest in coca production. The swift reaction ADP staff to address issues and reassure program beneficiaries, coupled with the political support of César Villanueva, president of the San Martín department, defused the situation and restored peaceful conditions for the work of the program. This incident, which can be traced to a

power move by several unemployed technicians supported opportunistically by narco interests, has since vanished thereby opening the door for sustained progress in Tocache.

Over the course of the year, there were a number of marches and protests by coca growers in the areas of the Aguaytía and Tingo María Regional Offices, all of them unsuccessful. The population rejected these forceful measures, given that they produced losses in their income as a consequence of strikes, roadblocks and being forced to shut down their business premises to prevent violence or pillaging caused by the mobilizations in the cities.

These events peaked between January and March 2008, and lost momentum in the following months. One of the reasons for unrest in Aguaytía is the forced eradication by the CORAH (Coca Eradication in the Upper Huallaga Valley) in the areas of Polvora, Uchiza, Nuevo Progreso, Paraíso, La Morada and Aucayacu. This situation somewhat confused the population, who have blamed the program for the eradication, thus limiting the action of the Team in the communities in these areas.

Another political aspect which has affected Program activities is the revocation processes against municipal representatives initiated by the population, given that both social actors work in the Program. Within the framework of the Program, 66 Municipalities, 11 District Municipal Councils and 1 Provincial Council are in the process of being revoked and will be subjected to citizen consultation this coming December 7. The main reasons for revocation are: 1) Failure to fulfill promises made during election campaigns; 2) Inability to manage (67% of the cases); 3) Failure to comply with the participative budget (50% of cases); and 4) Misappropriation of funds and failure to render accounts (42 % of the cases each).

The situation produced by the revocation process distracts the attention of the actors involved in the conflict and their compliance with their commitments assumed with the Program. However, this situation provides the Program with a means to identify issues where both actors need to increase their capacities. By observing the reasons expressed in the revocation process, the Program is working on the capacities that need to be strengthened.

In the environmental aspect, heavy rains affected a group of Program communities on the river banks. During the January to April period, the Huallaga, Aguaytía and Yurac Rivers flooded zones that had been cultivated with Program support in the areas of the Regional Offices of Tocache, Tingo María – Aucayacu, Aguaytía and Ucayali. The Program is implementing actions to address the needs of families who suffered losses, on condition that planting is done on new non-floodable land. However, these lands are not always available to the families.

Private investment activities within the framework of the Program may also have negative repercussions when they are aimed at forming economic emporiums. For instance, private activity in oil palms in the area of the Regional Office of Tocache, or in the rehabilitation of the tea industry in the area of the Regional Office of Tingo María – Aucayacu is generating social strife and the threat of losses in Program communities

as lands are purchased by private companies. Likewise, the concession of petroleum Block 133 affected the interests of Program communities in the Provinces of Leoncio Prado and Puerto Inca (Huanuco) and Padre Abad (Ucayali). The idea of oil exploitation spurred authorities and families to consider the possibility of selling Program-supported agricultural lands to oil companies, distracting them from complying with their commitments to the Program.

While road improvement is a useful aspect for the achievement of Program objectives, the actions for the improvement and paving of the Federico Basadre, Fernando Belaúnde Terry and IIRSA Norte (Tarapoto – Yurimaguas) highways partially restricted the transit of Program families and personnel at certain hours of the day, reducing their capacity to move about, particularly in the communities adjacent to the road. Furthermore, along some stretches there were work opportunities in road construction (the daily wages being three times greater than those for agriculture). Because of this, the agricultural tasks of the communities with the Program started late. A favorable situation for the Program is expected during the fiscal year 2009.

LESSONS LEARNED

We must perform proper follow-up on the complaints and claims made by the Program communities in order to prevent situations of conflict, such as that in the Regional Office of Tocache. In this aspect, only the fulfillment of PDA promises and projects, particularly in the post-eradication stage in Tocache, Uchiza and Paraíso and other regions, will generate security in the field activities of our workers.

We must increase efforts to coordinate with other security areas, inside and outside the company (USAID partners), to improve the execution of security plans. Furthermore, we must broaden our information networks in the Regional Offices to obtain prompt, direct and accurate information with the objective of updating information on situations and thus issue timely recommendations for decision-making. Likewise, our information sources must be interviewed with greater frequency in the more critical areas (Tingo María – Paraíso – Nuevo Progreso, Tocache - Uchiza and Aguaytía).

We must be better informed on CORAH activities, given that when Program personnel go in at the moment of the forced eradication, the local dwellers accuse personnel of being part of the CORAH or providing it with information for their eradication operations.

We must incorporate risk management into Program activities, since many PDA communities are settled in places that are highly vulnerable to negative climatic changes. In some places, the social actors are highly influenced by the socio-political instability spawned by the presence of subversion, drug trafficking and political representation disputes. Moreover, the agricultural products promoted by the Program are, for the most part, governed by international markets.

Lastly, the scarce presence of the State in remote places and a diminished intensity in its operations against terrorist organizations would aid the reorganization of the

Shining Path. This would mean continuing with substantial limitations to the Program, e.g. a State of Emergency.

GOALS AND RESULTS

ECONOMIC DEVELOPMENT

Production and Productivity of the Program

Interim Results of the Program

Increased agricultural and livestock production and productivity within the scope of the Alternative Development Programs (PDA) aimed at contributing with the sustained economic development of PDA Families.

Results Proposed and Results Achieved

The commitments established by the Program with PDA Communities, as expressed in the framework agreements and memorandums of understanding and their respective addenda, have been met. A total of 18 local organizations have participated in the Program, rendering services to 28,581 families in the 701 communities that are part of the Program.

The main strategies used to increase the agricultural production and the agricultural productivity of the families include:

Individual visits to the farmers' plots of land to provide technical assistance, especially in the newly planted areas

Training through the ECA method from April to September

Massive grafting campaign aimed at increasing quality plantations of cacao

Program's comprehensive action, particularly with the Area of Communications, in order to create awareness in PDA families in favor of a culture towards technological change

A real counting of the participating families was made, with the objective of providing adequate services according to the actual number of participants per crop/livestock per community. There are various reasons for exclusion: day-laborers, for example, who do not have any lands in production; those who abandon agricultural and livestock raising activities in order to render services in rural-urban areas; those who voluntarily withdraw from the community and sell their lands, etc.

The following activities, aimed at achieving the interim results proposed for an increased agricultural and livestock production and productivity were carried out this year:

Design of strategies aimed at promoting crops and livestock raising based on the lessons learned during the execution and implementation of the projects in the various regional offices.

Baseline determination for the main activities to be promoted by the Program, with the support of the technical team of donators and Monitoring and Evaluation (M&E) specialists.

Training in Formulation of Integrated Sub-Projects to all the Specialists involved in Economic Activities.

Making of the logging module for activities to be carried out as part of the sub-projects. Training in the use of the activity log as a management and follow-up tool for the local Specialists and Coordinators.

Guidelines for Agricultural Extension Support within the Alternative Development Program

Design of 30% of all sub-projects for their implementation, starting from October 2008, and for the 2009-2010 Term. These sub-projects consider goals in terms of productivity and new plantings.

Following is a summary of the main activities to be promoted by the Program through its sub-projects during the next two years (October 2008 to September 2010) based on what has been learned during the year.

Cacao

Almost 2,918 ha. of cacao were planted this year with Program funds, and it has been noted that farmers have begun to plant new areas with their own resources and Program consultancy. The Regional Office (OR) of Tocache has the greatest planted area, with more than 1,793 ha, followed by the Regional Office of OR San Martín, with more than 610 ha, and the OR Ucayali, with more than 358 ha, and Aguaytía, with over 157 ha.

In the case of grafting, 85% of planned work was achieved, equivalent to 2.8 million grafted young plants (1,111 plants per hectare) a highly relevant result with respect to the scheduled goal. The remainder is scheduled to be completed by the first quarter of the 2009 fiscal year. Reasons for the delay were the scarce number of grafters and to the plots of land overridden by weeds making it extremely difficult to graft. In the face of this situation, an awareness-raising campaign was launched to motivate and increase the number of grafters as leaders in agricultural technology consolidated by the Program, and thus reverse the situation.

Special support was given this year to the activities oriented to the recovery of low-fertility soils with the cultivation of Kudzu, a leguminous nitrogen-fixing plant used as a natural cover that spurs microbial activity in the topsoil or arable layer. The cultivation of pigeon peas (*cajanus cajan*) was also recommended to provide temporary shade and training has been given in the preparation of organic foliar fertilizers, such as biol and purine, suitable for strengthening young cacao plants in preparation for grafting. Farmers received the fertilizers under a 100% commitment and were trained as a group.

Furthermore, 234 Tocache families affected by the floods received Program aid in the restitution of their cacao plantations. The initial steps consisted in providing temporary shade with plantains (*plátano bellaco* or *Musa xbalbisiana*) and training farmers on the preparation of nurseries and substrates, as well as on the planting of new nurseries for cacao seedling production that will later be transplanted to a final position in new non-floodable areas according to the evaluation in situ of the participants and the specialist.

As a complement of the technical assistance provided in the different Regional Offices, internships were organized for leading farmers. Model farm plots were visited, where it was observed that technical management, production and cacao cultivation may be done on sloping ground and in soils that were used for coca cultivation. This had a great impact on the farmers, who returned to their lands highly motivated by the experience and put into practice what they had learned. The farmers who took part in the courses shared their experience, a practice that proves knowledge transfer by means of the farmer-to-farmer word of mouth method.

Coffee

Transplanting activities to final fields were 100% completed by the end of September and involved the equivalent of 862 planted hectares, according to the report of physical progress made by the Grantees, especially by Cooperativa Agraria Cafetalera-Divisoría and Asociación Grano de Oro.

Furthermore, Divisoría and Oro Verde Coffee Cooperatives, endeavored to obtain organic certification and form committees. The same Cooperatives started collecting parchment coffee from the farmers who then became partners and participants of the Program, with an average production of 9 to 12 quintals per hectare.

Palm Oil

Palm oil cultivation was also supported through grant agreements. Inputs for the maintenance of more than 1,023 ha were provided to participating farmers. The producer organizations initiated the management of inputs aimed at fertilizing crops that are already under production.

Bactris Gasipaes (Pijuayo)

This crop recorded a significant progress, particularly in the Regional Office of San Martín – Pongo de Caynarachi Area – with a planted area of 116 ha. Future prospects for the Regional Office of San Martín include planting more than 800 ha over a two-year period.

Cattle

In the Regional Office of Tocache, the Program completed the grant of breeding stock under direct execution, hands-on implementation and the participation of delegates from each community, with the participation of SENASA (National Institute of Agricultural Health) and DEVIDA (National Commission for Drug-Free Development and Living) and/or the local authorities (Lieutenant Governor or Town Council Agent). This strategy made it possible for communities to recover confidence and a positive attitude to continue working. Currently, there is a production of 343 calves and a total of 1029 heads of cattle in the field.

During the implementation of the cattle project, additional actions were taken such as training of families, and implementation of storehouses, cattle sheds and pastures for the

relocation of poultry and cattle. In addition, and to increase the production capacity of families, some local leaders were incorporated to the committee in charge of purchasing cattle.

Fish Farms

Ninety nine percent (99%) of the fish farm projects were implemented in the Regional Office of Tocache. The area has registered 118 ponds in operation out of a total of 171 initially planned. At the time being, in 56 of those ponds have been resown with funds of their own, motivated by an activity which represents a source of food and has an existing local market. Additionally, 53 ponds are in the process of passing on to a new stage with the raising of fish fry, which will be available as from October.

The Program continues providing technical assistance and training to all participants. It is now offering training to families on the preparation of nourishing diets using local produce, which includes protein intake from products such as Mucuna (native legume) that would replace the commercial protein, with the consequent reduction of current production costs, as it has registered high acceptability by participating families.

Small Livestock

In the area known as Pongo Caynarachi, the Program provided 31 pigs and 184 hens. The delivery will be completed by December 2008.

In the OR Tocache, an increase in the number of pigs (more than 655) was observed compared to the number provided initially (364 pigs). Even the litters have been sold in order to generate revenues to continue with the activity. With regard to guinea pigs (Cuy), the number provided initially (3,537) has increased by 1055 young; presently, there are 2914 guinea pigs registered in the field.

Regarding the number of fowl in Tocache, in comparison to the number provided initially (8,280 fowl) it has been increased by 433 chicks. However, the amount of fowl currently registered is 2,039 in the field, with 6,674 consumed and sold. In October, 2,150 hens specially adapted and bred to live in the jungle will be delivered. In addition, 35 families will be provided with 450 birds as replenishment.

Projects for several crops have been successfully completed, namely: pepper, pineapple, citric fruits, banana and papaya.

Lessons and Perspectives

The strategy of having the delegates participate in the cattle selection, purchase and delivery process has produced a positive impact on the communities, which have recovered confidence and a positive attitude to continue working in unfinished projects, thus mitigating the problems occurring in the previous quarter. New cattle sub-projects will lead to the consolidation of the cattle activity in all Regional Offices.

Joint participation by public and private institutions strengthens efforts and optimizes resources to achieve common goals (synergy effect). The work carried out along in conjunction with the Municipality of Irazola will enable the planting of 800 ha and the consolidation of more than 300 ha of cacao.

Integrated Production Projects could reflect coordinated work among all areas of the Program. Communication and coordinated work among the other areas of the Program will improve efficiency for meeting commitments and achieving planned objectives.

The timely fulfillment of objectives generates a greater commitment by the people and improves the participation of the families that have joined the Program. In contrast, delay causes distrust and negative attitudes towards the Program. Sub-projects will be timely initiated in all Regional Offices.

A well-informed farmer who is committed to his project makes it easier to meet the objectives on time. Training in agricultural extension will lead all field specialists to achieve better results in the scope of productivity and new plantings.

The design and production of printed material and multimedia modules for the different components, as well as the plan for weekly diffusion of technical information radio shows, advocacy, appointment of spokespersons, and information campaigns in association with the network of communicators of the Region of San Martín will enable the improvement of the activities of agricultural extension support comprised within the Program.

Developing a supervision manual and the training of specialists in project supervision will assure the good development of the Program and obtaining the results proposed by each of the sub-projects.

Training in ECAs (Agricultural Field Schools) fertility of acid soils, updating in cultivation and farming technology provided to the specialists of the sub-project implementors, will lead to a better performance of the field specialists during the next two years.

Consolidated and Profitable Producer Organizations

The area created to strengthen value chains seeks the integration of different actors in the chain, with special emphasis on the producer and the organizations to sustain an appropriate relationship with other members of the chain.

With this purpose, the Program committed to attain the following results:

1. Consolidated and sustainable producer organizations
2. Increased and sustainable private investment
3. Creation of public and private strategic alliances

In order to achieve the proposed goals, within the scope of the Program, we have taken the following actions:

- Developed work plans and involved the organizations themselves and other actors involved in the chain in their formulation
- Promoted strategic alliances among the players in the production chains
- Strengthened the producer organizations from an associative and entrepreneurial approach
- Promoted profitable businesses involving the active participation of producers taking part in the Program

The actions taken this year sought a rapprochement with existing producer organizations, by encouraging work meetings aimed at determining their expectations and organizational growth plans. In parallel, it has analyzed the best way of integrating producers in the associative work, focusing on supporting the following leading value chains:

Cacao Value Chain:

- The plan for strengthening ACOPAGRO, Oro Verde, Tocache and Divisoria cooperatives was launched to develop the organizational capacity of these cooperatives.
- The Training School for Program Leaders was put into operation in alliance with the Naranjillo Cooperative and the Peruvian Association of Coffee and Cacao. The first two modules were developed out of a total of nine modules, with the participation of 30 members of Naranjillo Cooperative who were elected by its own rank-and-file members to attend the School for a period of nine months.
- Producers from the communities of the Leoncio Prado Region were strengthened by the hiring of two consultants who specialize in cacao, aimed at facilitating their associative and commercial articulation with the production chains sponsored by the cooperatives. Presently, there are 16 committees made up by 420 producers participating in the Program and 39 producers who are not taking part of the Program.
- In alliance with Divisoria Cooperative, a project was formulated to increase the competitiveness of the high-quality cacao production chain and submitted to the cooperation funds from the Association for the Development of Agriculture in Peru (INCAGRO). The results of this application will be known at the end of October.
- The Program joined the sub-commission organizing the Cacao Regional Festival of High Huallaga River, to be held in Aucayacu (organization, execution and logistics).
- The associative capacity of cacao producers from the zones of Chazuta and Jaunjui was promoted, among others.

- A study for the implementation of a cacao-processing plant in the Region of San Martín was developed.

The strengthening of producer organizations, based on a more active participation of the families taking part in the Program, is a process that requires a medium term, since the majority of the producers have not entered the productive stage and still cannot cover with the first sales the cost of membership costs that amounts to S/. 125. We have, therefore, promoted institutional alliances with:

- The Agricultural Promotion Bureau of the Ministry of Agriculture (MINAG) with whom five cacao-producer committees will be formed or reactivated in Campo Verde.
- The Town Council of the District of Curimaná, where several producer committees have been formed, which may be joined by our participants. For that reason and in order not to duplicate efforts, through the Technical Committee of the Cacao and Chocolate Dialogue Table, the Town Council has undertaken to provide us with the census data for information exchange purposes.

Coffee Value Chain

- Producers from the communities of Leoncio Prado Region were strengthened by the hiring of one consultant who specializes in coffee, aimed at facilitating their associative and commercial articulation with the production chains sponsored by the cooperatives. Presently, there are nine committees made up by 203 producers participating in the Program and 143 producers who have not joined the Program.
- In conjunction with Divisoria cooperative, the Town Council of Leoncio Prado, UNAS and IIAP, a project was submitted to INCAGRO for funds for the installation of a plant to transform waste into organic fertilizers – BOCASHI – where funds will be used in coffee and cacao plantations. The results of the application will be known at the end of October.
- As part of the promotion, which intends to highlight the image of quality of Peruvian coffee and together with the National Board of Coffee, the Chamber of Coffee and the Ministry of Agriculture, the Fourth National Competition of Quality Coffees was organized. The Program organized the regional competitions in Tingo Maria, Tocache and Lamas. It also arranged for the participation of six international tasters and encouraged the participation of delegates from important buyer firms worldwide. The first place of the competition was won by Abimael Cueva Palacios, member of the Oro Verde Cooperative.
- Jointly with Peru Coffee and Cacao Association, INCAGRO was presented with a project aimed at training tasters to obtain the Q-Grader Certificate issued by the CQI of the United States. The proposal was approved by INCAGRO and it is presently being implemented in the laboratories of Peru Coffee and Cacao Association, with the participation of 16 tasters coming from coffee-growing cooperatives. The visit

of three experts from CQI is expected for the month of November, who will come to take the international exam for the rating of “Q-Grader”.

Hearts of Palm Value Chain

- Jointly with Alianza S.A. company and CEPCO Association, the Program has started the strengthening of the Association of Hearts of Palm Producers (APROPAL), through the formalization of 12 committees consisting of 630 producers, out of which 210 are new in the business. In addition, the formulation of instruments for the management and development of new products has also begun.

Cattle Raising Value Chain

- A strategic alliance with UNAS (National Agrarian University of the Rainforest), SENASA (National Agricultural Health Service) and the Ministry of Agriculture was promoted in Tingo Maria. The purpose of this alliance is to strengthen four cattle raising organizations (Lácteos Montevideo (for dairy products), La Morada Cattle Raisers Association, Aucayacu Cattle Raisers Association and Hermilio Valdizan Cattle Raisers Association) by the development of pastures, genetic improvement, animal health, and associative and entrepreneurial management.

Oil Palm Value Chain

- The organizational diagnosis of COCEPU (Central Committee of Oil Palm Producers of Ucayali) was prepared with the participation of the nine organizations that are members of that committee. This document will serve as a basis for the implementation of a strengthening plan.

Technical Tables

- The Program actively participated and contributed in the installation of the Coffee Technical Table in Tingo Maria, with the support of CERX Huanuco and their integration to the Concerted Coffee and Cacao Technical Table of Tingo Maria. Two units called Technical Secretariats were also created, which should be assumed by Naranjillo and Divisoria cooperatives for cacao and coffee management, respectively.
- The strengthening of the Cacao, Palm Hearts and Coffee Technical Tables will continue as the suitable spaces that promote the concerted efforts and resources, as well as the formulation of proposals, strategies and policies for the development of each of **these crops**.

Promotion of Private Investment

- In the Region of San Martin, the Marfil del Amazonas company was supported by a business plan for the production of ivory-nut palm buttons. The project received the initial approval of COFIDE (Development Finance Corporation) for financing. Its

purpose is the installation of a transformation plant in Chazuta, as well as the sustainable harvesting of ivory nuts (seeds of the ivory-nut palm - *Phytelephas macrocarpa*) which are not used commercially by the inhabitants of this area.

- The Fuerza del Mañana Association from Tocache received the support of the Program to develop a commercial relation with NAS in the field of bed linen production. They will provide bed linen to the School of Non-Commissioned Officers of the Peruvian Police in Santa Lucia.
- The Association of Tropical Flowers of High Huallaga River was supported in the development of its business plans and credit management for the maintenance and planting of crops in the amount of S/. 30,000, an amount that was granted by San Francisco Savings and Credit Cooperative.
- In conjunction with VSF CICDA NGO, the Project Idea Note is under development, by which it will be possible to determine the amount of carbon captured by the plots of land of the partners of Oro Verde, Acopagro, Tocache and Divisoria cooperatives. From this experience, we feel that we will be in a position to submit a concrete proposal for the sale of environmental services to Conservation Company, a Dutch company interested in buying carbon certificates.

Increase in Financial Services

Description/Overview of Results:

PDA families now have access to credit through two new financial products available to them at the conclusion of the Project. It is hoped that this will increase financial service within the PDA.

Results Proposed for 2008 - Results Achieved

The program is working on the design, development and implementation of new **financial services** that will enable the complete insertion of producers into the Peruvian financial system.

With that objective, in the first year of PDA operation, five cooperation agreements were executed with five different Peruvian financial institutions (COFIDE, Banco de la Nación, CRAC Señor de Luren, CMAC Maynas and Edpyme Proempresa). It is hoped that by the second year, at least two more financial institutions will be incorporated. This would make it possible for us to implement the new financial products developed for PDA participants.

During the first phase, cooperation agreements were achieved with the following institutions:

COFIDE: On September 10, 2008, COFIDE, using a Structured Financial Product (SFP) in a pilot program, approved financing for 20 producers of the Tocache Regional

Office (OR) for the maintenance and expansion of agricultural lands. Financing amounted to S/. 800,000.

Banco de la Nación: This is the state bank with the greatest number of agencies nationwide, through which it will be possible to grant credits to small producers in areas where Banco de la Nación (BN) is the only bank (**Única Oferta Bancaria - UOB**). The BN/Microfinance symbiosis will also create new, more dynamic and efficient financial services by making use of the strengths of these actors.

CMAC Maynas, CRAC Señor de Luren and Edpyme Proempresa: Renowned financial institutions governed by the Superintendency of Banking and Insurance (SBS). Among their main objectives and strategies are the development of new credit products geared at growing and expanding nationwide, particularly in marginal urban and rural areas, as well as improving agricultural placement structure by increasing rural microcredit loans so as to improve the profitability of this type of credit.

Effect and/or Impact Produced

Two financial products are being proposed for producers and producer organizations in coordination with CMAC Maynas and CRAC Señor de Luren. The rates for producers' Working Capital Line will start by offering a monthly rate of 2%, and at 1.25% for organizations. As our technical assistance with the financial institutions progresses, these rates will gradually be reduced.

Learning Processes

In the Program, we are working on the design, development and implementation of new financial services that will allow for the complete insertion of producers into the Peruvian financial system. The development of appropriate financial services for PDA participants will be focused on improving flexibility, opportunity and profitability.

Prospects for the 2009 Period

- Complete the negotiations for a Funding Project with the Opportunity Foundation for \$1,000,000 to leverage producers directly through a financial institution.
- Prepare the necessary platform in the International Financial Institutions (IFIs) for the development and implementation of the Program's Financial Product (PF-PDA) which will make it possible to streamline attention to the financing demand from producers and/or producer's cooperatives.
- Conclude the development of the PF-PDA and put it into action.
- Support the credit departments of IFIs and the officials appointed by the organizations to provide training in the PF-PDA.
- Strengthen the organizations selected for the operation of the PF-PDA system.

Agreements of Public-Private Investment

- In June 2008, the Public-Private Alliance was signed between the PDA, the Swiss company PRONATEC and VSF CICDA NGO aimed at supporting five producer cooperatives in the improvement of their organizational, entrepreneurial and productive capacity.
- In this year, coordination with Romero Trading Company began for the establishment of a public-private alliance leading to establishing 35 producer committees in the Province of Mariscal Cáceres (OR San Martín).
- Meetings were held with Sustainable Harvest, a coffee-importing company, to evaluate the possibility of forming an alliance to improve the quality of the coffee produced by Divisoria cooperative.

Infrastructure

Result of the Program

Improvement of the economic infrastructure and services that are part of the Program, made possible by putting into operation 70 works of economic infrastructure and social and production services during the execution of the Program.

Results Proposed for 2008 and Results Obtained

78% of the infrastructure works planned for 2008 were allocated
65% of the works are currently in operation and serving Program families
35% of the remaining works will be in operation by the first quarter of 2009

The works were executed with four small local companies and nine municipalities. Working with the municipalities implies constant monitoring and supervision.

Number of Projects	Projects Awarded	Committed Investment	Executed Investment	Counterpart Funds Obtained
40	31	S/. 1,276,346	S/. 916,274	S/. 307,664

In December 2007, the technical closing process of the first contract works came to an end, with the technical closing of 511 subcontracts for the preparation, evaluation, execution and supervision of works. This work was initiated in the first quarter of this year. Likewise the Infrastructure Area transferred a total of 341 works to the local and regional entities in charge of their operation and maintenance. As from that December, the Strengthening and Governability Component assumed the responsibility of such process. This effort allowed us to make an ordered transition towards the operation of the new contract, and to adjust the number of persons per office (one Specialist in central and regional offices) according to the new Program design. This new organization began to operate in January of this year.

We established strategic alliances with State institutions. An initial result is the drafting of the first Road Plan for the Ucayali Region in alliance with the Regional Government that will provide road networks in operating order in the rural areas where the Program makes investments in productive projects. With the same intention, a strategic alliance was established with the Decentralized Program for Rural Roads of the Ministry of Transportation. Its objective is to provide free training on State Regulations (five courses) for such training to be relayed to the local and regional governments. We believe that strengthening functions will enable officials to plan regional and local development, prioritize and draft feasible projects, execute and design strategies for the upkeep of works, and thus make the impacts of the Program sustainable.

Learning Processes and Future Actions

Delegating responsibilities on the work transfer process to the Strengthening of Governability Component was not fully understood, as observed during its application. The times and specializations required were underestimated (both those in Lima and in the regions) and despite having shared the process and guided the regional office teams, some of them did not apply it. Greater coordination is required among the Program-involved areas of the regional offices. To achieve this, regional offices will continue to be supported until they are able to handle things on their own.

This year the counterpart funds obtained represent a 24% over the amount committed by the Program. Our intention is to reach a 30% at the end of the third year of the contract. As these counterpart funds depend on the State, we must be prudent at the moment of projecting the implementation schedules of the projects that includes them. Based on this experience, it is recommended that the inclusion of the Special Alto Huallaga Project (PEAH) as a strategically of the Program for the actions in Uchiza and Paraíso, or in future participation actions, should be well pondered, given that it has failed to comply with some of its commitments with the communities of the Program.

Establishing positive synergies with the central, regional and local governments to bring public services closer to the population participating in the Program allows us to indicate that the best way of working with them is by strengthening their capacities to plan and execute projects, in addition to training them in obtaining private and public resources (FONIPREL, for example).

In coordination with the Specialists in Strengthening of Governability team, we confirmed that the sector's strategic plans do not coincide with the arranged development plans and participative budgets. In the face of this situation, we will foster the preparation of plans for road construction and of Provincial economic infrastructure for the governmental institutions with the greatest cost efficiency.

BUILDING SOCIAL CAPITAL

In 2008, Program activities for building social capital and strengthening governance was assumed by a team of 25 specialists in local development in 13 zonal organizations

of the five regional offices of the Program. One staff member in the Lima office has overall responsibility for this area.

This year the specialists in local development went through a transition process; they shifted from the previous intervention scheme that focused on socialization and monitoring of the activities adopted through letters of commitment or framework agreements, to the strengthening or building of endogenous development processes at the community level. This was accomplished within a team building framework (in July) as a new technical and professional profile had to be met.

In order to strengthen the scheme of territorial intervention, direct execution was prioritized as a form of intervention, and significant efforts were made to coordinate actions at the level of the four results of the Program.

The activities themselves started in April and May; as a result, many of them will soon be completed while some will be extended up until the first quarter of the 2009 fiscal year.

a) Description of Result and Intermediate Results

Within the Program’s intervention framework it is understood that a community has increased its social capital when:

- The confidence level of its people has increased (Intermediate Result 2.4)
- It has strengthened its leadership (Intermediate Result 2.2)
- It has developed ties of confidence with the State (Intermediate Result 2.5)
- There is a collective vision of licit development (Intermediate Result 2.3)

All these elements must occur in communities classified as Case 3 communities (i.e., communities where there is no evidence of coca cultivation), and as Case 2 communities (communities where coca crops are significantly lower than those of licit crops) (Intermediate Result 2.1).

b) Results proposed for the 2008 term, and Results achieved

The intervention of 280 communities was stipulated as a goal. Upon the completion of this report, 238 communities had been covered, representing 85% of the goal.

The intervention by regional offices is as follows:

Regional Offices	Number of Communities
San Martín	42
Tocache	45
Ucayali	59
Aguaytía	65
Tingo María	27
TOTAL	238

In addition, the following may be highlighted as the main achievements of this component:

- Families are free from the dependence on coca cultivation (Intermediate Result 2.1)

The classification of communities in relation to coca cultivation within the Program's scope of intervention was completed in April, allowing the identification of 14 communities as Case 1 (with predominantly coca crops), which were suspended from the Program until DEVIDA's final decision. This information will be updated from time to time in order to identify the level of evolution of communities.

Regional offices identified families with "models of licit lifestyle" that have been and will be part of a process of exchange of community experiences aimed at strengthening their commitment to a licit livelihood.

Internships and forums were organized involving the Municipal and Provincial governments, mainly in San Martín and Tingo María.

- Leadership in communities (Intermediate Result 2.2) Activities focused in identifying community leaders, and leaders among the youth and among women. Training processes were started to address general awareness issues aimed at developing leadership skills.

In the case of the San Martín Regional Office, the work with youth leaders was organized in coordination with the reactivation of the Regional Youth Council (COREJU). In the Regional Offices of Tingo María and Tocache the progress made with communal leaders stands out. In the case of the Regional Offices of Ucayali and Aguaytía the intervention focused in identifying and motivating leaders, both male and female. About 300 communal leaders, 300 youth leaders and 200 female leaders were formed in this process.

- Improvement / building of community identity (Intermediate Result 2.3)

The processes promoted to strengthen community identity through the building up of a vision to the future, the startup of activities for community unity as well as community initiatives concentrated important efforts in the Regional Offices where this topic was addressed. The Regional Office (OR) of Tingo María and the Ucayali OR -specifically in the Puerto Inca Economic Zoning (CZ)- articulated this intervention to the processes of participative budget. The Tocache Regional Office developed in detail the recovery of community history and culture, but in all these cases the intervention was a dynamic factor. This process, which is about to conclude, made it possible to reach 50 communities.

- Strengthening community-based organizations (Intermediate Result 2.4)

Tasks focused on identifying grassroots organizations in the communities, reactivating the Administrative Boards for Water and Sewage Services (JASS) and

the Committees for the Use and Maintenance of Local Roads (CUM), as well as Community Boards.

- Links between civil society and the State (Intermediate Result 2.5)

Tasks focused on identifying any and all public services that the community could or should have access to. A services fair was organized in the Irazola Economic Zoning (CZ) as a strategy to promote this link. Guidance processes were jointly developed in the Campoverde CZ with COFOPRI in communities to obtain titles to rural plots.

In addition, at a central level, progress was made through coordination meetings with the Ministry of Women and Social Development (MIMDES), Provías Descentralizado and the National Youth Secretariat, followed by the implementation of joint actions.

- c) Effect and/or impact generated or in the process of being generated

- The community perception (of leaders and authorities) regarding the new Program's approach is favorable since they perceive an interest in individual, collective and comprehensive development as a medium and long-term objective, which represents a mobilizing element. People appreciate the attention devoted to the development of their capacities and social skills through the Program. This generates commitment and participation.
- Communities are interested in their development and seek to involve themselves with the processes of local development. Communities wish to transcend their territorial space and find that Municipalities are authorities necessary for relevant coordination.
- Interaction with other communities. Communities begin to learn of the progress made by other neighboring communities and in that process seek to interact with them. For example, within the Regional Office of Tingo María, the communities that form part of the "coffee route" and those of the "cacao route".
- Motivation and interest on the part of municipal governments for communities where coca cultivation has been strengthened by showing new productive potentials, which in turn are becoming the basis of the new productive vocation to consolidate their local economic development processes.

- d) Programmatic and management lessons

- Carrying out activities under the mode of direct execution has enabled specialists to better approach local scenarios. However, the atomized planning process (at a sub-activity level) did not facilitate achievements of greater impact, and required from the specialists a significant amount of time invested in administrative chores.
- The actual period of execution has been short; the planning process of activities was completed in June, leaving in practice three months for the execution of projects. As a result, many of the activities continue to be implemented, as already mentioned.
- The coverage in 238 communities with social capital activities has generated a void in the field to which the communities were not accustomed. This has meant that the

Program has a weak link of flowing communication of the advances and requirements of the communities.

e) Perspectives for the 2009 Period

- The intervention with the Intermediate Result 2.1 (families that are free from the dependence on coca cultivation) shall have as its scope of intervention all the communities of the Program.
- The work with men and women leaders will have more differentiated lines of intervention. With men leaders, work will focus on strengthening capacities for community planning and management; with youth leaders the emphasis will be on production issues, and in the case of women leaders, they will encourage living licit lifestyles.
- Municipal governments will be encouraged to participate in the strategy to keep communities free from coca cultivation, from the point of view of its impact on sustainable local development.

STRENGTHENING GOVERNANCE

a) Description of the Result or Intermediate Results:

Within the framework of the Program, strengthening governance implies increasing the technical capacity of local and regional governments to implement viable projects that will promote the development of their communities, as well as applying the principles of democracy and citizen's participation in their administration. This is complemented with social capital activities, as it is hoped that both will contribute to the Program's sustainability, thus generating conditions for dialogue between the communities and local governments.

b) Result proposed for the 2008 term, and result achieved

Although a global intervention goal in municipal governments was not set out for the first year, in general the implementation of actions in relation to developing technical capacities through training programs was fully achieved. However, for those actions involving participation in planning processes, could only be 50% achieved given that when this type of activities was started by the Program, many of the municipalities had already started their processes according to the schedule provided by the Ministry of Economy and Finance.

- Support to the preparation/ updating of Joint Development Plans in the provinces (Activity 3.1.1)

As a result of the coordination with municipal governments, the Program interventions were focused on the preparation (Province of Leoncio Prado), updating (Provinces of Mariscal Cáceres and Lamas), or diffusion (Province of Tocache), of this strategic planning tool for local development.

A management approach by results, a gender approach and an impact analysis of coca growing in the local economy were incorporated in these plans.

- Support in the preparation / updating of Joint Development Plans in Districts (Activity 3.1.2)

The Program sought to update this instrument under the same approaches outlined above, and within the framework of participative budget processes. This allowed in some cases to be part of broader technical teams. This instrument was accomplished, or is in the process of being accomplished, in the districts of San Pablo, Piscoyacu, San Roque de Cumbaza, Chazuta, Tabalosos Pongo de Caynarachi, Huimbayoc and Uchiza in the Region of San Martín; Irazola and Campo Verde in the Ucayali Region; and Puerto Inca, José Crespo y Castillo, Hermilio Valdizán and Daniel Alomía Robles in the Huánuco Region.

- Support in the preparation of participative budgets validated by the communities (Activity 3.1.3)

The strategy was to intervene in the updating of the Joint Development Plans and the Participative Budgets. It must be pointed out that the Municipalities of the Huánuco Region applied an additional strategy that allowed including the communities in this process, encouraging their participation, taking as a starting point the processes deployed for building a vision to the future and its plans of action (Intermediate Result 2.3 – social capital)

- Training and use of SIAF tools (Activity 3.1.4)

In coordination with the Comprehensive System of Financial Administration for Local Governments (SIAF GL) of the Ministry of Economy and Finance (MEF), interventions were carried out in 42 municipalities in order to strengthen their administrative management. These municipalities adopted the regular use of management reports issued by the SIAF. They meet as a Treasury Committee for decision-making concerning budgets, and in ten of them the income module was implemented. It is expected that by 2009 this system will enable them to automate the payment of property taxes. The Municipalities of Bellavista, Uchiza and Tocache stand out for their commitment and for making good use of this intervention.

- Training courses for project planners within the framework of the National Public Investment System (SNIP) (Activity 3.1.5)

A training program for project planners is being implemented simultaneously in Tarapoto y Tingo María within the SNIP framework through a sub contract with the School of Municipal Management (Escuela Mayor de Gestión Municipal), which has developed a strategic alliance with the National University of San Martín which will allow students to meet the required academic standards in order to be certified and qualified. An average of 70 officials and technicians from 40 Municipalities are participating.

- Support for the formulation of SNIP projects (Activity 3.1.6)

All five regional offices have developed this activity which seeks to ensure public investment to complement Program intervention. Thus, the profiles or financed technical dossiers were aimed basically at social and economic infrastructure, and to promote productive activities. In three cases, the financing of the proposals was made on condition that there would be access to funds of the Rapid Impact Project (PIR) of the National Commission for Development and Life without Drugs (DEVIDA). However, to date the proposed resources are uncertain.

- Promoting democratic practices (Activity 3.1.7)

Not much emphasis was placed on this activity for two reasons: because greater political willingness on the part of the municipalities is needed in order to assume the Rendering of Accounts as a democratic practice, and because there was not enough time for the Program to establish a more coordinated intervention at this level. The intervention was developed in ten municipal governments.

- Support to municipalities for integration to the Latin American network (Activity 3.1.8)

Eight municipal authorities, among them a female Mayor, participated in the seminar held in Miami from June 16 to 19.

- Cooperation agreements with Regional Governments for the development of specific activities (Activity 3.2.1)

A cooperation agreement was signed with the Regional Government of Ucayali for the purpose of preparing a Regional Road Development Plan. Thanks to this agreement PDA is building up the capacities of the Regional Government personnel. In addition, we have stressed the importance of building and/or improving the road networks that serve the territories of the Program's communities.

- Training of managers in local and regional economic development (Activity 3.2.2)

This activity is being implemented through a sub contract signed with the Graduate School of Business Administration (ESAN). At present, 15 Regional Government officials and 16 authorities and officials from municipal governments are being trained. The participants are defining economic development plans or development projects within the framework of alternative development.

c) Effect and/or impact generated or in the process of being generated

- Municipal Governments (district and provincial) perceive the Program as a strategically for its local development process, achieved through the capacity building of officials and technicians, and through the improvement of internal management.
- Initial coordination level of municipal governments with the communities through participative budgets, updating of Joint Development Plans in districts, as well as

internships and forums to create awareness in the communities of the need to avoid coca cultivation.

- Approach to development considering the impact of coca cultivation in the local economy. The updating of Joint Development Plans and the implementation of participative budgets with specific figures allows local authorities to envisage and progressively assume a stance in defense of a licit lifestyle. The Mayor of the District of Tournavista has proved to be an important example.
- The incorporation of economic development proposals through Joint Development Plans in instruments of municipal management will allow lending support to Program interventions.
- Development of capacity-building of officials and technicians, with emphasis on economic, productive and social issues. This will allow improving municipal proposals for the sustainability of local development processes, with emphasis in economic issues.

d) Programmatic and management lessons

- Timely intervention requires the coordinated efforts and resources of the public sector, and to keep carrying out actions based on local priorities and the Program's best interests.
- The Program's intervention scheme must be aimed at strengthening the role of institutions for local and regional development.
- Regional Office teams must have at least one specialist with greater technical training in order to address governance issues supporting the intervention.

e) Perspectives for the 2009 term

- Strengthen municipal institutions through the building of capacities for the management of participative processes, and create conditions in the municipal structure that will help support management instruments in order to address the new challenges set forth in the District Joint Development Plans, with emphasis in issues of economic development.
- Create awareness, motivate and generate commitments in the Municipalities to assume the defense of licit lifestyles as a strategy that will contribute to the processes of sustainable local development.

PROMOTING LICIT LIFESTYLES

Description of Results or Interim Results

According to the Program's logical framework, the following are the results for the communication component.

Result 4:

Legal lifestyles promoted

Interim Result 4.1:

Communities and their leaders have community strategies that foster a change of attitude towards a legal lifestyle.

Interim Result 4.2:

Local and regional governments and Strategic Allies have communication strategies and actions that support legal development promotion.

Interim Result 4.3:

National and regional population considers PDA as an effective legal development option, and holds a favorable stance towards the eradication of coca-leaf cultivation.

1. Results Proposed for the 2008 Term, and Results Achieved

As specified in the logical framework, the source of verification of the annual goal proposed for the result level is the PDA annual impact survey carried out by DEVIDA, which will submit its results in early 2009.

The following may be specified at an interim result level:

- Regarding Interim Result 4.1, different communication actions allocated for the development of community strategies were carried out to promote legal lifestyles in 66 communities. These actions focused on the production of community media (20 communities), on the production of materials for the promotion of legal development (14 materials) in spaces for community mobilization, such as fairs, caravans and internships (26 actions), and on strengthening the skills of spokespersons in favor of legal development (27 spokespersons in training). As a result of these actions, a better understanding, acceptance and commitment towards legal activities were achieved in the communities where it has been implemented, this, in addition to a positive reception of communication in community development.
- Regarding Interim Result 4.2, actions aimed at implementing communication for development processes through local governments and strategic allies were carried out. These actions focused on promoting debates and discussions such as forums and seminars (four events have taken place) and in the enhancement of joint plans of communication for development (one district plan in building process). As a result of these actions, it was possible to initiate a capacity-strengthening course of action and to create a greater awareness in local authorities and strategic allies with respect to their role in local development within a legal economy.
- Regarding Interim Result 4.3, communication actions were carried out at a regional and national level aimed at positioning the Alternative Development Program as an effective alternative for legal development. At a regional level, nine communication campaigns were conducted in addition to the permanent diffusion of the Program's impact actions, with wide and frequent media coverage. At a national level, it was possible to place in various press, radio and television media at least seven impact actions executed by the Program. Furthermore, continuity was given to work in strategic alliances with the Communicators Network for the Development of the

Amazon Region. It is also important to mention the intervention of the component in the first stage (design, launching and diffusion) of the Selva Ganadora contest. As a result of this intervention, a positive positioning of the program was achieved in the informative treatment given in the local and regional media, in addition to a greater presence in the nation-wide media, especially in the written press and television programs.

3. Effect and/or Impact Generated or in the Generation Process

- In general, there are favorable conditions for the implementation of change of attitude communication strategies in favor of a legal lifestyle in the communities where work has been done this year. This has enabled activating communication processes starting from community spaces and means of communication, such as wall newspapers and community loudspeakers.
- A great public impact has been achieved in the promotion of coffee and cocoa bean cultivation through various activities such as fairs, festivals and internships. Furthermore, these actions strengthened the coffee and cocoa-growing culture among Program participants.
- Although in its early stages, positive results were achieved through work with local governments for the inclusion of communication as a management tool in favor of local development.
- Strategic alliances were strengthened with communication networks for the development of the Amazon region through the generation of spaces and debate involving local and regional development.
- There is wide regional information coverage of the Program's actions. At a national level, a wider and more regular coverage has been achieved.
- A communication planning process has originated from area coordination. This process seeks greater coordination and support to other components. It is hoped that this process will have a direct impact on the Program's goals.

Program and Management Lessons

- It is fundamental to decentralize the execution of communication strategies to guarantee effective Program support, in addition to a rational use of available resources.
- It is urgent to activate a communications module in the Program's monitoring and evaluation system for track results of the communication strategy.
- It is necessary to have effective communication with the communities regarding the scope, limitations and difficulties that will crop up during project implementation as a crisis prevention mechanism.

- It is urgent to define roles and establish synergies between community communication and the component of social capital and governability so as to optimize results and generate greater impact.
- It is urgent, similarly, to coordinate with development partners working in each area, in order to establish clearly articulated work strategies.
- It is fundamental for the component to maintain a media presence in the main actions of the Program. In this sense, the functioning of the information center is vital, as well as the implementation of campaigns to promote the Program's results.
- It is necessary to design a system of indicators for the early detection and better management of media related crises.
- It is urgent to design and implement a capacity strengthening plan in community communications with the regional offices personnel.

Perspectives for 2009, as seen from the Effects and/or Impacts Achieved

- Execution of a decentralized communication strategy. Each area's coordinator will have an operation plan and shall be responsible for its execution.
- Scale reproduction of the experience of generating means and spaces of community communication for the promotion of legal lifestyles is fundamental, starting from the identification of communication leaders in each one of the communities with which work is to be done in year 2. A project to identify and train these leaders in management tools for communication development has been proposed.
- Work in coordination with the components of social capital and governability for the design, production of means, materials and communication tools that will strengthen community identity, foster citizen's involvement in participative processes, and the approach to the communities in the State services platform.
- Continuity in the promotion of crops and livestock raising promoting actions of public impact; furthermore, educational modules will be developed as well as means of communication for the support of technical assistance.
- Implementation of capacity strengthening plans for authorities and local officials for the application of communication strategies promoting development within a legal economic framework.
- Continuity in working in strategic alliances with the Communicators Network for the Development of the Amazon Region and other strategic allies, with the objective of promoting legal development in the media's agenda and policies in the regions where the Program operates.
- Operation of information centers in each of the regional offices.

- Continuity to the implementation of media campaigns promoting the positioning of the Program as an effective option of legal development.
- Continued diffusion of successful experiences. In this sense, it is vital to capitalize on the process and results of Selva Ganadora for its inclusion in the media's regional and national agenda.
- Continuity and allotting greater coverage to the Program's impact actions will be sought through in the media at a national level. In the same manner, efforts will be made to maintain and increase the quality and quantity of information with respect to the Program's actions in the local and regional media.

CROSS CUTTING THEMES

FOCUS ON GENDER

The promotion of Focus on Gender included in the Alternative Development Program is intended to contribute to the consolidation of a change of attitude in the population involved in a legal lifestyle, with equality and equal opportunities, where men and women can build a sustainable overall development. This implies putting the Program into action by applying the focus on gender in each of the components (economic development, social capital, governability and legal lifestyle) and in all spheres of participation, taking into account that practices such as discrimination, unequal relations and inequity are barriers that affect personal experiences as well as collective, institutional and political dealings, regulations and icons, which are not easily changed and thus require the implementation of a process.

The focus on gender involves taking into account the Program's internal and external aspects, rooted in culture, as part of the socialization process; keeping in mind that it is women who are usually more discriminated against and excluded, more so in the rural environment. To this effect, the Program aims at incorporating and acknowledging women in production activities, in the strengthening and development of abilities and skills, considering their inclusion in the Field Schools, their participation in community and local decisions, as well as the formation of spheres where the role of women in municipalities will be strengthened through an effective municipal administration, and the formulation and implementation of policies and local actions in favor of gender equality and a legal lifestyle.

Proposed Results Versus Actual Results for the 2008 Term

The Program's strategic ally for gender promotion in the first year has been the National Network for the Promotion of Women (RNPM). The participation strategy successfully organized actions for the Program's personnel, sub-contractors, grassroots organizations and local and community authorities. The Program provided technical assistance, guidance and supervision in the implementation of the different actions to be taken, to meet the proposed results at the level of the Program's five regional offices.

To launch the transversal and gradual incorporation of the gender focus in the Program, awareness and training on gender development was conducted for a total of 180 program workers (127 men and 53 women) as well as for 201 Cooperative Extension Support Workers at from sub-contractor and donor groups (144 men and 57 women).

The workshop methodology used made it possible to conduct practical exercises, experiences and analyses, to encourage changes in the way of thinking and in attitudes, as well as in the personal, work-related and social commitments. In subsequent interviews conducted with some of the training participants, it was evident that they had knowledge about gender, gender roles, the need to share in the household's chores and share the decision-making power between both of them at home, leading this practice in their relationship with the Program's participants: *"I did not use to participate in my family, [but] after the workshop, I realized that I have to contribute"* – *"In the past, I used to do things without consulting; now we agree on things"* (S.M. workers).

“We hold meetings with donors twice a month.... We analyze how men and women can gain access to the training imparted in technical matters, and the way in which women participate, not only attending the meetings, but also participating in them” (Area Coordinator).

Virtual guidance and the presence of the RNPM team in the regional ambit meant a reinforcement of the contents and actions in favor of the incorporation of the gender focus on the work of certain Program components, which for this year we consider the initial steps for the gradual incorporation of the focus, although in some cases there are changes of impact, as reported further below.

Grassroots Organizations (OSB)

The goal set forth was met, with an increase in quantitative and qualitative aspects. The outcome for OSB in Year One was to introduce gender and development aspects to 200 persons of OSB, with a socialization projection for 1,400 persons in the 70 communities being participated, identify possible men and women leaders for the extension, and reach agreements with the local authorities in favor of the work to address the gender problem.

In this sense, awareness was created and training was imparted to 309 persons (80 men and 229 women in Introduction to Gender Development), and following the matching methodology, replications and socialization events were carried out, reaching 1,213 persons (916 women and 287 men), which facilitation or co-facilitation involved men and women who previously attended training workshops. Each of these men and women took the challenge of conquering fears and defeating insecurity in order to meet this goal, and they were given technical assistance by RNPM promoters. Added to these activities was the creation of awareness on 176 women and 93 men on gender-based violence.

Considering the participation of men in this awareness process contributed to the gathering of allies among men in favor of equal opportunities in the communities, where the gender work has begun. In many cases, at first there was rejection and mistrust, however, this was gradually overcome, to then give way to changes in attitudes and in the commitment to work in their communities in favor of improving relations between men and women. Some of them, who were community and local authorities, were facilitators together with the women.

In their leadership formation process, in eight district forums known as “Gender, Dialogue and Proposals”, women presented to their municipal authorities the gender problems that they gave priority to in the workshops, managing to get the involvement of 35 municipal authorities (mayors, councilmen and councilwomen), deputy governors and other public officials; signing agreements for their proposals to be heard. Among the problems identified repeatedly, there were mainly those involving family violence and alack of support for the training and income generation. In the five regions, a total of 218 women and 124 men (342 persons) were involved.

These democratic practices promoted by women reflect significant progress achieved in a short period of time, and these were recognized, to the point of having been announced by the local media, being very much the interest of authorities, so they could learn and concern themselves to perform actions in favor of equal opportunities. For example, the Mayor of the District Municipality of Uchiza, when participating in the forum held in Tocache, expressed interest in working in his district in favor of gender equality, and he requested the Program to take into account gender focus actions in his district's women organizations.

It should be mentioned that also performed was the application, as planned, of three mappings conducted with gender focus, one for each group, and this served to give priority to and place emphasis on matters and aspects relating to training; three training manuals were put together, with contents, structure and methodology, which were adequate for the target public; communication campaigns with messages in favor of gender equality, aimed at the community and at the authorities, folders containing information material for authorities and for the community, follow up and monitoring meetings. Likewise, at the end of the participation, an information sheet was put together by each of the regions where participation had taken place.

Impact Results and Process

Participation for gender focus took place during a short period of time (May-September), however, certain results showing significant changes can be identified, although they are occurring for the first time. An example is the forming of the Gender Committee of the Municipality of Tocache, as per Ordinance 014-2008, as an instrument which duties will include the implementation of the gender focus in the Municipality's policies and actions in favor of local development, calling for gender equality; and this was achieved following an intensive effort to create awareness, through the various activities carried out as part of what has been reported above, including the proposals made by women in the "Gender, Dialogue and Proposals" Forum and previous workshops concerning gender-based violence; the following expression published by the press reflects it: *"This year, Tocache's history has had a turn in its development process, especially with the implementation of the PDA-introduced Gender Project, and the Gender Development Committee, fostered by the Provincial Municipality."* CEPRES-PERU 2008.

In the Province of Leoncio Prado, although not included in this year's planned results, the Provincial Councilwomen's Network was created, comprised of 16 Councilwomen, representing the districts forming part of the province. The Network's goal is to strengthen their abilities and skills in favor of an efficient municipal performance committed to focus on gender and legal lifestyle; this being a model experience for the activities to be carried out during Year Two of the project with female authorities.

Sub-contractors show a commitment to change in favor of gender equality. They replicate gender workshops, debate in meetings on these matters, and propose changes to the technical instruments to perform follow up on the cultivation of crops like cocoa and coffee with *Cooperativa Cafetalera La Divisoria and Cooperativa Agroindustrial Tocache*. At least two organizations replicated the workshops and changed the technical

instruments to perform follow up on the cultivation of crops like cocoa and coffee, classifying information according to gender, and including gender content in the courses scheduled for ECAS (such as the case of *Cooperativa La Divisoria, Tocache*).

In the Program, it is evident that most of the men and women workers, in addition to their personal reflections to improve gender relations in their homes, are up to date in the process of gradually incorporating the gender focus, and this is a subject dealt with in each of their team meetings, in their relationship with the farmers and sub-contractors. Furthermore, this is being incorporated into the documents, work instruments, forming part of the contents of most of social capital and governability components' training meetings. Similar changes have also been started in the processes related to economic development, viewing women participation in production activities and designing actions that will contribute to their better grading, taking into account their gender conditions.

Lessons and Perspectives

The individual and collective reflections and the analysis of actions close to the labor-related aspect made it possible to decipher gender conditions, and they have been fundamental to understand power relations, gender asymmetries and the possibility of change in the participation, both for Program's workers and for donors and sub-contractors.

Given the absence of the government, it is right to include male community authorities in the gender awareness and training process, in order to make changes in favor of gender equality, with messages issued by the community's men themselves, normally accentuated by machismo (chauvinism).

With the process having an ally such as RNPM, with a team of professionals who are committed and who play a regional leadership role, and whose personal aim is to achieve gender equality, guarantees an effective work in the challenges faced by the Program.

The context in which the Alternative Development Program evolves must be very much taken into account when scheduling timing and action.

It is necessary to spread among local authorities gender policies existing at the national and regional levels, whose responsibility is to implement them.

The design for Year Two activities must encompass a strategy that will ensure a more coordinated work by the Program, specifically for the incorporation of the gender focus into the plans and actions.

ENVIRONMENTAL ACTIVITIES AND NATURAL RESOURCE MANAGEMENT

During this year, environmental activities focused primarily on ensuring the compliance with USAID environmental regulations in the implementation of infrastructure and agricultural projects. This was accomplished by the procedure established with USAID and DEVIDA consisting of an Initial Environmental Evaluation as well as three inspections during the life of each project. These inspections were complemented by an annual audit by DEVIDA whose recommendations will be incorporated into program implementation during the next year.

At the beginning of the contract year, a multipartite meeting was held with DEVIDA, USAID and program staff to establish the new work parameters and special indications to be implemented during project execution. This included parameters for the application of Regulation 216, general guidelines for crop installation and environmental management procedures that required special attention on the part of grantees. The coordination with DEVIDA in the establishment of the work parameters as well as joint visits to communities and verifications during the reporting year has been one of the best examples of the fluid working relationship that we enjoy with our counterpart organization.

Additionally, in keeping with the Program's role as facilitator, we supported the San Martín Regional Government in the formulation of its Regional Forestry Plan, which included standards for forestry management and reforestation activities related to this central priority for the San Martín region.

During the next contract year, we plan to continue seeking synergies with local and regional governments in environmental management efforts as well as the reinforce USAID environmental standards in the implementation of productive projects in over 40,000 hectares of licit crops and new infrastructure projects both in consolidation and post eradication areas.

PROGRAM MONITORING AND EVALUATION

ACHIEVEMENTS

The Program Monitoring and Evaluation is focused on Impact-Oriented Monitoring, as shown in the Project's Logical Framework through its Intermediate Results, Results and Purpose; therefore, it is a continuous process whereby relevant information is gathered, assessed and documented in order to optimize the decision-making with regard to the Program.

To that end, this first year a "Monitoring and Evaluation Plan for the Alternative Development Project (PDA) 2008 – 2010" was prepared as an institutional management instrument for the Program Monitoring and Evaluation. The Plan includes and proposes particular elements in relation to the nature of monitoring and evaluating the Program during the period that ended in fiscal year 2007. These elements are:

Use of the logical framework instrument for the Program's planning, monitoring and evaluation.

This year the Program's Logical Framework was prepared considering the commitments established in the Contract by Chemonics with USAID, but above all the results to be attained were set for the sustained overall development of the families, organizations and institutions involved in the Program. To date, the achievement indicators of the Program's intermediate results, results and purpose are being determined in accordance with the baseline established in the year aimed at the effects and impacts we seek to reach with regard to the Program participants.

- Joint monitoring activities with DEVIDA for the variables of purpose and results, and participation of other stakeholders in the Program (local and regional governments).

This year the Program's Joint Monitoring Committee (DEVIDA-Chemonics and USAID) decided to act jointly on fieldwork verification and impact assessment. Fieldwork was carried out in 139 communities of the Program; three verifications were conducted in April, May and July of 2008 under the leadership of DEVIDA. The teams from Regional Offices participated also, sharing information on the communities involved, taking part in field activities and in the decision making in order to improve management based on the verification results: improvement of services provided to families, better internal management on the part of the Chemonics Team, and to take into account, as well, the warnings of more illegal coca activities taking place in communities of the Program, among others.

In relation to encouraging inter-institutional authorities to participate with the Program in monitoring and evaluation activities, it is important to mention that the San Martín Regional Office, together with DEVIDA and USAID, started within the Huallaga Central and Bajo Mayo Special Project, a joint monitoring process of the forest project supported by the Program and designed for the Special Project, the main strategic operator of the San Martín Regional Government. With this process

we seek to increase the capability of the Special Project in the monitoring of forest projects and, in terms of the Program, the possibility of gaining experience in joint monitoring with other local institutions. Thus, we are organizing a joint monitoring process with local organizations within the scope of the Puerto Inca Economic Zoning (CZ) - Ucayali Regional Office (Provincial Municipality of Puerto Inca, District Municipality of Yuyapichis, and Provincial Headquarters of the Ministry of Agriculture (MINAG), among others) for the purposes of monitoring the development of livestock husbandry activities.

Improvement of the information system, including new modules and the adaptation of new components to the Program.

The Contract Module, Infrastructure Module and Economic Activities Module have been adapted to the new intervention strategies of the Program for Overall Development. Chemonics and grantees' personnel have been trained to manage the modules by the staff of the Monitoring and Evaluation Bureau, who provides support to the trainees when using the modules.

Furthermore, with the support of the Directors, Managers and Specialists of the Program, and within the framework of the Joint Monitoring Committee, modules are being developed in the information system to monitor the interventions (effects and impacts) regarding:

- a. Strengthening of Farmer Organizations
- b. Execution and Impact of Forest Projects
- c. Raising of Capital Stock
- d. Strengthening of Governance
- e. Impact of Communication and Program in licit livelihoods
- f. Gender Equity

Based on the Program Baseline (LdB), during the reported year, LdB reports have been prepared on main crops and livestock husbandry: cacao, coffee, oil palm, peach-palm for palm heart and cattle raising; the information provided covered 36.8% of the families (9,947 families) participating in the Program with those crops and livestock. LdB reports will be completed in the first month of fiscal year 2009. During that quarter the LdB report on banana crops will be prepared, a crop with a high impact on the development of families living within the scope of the Aguaytía Regional Office (RO).

We are developing the LdB of the Program Intervention in the Strengthening of Farmer Organizations, in the communities considered for the raising of capital stock, in the Municipalities considered for Governance Strengthening, and in the beneficiaries' perception of the Program impact (in main cities of its scope of intervention). Furthermore, during the first quarter of fiscal year 2009, we will develop the LdB for the impact of credit services encouraged by the Program and with regard to the effect of public – private alliances.

The comprehensive evaluation of the Program, led by DEVIDA, is the reference point we take into account for 17 of the 30 indicators that exist with respect to the Program's intermediate results, results and purpose. It includes the establishment of the LdB and the Program's impact assessment.

One of the processes in progress is the establishment of the information management system to support Selva Ganadora, the process of social mobilization which purpose is to encourage the development of the communities participating in the Program.

The permanent attempts to present the lessons learned based on the Program and their application for the improvement of the Program management, as well as the utilization of other similar interventions.

The joint monitoring process and the monitoring aimed at supervising Program impacts is a permanent learning process that has allowed the identification of specific issues of study for measuring the Program effects and impacts. In this regard, we have implemented, within the scope of the Campo Verde Economic Zoning (CZ) – Ucayali Regional Office (OR), the systematization of the Program intervention for the management of community fish farms, analyzing with the Local Development Specialist the conditions and capacities that have made possible for the PDA Community Nueva Esperanza – District of Honoria, to sustain fish farming activities in the community-managed lake.

The permanent improvement of the Monitoring & Evaluation (M&E) system.

The permanent issue of reports, warnings and notices regarding the Program has allowed the M&E team to permanently improve the information presentation. In this regard, the M&E team is developing abilities in order to prepare reports, maps and other types of presentation, and encouraging the development of said abilities for the Chemonics personnel its partners' staff for regional development. For example, in the Ucayali Regional Office, personnel of the Regional Government have been trained in the management of the Geographic Information System (SIG).

PROSPECTS

The monitoring system will continue verifying and measuring the Program impacts. The information will be obtained through the work performed by the grantees, through bimonthly meetings of the Regional Offices, regular meetings of Chemonics, field verifications and other reports. The following monitoring and evaluation activities have been scheduled for the second year of the contract:

- Four joint activities with USAID and DEVIDA for the verification and evaluation of the Program, in the communities and with the participants of the Program.
- Periodic field visits by the M&E personnel in order to verify the Program progress. It is expected that the M&E team will employ at least 30 % of its time to visit the communities and verify the Program progress in all areas defined in its logical framework.

- The M&E Specialists will perform at least two case studies in their areas of intervention, in connection with the identification of innovations for development, the progress achieved in implementing the Program and with regard to the perception of the Program's effectiveness and efficiency.
- The M&E team in the Lima office will carry out specific inspection activities to support the Program personnel in particular situations when decision making at a regional or national level is required.
- The M&E team will continue preparing reports based on the Program information system, and in accordance with specific requirements of the personnel of Chemonics, USAID, DEVIDA and other Program participants, including the drawing up of maps.

PROGRESS IN THE IMPLEMENTATION OF THE PROGRAM IN POST-ERADICATION AREAS

As part of the work of the Alternative Development Program (PDA) in previously defined post-eradication zones and in mutual agreement between USAID and the National Commission for Drug-Free Development and Living (DEVIDA) a series of activities are being carried out linked together in a proposal aimed at sustainable development.

Post-eradication zones are considered those communities in which the Special Project for the Control and Reduction of Coca Crops in the Upper Huallaga Valley (CORAH) an entity of the Drug Control Office of the Ministry of Internal Affairs, carries out the scheduled manual eradication of illegal coca-leaf plantations.

Throughout 2007 and 2008, CORAH has continued with the eradication of coca plantations. There are now very few coca-growing areas remaining in Tocache and San Martín. However, in 2008, eradication has been concentrated in the Paraíso / Cholón area and the communities of Aucayacu, having already exceeded the goal of 8,000 ha as of this date, but large areas of coca crops still remain in these areas.

In the Province of Tocache, between August 29, 2006 and April 25, 2007, a total of 87 communities involving 5,888 families signed “memoranda of understanding” with DEVIDA, committing to not re-sow coca-leaf fields.

As a Program, for the first year of the contract, it was jointly decided by USAID and DEVIDA to incorporate a greater number of families in communities that had already signed agreements in Tocache and work in the District of Uchiza, Province of Tocache, Region of San Martín, and in the area of Paraíso, District of Cholón, Province of Marañón, Region of Huánuco, for which purpose a differentiated work strategy was designed and implemented for each area.

Between October 1, 2007 and September 30, 2008, in these 87 communities of Tocache, a total of 302 new families were incorporated in the program and PDA committed to make production investments in addition to those already being implemented. Two new communities with 70 families were also incorporated, signing their memoranda of understanding in early 2008.

To attend to all of the communities involved under the post-eradication strategy, based on the institutional policy guidelines in force, the following has been taken into consideration:

- In the first 87 communities, the consolidation process of the agricultural and livestock projects already underway will continue, and the projects will be provided with technical assistance and minimum investments in inputs until September 2010.
- In the new signing communities, the agricultural and livestock investments established in the memoranda of understanding will commence in November 2008. At the same time, other investments promised will be made in economic development, social capital, governability and the environment.

- Support the United Nations in order to achieve the implementation of 2,500 ha of palm trees, with financing from USAID, for these zones will be provided.
- The other actors associated with the development plans, both in Uchiza and Paraíso will continue to be supported, in order to ensure they exploit their investments.

Generally speaking, the intervention strategy in Uchiza and Paraíso focused on the local institutional framework and the active participation of the population and local authorities and leaders, rather than the community-by-community intervention and communication that was used in the first stage in Tocache.

In this working strategy, the local government, headed by the mayor and the representatives of the institutions and local authorities/leaders, are those who assume the process, which is facilitated and provided with technical assistance by the PDA on a local level.

Socialization processes have also been scheduled in the area of La Morada, and later in the area of Yanajanca, after the completion of the eradication topic scheduled under the responsibility of the CORAH and when minimum security conditions exist that facilitate dialogue and rapprochement with local authorities.

It is estimated that approximately 2,192 ha of coca were eradicated in the District of Uchiza between 2006 and June 2008. Of these, 598 ha were eradicated in 2006, 1,228 ha in 2007 and 697 ha between January and June 2008.

As part of the work strategy in Uchiza, an Interinstitutional Committee for the Development of the District of Uchiza has been formed, led by the mayor, Segundo Núñez, and involving the Regional Government, the Provincial Government, the United Nations Office on Drugs and Crime (UNODC), DEVIDA and the Francisco Vigo Caballero Superior Technical Institute, among others. This plan has become a space for dialogue, analysis and decisions on proposals for development in the district. The committee commenced its activities on July 3, 2008. On September 25, it approved the plan, which involves the support of the PDA.

Uchiza has 48 villages and 3 major populated centers (Santa Lucía, Santa Rosa de Shapaja and Pampayacu). Of these villages, the PDA is already working in 14 of them: 10 under the voluntary eradication method and four under the post-eradication method, in which the works for the implementation of production projects continue, along with integrated technical assistance on value chains.

After designing a work strategy, the PDA has been promoting a socialization process since July 2008 in the 24 remaining communities to achieve their participation in the Program as part of a comprehensive development strategy on a district level.

There are currently 13 socialized communities with which a framework agreement has been entered into and the signing of Memoranda of Understanding has commenced with DEVIDA (with approximately 430 families). We will continue the socialization process with the rest of the communities, signing memoranda up through December 2008. The crop that has drawn the most interest from the population is cacao.

Considering the Plan and the results of the socialization process, the investments proposed by the PDA in Uchiza include:

Economic – Production Development:

- Installation and management of 800 ha of cacao for 520 families, with between 1 and 2 ha per family.
- Installation and management of 100 ha of coffee for 70 families, with between 1 and 2 ha per family.
- Improvement of livestock activities for 80 families.
- Study of the current situation and perspectives on the cultivation of rice in Uchiza, in order to get an idea of the size of the activity and improve the production chain.
- Joint participation and co-investment with the agro-industrial company Agroindustria Santa Lucía S.A. (ASLUSA), in order to schedule 120 ha more of hearts of palm.

Social Development:

- Preparation of technical files and profiles for local access ways, drinking water systems (SAP), etc.
- Basic improvement of educational institution (Alto Huaynabe) and basic fitting out in another three (Los Ángeles, Bombonaje, Pampayacu) with school furnishings and supplies.
- Completion of the SAP in the community of Bajo Huaynabe.

Strengthening of Local Institutions:

- Strengthening, promotion and dissemination of the work of the Inter-institutional Committee of Uchiza.
- Capacity development and building in the management of the local government of Uchiza.
- Building of management capacities of four Producers' Organizations: (1) Peanut Producers' Association of the District of Uchiza – APCU; (2) El Oriente Livestock Association of the District of Uchiza – AGDUO; (3) Coffee Producers' Association of the District of Uchiza – APDCAUO ; and (4) the Rice Producers' Association of the District of Uchiza – APAU
- Training program for 30 cacao producers under the Agricultural Field School (ECAS) methodology in agreement with the Institute of Tropical Crops (ICT).

Environmental:

- Management of the status of the forest in the ecological reserve of the village of Valle Shunte, covering 320 ha, in order to preserve the natural fauna and flora.
- Environmental awareness campaign aimed at limiting the deforestation of protected forests, as well those used for production.
- Solid waste management program in educational centers, complemented by a program for the development of environmental awareness among students.

The PDA prepared a Diagnosis for the Populated Center of Paraíso in the area of Paraíso, District of Cholón, in October – December 2007. From June to September

2008, the PDA formed part of the technical team led by the CRECER Program run by the Peruvian government in order to prepare a Joint Development Plan for Paraíso for the 2008-2013 period. At the same time, the PDA team carried out a series of actions with the main local authorities and even with the Regional Government of Huánuco. Unfortunately, for now our allies are the local institutions in Uchiza and the United Nations.

In Paraíso, the meeting held on August 3, 2008 was a milestone on the road to the development of these communities, since the local authorities, especially the mayor, Artemio Mirando, assumed the commitment to support this process and provide the necessary security guarantees, as it is public knowledge that remnants of the Shining Path terrorist group are active in this zone, even more so toward the south, near La Morada – Aucayacu. The socialization process was carried out with a series of frightened reactions due to the presence of the CORAH in some communities, which was severe enough to cause us to withdraw in order to enter once again at a later date.

According to the data of the National Institute of Statistics and Informatics (INEI), 5,102 people live in Paraíso as of 2007. There are 34 communities located within its geographic boundaries. To date, there are 14 communities (363 families) that have signed a framework agreement, and the memoranda of understanding are being signed with DEVIDA. Of these families, 271 have opted for cacao, and 92 for oil palm crops.

Work is also being carried out with another nine communities. In three of them, the socialization process is scheduled to be finished in November, with the other six concluding in December 2008. There is also a group of another six communities that have been indecisive up to this point, and reluctant to work with the PDA.

Considering the Joint Development Plan and its strategic objectives, four axes/components have been established. With regard to the PDA, the main projects and investments identified to date are:

Economic – Production:

- Installation and management of 2,000 ha of oil palm, projected for approximately 666 families, with 3 ha each.
- Installation and management of 1,200 ha of cacao, for approximately 600 families, with between 1 and 2 ha per family. To date, 287 families have been identified, which will be provided with a total of 574 ha.
- Improvement of livestock activity to attend to 120 families.

Social Development:

- Preparation of technical files (National System of Public Investment - SNIP) for the construction of the School of Santa Rosa de Megote .
- Basic improvement of six educational institutions: i) Preschool of the Populated Center of Paraíso; ii) Primary School of the Populated Center of Paraíso; iii) Primary School of San Francisco; iv) PRONOEI of Jorge Chávez; v) Primary School of Jorge Chávez; vi) School of Pampa Hermosa.
- Basic fitting-out of five schools: i) Paraíso High School; ii) CEGECOM (Educational Center Managed by a Community) of Campo Verde; iii) PRONOEI

(Kindergarden Programs with Intensive Schooling), iv) Primary School and v) High School of Santa Rosa de Megote, with school furnishings and supplies.

- Co-financing for the Paraíso electrification system and its annexes. The technical file is currently being reviewed.

Strengthening of Local Institutions:

- Capacity-building in the management of the Local Government of Paraíso.
- Strengthening of three Producers' Organizations: i) Juan Velasco Alvarado Producers' Association; ii) Luz de Vida Palm Farmers' Association of the 3 de Mayo Community; iii) Nuevo Amanecer Livestock and Agricultural Producers' Association of the Community of Jorgé Chávez
- Training program for 30 cacao producers under the field school (ECAS) method in agreement with ICT.
- Support in the preparation of technical files: i) profile on the bridge over the Frijol River; ii) Profile on the Paraíso – Yanajanca access road; iii) Profile on the Municipal Township of the Populated Center of Paraíso; iv) Profile on the Drinking Water System (SAP) and Basic Sanitation of the Populated Center of Paraíso.

Environmental, Territorial Zoning:

- Environmental awareness campaign for the care of the forests of the district