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AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/Peru
Office of Local Government and Alternative Development

ALTERNATIVE DEVELOPMENT PROJECT

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The Alternative Development Project Agreement was signed by the Government of Peru and the United States Government on May 12, 1995. It represents many years of collaboration and preparation between the two governments and will be implemented for five years, until the year 2,000.

Goal

To reduce coca cultivation in the target areas pursuant to the Government of Peru's National Drug Prevention and Control Plan (D.S. No. 82-94-PCM).

Purpose

The Project will seek to increase employment and income from alternative licit economic activities in project areas in order to achieve Project goal.

Funding

The Project Agreement includes the following levels of funding:

USAID donation funds:	\$30 million
PL40 funds:	\$10 million
GOP public treasury	\$ 4 million

Implementation Area

This five-year project will be implemented in selected geographical areas generally composed of "cuencas" (watersheds) located in the five main coca leaf production areas (Central Huallaga, Upper Huallaga, Aguaytía, Central Selva and the Apurimac River valley) in the Departments of San Martín, Pasco, Ucayali and Ayacucho/Apurimac. If funding allows, project activities will be expanded to other areas affected by narcoterrorism. These include the Departments of Amazonas, Loreto, Cusco, Huancavelica, Cajamarca, La Libertad and Ancash.

Six major criteria will be used to select the communities where the project will work:

- Scope and nature of coca activities.
- Level of involvement in narcoterrorism.
- Security
- Potential for sustainable development.
- Willingness and commitment of communities to participate in voluntary reduction of coca leaf production.
- Other donor commitment.

Implementation Modality

The Project is being implemented by the Government of Peru's Instituto Nacional de Desarrollo (INADE) through the bilateral agreement referred to above. The United States Government is represented by USAID. INADE is responsible for overall Project planning, coordination, implementation, monitoring and reporting. Project activities planned together by INADE and USAID will be implemented through sub-agreements with various public and private institutions such as INADE sponsored **Special Projects**, non-governmental organizations (NGOs), higher learning institutions, among other institutions. Other implementation modalities include cooperative agreements with a technical assistance provider, financial and investment credit institutions, and selected NGOs. The Ministry of Interior's Upper Huallaga Coca Cultivation Control and Reduction Special Project (CORAH) will be responsible for identifying and monitoring progress toward accomplishing goals of reducing coca production in specific target areas.

Implementation Strategy

The implementation strategy was developed in pilot activities carried out in the Ponaza valley and in other areas of San Martín. The strategy includes: (1) working in "cuencas" in coca cultivation areas where the communities have expressed their willingness to voluntarily reduce and ultimately eliminate illicit coca production, through commitments with their local and regional governments and other government institutions, and (2) promoting integrated sustainable development activities together with the communities and the institutions responsible for Project implementation. These activities will be implemented in phases in turn of gradual reduction of illicit coca production, thereby creating an appropriate environment for social stability, physical security and licit economic development.

It is important to note that this Alternative Development Project is one element of the USG support to the GOP's National Plan for Drug Prevention and Control. It cannot and will not address all the problems brought about by illegal coca production and narcotrafficking in Peru. The current availability of resources requires that USAID efforts be focused on limited geographical areas. Because of the need for additional resources, it is necessary to convince other donors of the importance of alternative development activities through the Mini-Dublin Group, the USG will work toward achieving this objective. It is also hoped that the IFI's will finance projects in areas which are impacted by narcoterrorism and which have high economic and social importance to Peru.

The strategy is built upon two premises. First, poverty and underdevelopment is an underlying cause of farmers' decision to continue to be involved in illicit coca production. Second, a significant reduction of coca leaf production and processing will require effective law enforcement (control de tráfico ilícito) against narcotraffickers. Thus, to be successful, both law enforcement and economic and development assistance must be continued and sustained over time. Economic assistance will help to help cushion the negative economic impact of reduced income from the drug trade while law enforcement activities disrupt growers' expectations of relatively greater and reliable earnings. This implies that efforts and resources to finance alternative development programs and implementation of effective law enforcement measures must be provided consistently over many years. Undoing decades of dependence on coca cultivation cannot be reversed quickly unless those engaged in illegal activities have some level of confidence in their prospects of making a relatively acceptable living through legal means.

Lessons Learned

The Alternative Development Project was designed taking into account lessons learned from 14 years of implementing activities designed to eliminate coca leaf production (Upper Huallaga Area Special Project - PEAH). These lessons are as follows:

1. Under the current social and economic environment in most areas, mass eradication of mature coca does not work. Forced eradication of mature coca complicated efforts to eliminate coca leaf production by alienating the farmers and promoting the growth of terrorism. Moreover, in some cases, forced

eradication had a negative impact on the environment by forcing coca leaf growers into protected forest zones not suitable for licit agriculture.

2. Community participation is a critical factor in insuring success. By promoting direct and active democratic participation of the communities in governance, a sense of community ownership of projects develops as well as stabilizing the security environment. It gives people a feeling of control over their future.
3. A strong local government is important to address community development needs and provide basic services. It is the key in creating a positive social environment for the growth of a local licit economy. Illegal activities flourish where there is no authority or government presence.
4. Law enforcement activities are necessary for alternative development success. Enforcement pressures must be directed to drug trafficking organizations and large scale coca leaf processors in order to disrupt the marketing process and depress farmers' expectations of preferential earning from coca. This process will promote the separation of farmers from the traffickers.
5. An alternative development project needs to employ a flexible design in order to be successful. This is due to the economic, social, political, ecological and cultural differences which exist within Peruvian Regions.
6. Alternative development activities need to take into consideration all aspects of life in an area and address the social and economic problems in an integrated manner.
7. The alternative development concept needs to be understood, accepted and supported by the majority of community members for it to be successful.
8. Authorities must be able to provide an acceptable level of protection from terrorist activities for project activities and personnel in areas where alternative development activities will be implemented. It is almost impossible to implement a meaningful sustainable alternative development project in an area not free from terrorism.

Alternative Development Project Components

There are three components to the Alternative Development Project. They are:

1. Employment and Income Generation

The purpose of this component is: (i) to reduce the production of coca destined for illicit use, and (ii) to help the GOP and communities in target areas develop and carry out licit activities that generate income. The Project will do this by supporting selected agricultural production and agribusiness ventures that have the potential of providing alternative sources of gainful, licit sources of income and employment on a sustained basis. Activities include applied research, technical assistance, market development and credit assistance.

2. Essential Services/Community Development

The purpose of this component is to foster an environment where increased opportunities for legitimate income-producing activities, self-directed participation in development activities and access to basic services will provide the rural household with the positive incentives to eliminate or cooperate in eliminating coca cultivation. To do this, the Project will strengthen local governments, promote democratic participation in decision making and finance socio-economic community development activities in the areas of health, education, water and sanitation, as well as small irrigation systems. It will also finance secondary road and bridge rehabilitation and small scale-power systems.

3. Environmental Protection and Awareness

Because of the serious damage which coca leaf production and processing causes to the environment, the project will provide technical assistance and training for environmental conservation, reforestation, sound cultivation practices, soil and water management and agricultural sustainability. Besides, the Project will help finance reforestation activities in areas which have been damaged by coca cultivation and processing practices.

Communities' Participation

The most critical group involved in project implementation are the communities themselves. Their participation includes:

- Identification, selection, prioritization and implementation of basic social infrastructure activities.
- Together with their local governments, the communities will provide voluntary labor, materials and/or equipment for implementation of selected activities.
- Through agreements with INADE, local and regional governments, the communities will be committed to reducing coca leaf production.

Expected End of Project Status

USAID programming procedures require that we develop End of Project Status indicators (EOPS). We expect that the project achieves these outputs five years from now. They can be adjusted as we progress in Project implementation based upon any changes which may occur in the Project implementation area. The EOPS are:

- 50% or better reduction in mature coca under cultivation in Project target areas.
- 75% or better compliance with voluntary collective or individual coca limitation or reduction commitments.
- 6,980 full time equivalent jobs and 21,400 person/months of temporary employment generated.
- Increase farmers' income from non-coca related activities by 30%.
- Increase in 9,400 ha. of non-traditional and 9,700 ha. of traditional legal cash crops.

- Overall environmental awareness increased in target areas.
- 100 communities organized to support national efforts to reduce coca production.
- Cattle production increased by 150% in assisted communities.
- Yield of rice and corn production doubles.
- Increase in the value of production of licit crops.
- Increase in the volume of production of licit crops.
- 12,400 families will have increased access to basic services (health, education, potable water, environmental sanitation, etc.).

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