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FOURTH QUARTERLY REPORT

PERU POLICY AND INSTITUTIONAL DEVELOPMENT COMPONENT
ALTERNATIVE DEVELOPMENT PROGRAM

April 1 – June 30, 2006

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**PERU POLICY AND INSTITUTIONAL DEVELOPMENT COMPONENT
Of the Alternative Development Program**

**QUARTERLY REPORT
April 1- June 30, 2006**

EXECUTIVE SUMMARY

This report describes the progress made during the Second Quarter of Calendar Year 2006 (the fourth quarter of project implementation). The project continues to follow three primary lines of action, as detailed in the April 2006 Work Plan, to support the Peruvian Government on counter-narcotics issues. They include:

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

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

We have to consider that during this quarter Peru has been under an electoral process including the election of a new President and Congress people so project activities have slowed down during this period until the new government was finally elected.

Congress elections and the first round of presidential elections were held on April 9. This allowed us to identify more clearly the main political actors in the Congress in order to design an anti-drug sensitization plan.

The Project continued developing its basic lines of action and identified new actions that could be developed during the latter part of the former government and would remain during the next government.

We have visited cities in the regions of La Libertad, Huánuco, Cuzco and Ayacucho, in order to study the situation of the cocalero movements and the production of drugs and keep the public opinion and authorities duly informed, particularly on drug-trafficking and terrorism issues.

The PIDC consultants have also made presentations at a variety of seminars and conferences, written articles for publication in the national and international media, and given interviews to journalists on these issues.

The PIDC worked actively with the Ministry of Production and SUNAT in the design and implementation of the Precursor Chemicals Management Information System (PC MIS). Thanks to the coordination of the Project consultants SUNAT committed to provide technical assistance for the implementation of this system, and the Ministry of Production formally requested the Embassy technical cooperation to start the construction of the PC MIS.

Finally, the PIDC continues to provide technical assistance to FONAFE/ENACO, at the request of its Executive Director, on options for implementing control of the legal market for coca. This involves the design of a pilot plan for the verification of the coca producers included in the updated ENACO register in Rancho Grande, Department of La Libertad.

The project continues to consolidate the advances made in 2005 and in the first months of 2006. A reevaluation of the Work Plan will have to be made once the new government appoints its authorities, particularly in the Ministry of Production, DEVIDA, FONAFE and ENACO, and Congress Commissions.

1. PRECURSOR CHEMICAL CONTROL

Over the second quarter of 2006, the PIDC project worked with the Ministry of Production and GOP institutions such as SUNAT, DINANDRO, FISCALIA and DEVIDA to facilitate the agreements and commitment necessary to implement the PC MIS.

Design of a Management Information System for Precursor Chemical Control.

An agreement in March between the Ministry of Production and SUNAT created a technical team that consists of representatives from the Ministry of Production, DIANDRO, DEVIDA, and SUNAT. This team reviewed the information needs of all the institutions according the new legal framework, and drafted the information system model. The Ministry of Production formally requested the Embassy technical cooperation to start the construction of the PC MIS including consultants and equipment. USAID, through the PIDC, will finance the consultants and NAS the equipment.

2. Licit Coca Control Policy

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

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

During the fourth quarter of project implementation, the PIDC carried out the following Licit Coca Control Policy-related activities:

Prepare Handout and Materials for Public Awareness

Based on the conceptual framework of the coca leaf market and its impact upon drug-trafficking, basic easy-reading materials are being prepared to be distributed among the new authorities and the general public nationwide during the next quarter.

Media Activities. During the fourth project quarter, PIDC consultants continued to prepare reports, articles and comments for journalists reporting on counter-narcotics

issues, opinion leaders, and the general public. These materials appeared in publications such as Correo, El Comercio, La Republica, Peru 21, Expreso, La Primera, TV news shows such as La Hora N, as well as national and local radio shows.

Finally, PIDC consultants disseminated a document entitled “Diagrama Integral del Mercado legal de la Hoja de Coca: El Narcotráfico y la Política Antidrogas,” that was drafted on March 31st. The purpose of the document was to present an integrated picture of the complex problem of illicit coca and drug production, and the ways that different components of Peru’s anti-drug policy are intervening in the problem, especially PIDC efforts. This document was developed with the important and up-to-date information provided by studies supported by the PIDC, and has been shared with USAID and the American Embassy. This document will be disseminated to the newly elected authorities in the Executive and Congress. These presentations will contribute to disseminate in a more objective manner the situation of the illegal coca market as related to drug-trafficking.

Direct Communication with the Press. Jaime Antesana continues to maintain an active presence in the media as a spokesman for Coca Control Policy, control, current information on the cocalero movement and counter-narcotics issues in general. During the fourth quarter of the project, Antesana provided interviews to journalists working for: La Hora N, 24 Horas news in Channel 5, Agencia de noticias NOTIMEC, Channel 2, ATV Channel 9 news, Correo, La Primera, Peru 21, CPN Radio, CNR radio and Radio Nacional.

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

Technical Assistance to the Executive Direction of FONAFE. During the fourth quarter of the project, the PIDC has continued supporting Hilda Sandoval (FONAFE Director) and Hector Buzaglo (Advisor to the Director of FONAFE), in ENACO related activities.

Provide informational briefings to targeted members of the Peruvian Congress. PIDC congressional advisors continue to provide information and support to Peru’s Legislative Branch on issues related to control of the legal coca market and counter-narcotics. Throughout the project’s fourth quarter, advisors Cruz and Martinez worked with Congressman Luis Iberico, president of the Congressional Commission for National Defense, Internal Order, Intelligence, Alternative Development and the Fight against Drugs.

During the fourth quarter, as a result of the electoral campaign, some Congress members tried to include a number of draft laws seeking to reduce the control of the coca leaf market in the Congress agenda. Upon request of the President of the Defense Commission, the PIDC congressional advisors provided him with

information and analysis to deal with these issues in a technical and objective manner.

Monitor the Cocalero Movement in Peru's Coca Producing Regions. Monitoring and analysis of the cocalero movement is an ongoing activity, carried out by PIDC consultant Jaime Antesana, including field trips and permanent contacts with local journalists and specialists.

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

3. LICIT COCA LEAF CONTROL IMPLEMENTATION

Support to FONAFE and providing Institutional strengthening to ENACO.

The main activities implemented during the fourth semester were:

- Prepared the guidelines for the design, programming strategy and prospecting actions for the implementation of the pilot plan to verify the updated ENACO cocalero registry in Rancho Grande, La Libertad. Arrangements were made for CADA to develop this activity supported by NAS.
- Drafted the TOR for the legal report on the implementation of the updated coca producers register for ENACO/FONAFE.
- Supported FONAFE/ENACO in the control of the proposal submitted by the regional government of Cusco to register illegal coca leaf producers through the PETT-Ministry of Agriculture registration Project.
- Drafted the TOR for the study of the ENACO pricing policy for the purchase of legal coca.
- Conducted an economic and legal study to support the decision of the ENACO Board of Directors to discontinue the funding of coca leave seizures.
- Analyzed the ECR/ENACO extract file: the case of the new energetic beverage and the evaluation of its effect in the legal demand of the coca leaf. – The Value Group.

4. Other Issues

- An Ecological Forum to analyze the environmental impacts of illegal coca in Peru to establish the proposals of the political parties running for the Presidency, was sponsored by the Project
- Branding instructions were reviewed and implemented.