

SECTION C - DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK

C.1 PURPOSE

This activity will be the principal mechanism in the USAID/Peru Alternative Development Program (ADP) over the 2008 through 2012 period to promote sustainable licit development in the communities and regions affected by illicit coca cultivation in Peru. In explicit recognition of the fact that growing illicit coca is an impediment to economic, social and democratic development, the primary purpose of this activity will be to support the sustainable development of communities and regions whose families have made a commitment to licit lifestyles. It will encourage families and community leaders to make and sustain this commitment by delivering economic and social benefits that help to create the basic conditions needed for successful licit development. Close planning and coordinated implementation with other USAID activities in the focus areas will ensure that additional economic and social investments are made in the targeted communities. A communications program will promote the benefits of a licit life style to both increase acceptance of the program and produce a sustainable change in behavior.

The activity will build on the achievements attained by the Alternative Development Program in the period 2002-2007, during which the Program supported the transition of over 800 communities and 70,000 families (over 60% of them former coca growers) to a licit lifestyle after voluntary eradication of their coca crops. A major new and still-developing innovation of the current activity was a post-programmed (i.e. post-forced) eradication development program implemented in areas where growing coca is a more central component of the local economy than was true for the voluntary eradication program.

The goals of the new activity are to: 1) assist significant numbers of new communities and families to transition to a licit lifestyle after programmed eradication (**Post-Programmed Eradication Alternative Development – CLIN 1**) and 2) ensure the sustainability of the licit development gains made to date and commitment to licit lifestyles in the 800 communities of the 2002-2007 voluntary eradication program by consolidating those gains (**Consolidating Voluntary Eradication Communities – CLIN 2**). If circumstances necessitate, a limited voluntary eradication component will enroll a limited number of new communities and families into the ongoing program after voluntary eradication of their coca. It will be carried out only under extenuating circumstances, such as a) negotiations with the previous contractor had been initiated, but eradication or community projects had yet to be started or b) the USG or GoP want to eradicate coca in a given community and the GoP is unable to plan for timely programmed eradication, but the community agrees to voluntary eradication. Any voluntary eradication activity, because of the expectation that it will be very limited, will be carried out under the post programmed eradication alternative development contract line item number (CLIN). A grant program (**CLIN 3**), described further on in the scope of work, will support the Post-Programmed Eradication Alternative Development Component and the Consolidating Voluntary Eradication Communities Component.

The primary focus of the activity will be post-programmed eradication alternative development, with approximately 70 percent of the contract's resources being dedicated to this component. Approximately 30 percent of the contract resources will be invested in consolidating the gains of the current program. Voluntary eradication alternative development will be a much less central focus of the program than it has been in prior years, given the more limited universe of remaining communities that would be receptive to that approach and it will be included in the post programmed eradication alternative development CLIN.

C.2 INTRODUCTION

Narcotrafficking and a steadily strengthening narco-economy pose serious security and developmental problems for several geographic areas of Peru, and are increasingly becoming a threat to the country as a whole. Peru remains the world's second largest producer of coca leaf, the raw material for cocaine, with an estimated production of 106,000 metric tons per year¹, of which only 9,000 metric tons are necessary to meet the demand of all licit uses² recognized by Peruvian law (traditional coca chewing by indigenous populations plus very limited industrial uses and exports). Over 90% of Peru's coca leaf production goes to supplying the illegal narcotics industry, resulting in a potential cocaine production estimated at 180 to 190 MT annually.

Coca is grown by some 70,000 farmer families cultivating 48,200 hectares, mostly located in lush valleys along the eastern slopes of the Andes. These areas are among the historically poorest in the country, with difficult access to the main domestic markets in the coast. The two most important coca areas, the Upper Huallaga (UH) valley and the Apurimac – Ene river valley (VRAE), account for 31,600 hectares of coca, or 65% of the total cultivation. Almost all the production from the UH and the VRAE goes to the illicit narcotics industry. An additional 12,500 hectares (26% of the total) are cultivated in the coca-growing valleys of La Convencion y Lares in the Cusco region, whose production has been historically regarded as licit. However the United Nations Office on Drugs and Crime (UNODC) estimated that these Cusco valleys produced 18,500 metric tons of coca leaf in 2004, i.e. more than twice the entire national demand for legal uses, making evident the fact that an important part of their production is also headed to narcotrafficking.

It is not by chance that some of the poorest geographic areas in Peru are also areas with the highest concentrations of illicit coca cultivation and narcotrafficking. The absence of state presence allows illicit activities to flourish, and the resultant narcoeconomy becomes an impediment to development. The usual difficult challenges of fostering sustainable development in these poverty-stricken rural areas are multiplied because: (a) development programs confront an active and sometimes violent opposition from coca growers (cocalero) organizations; (b) the lack of state presence increases risks posed by narcotraffic-related violence, remnants of the subversive movement Sendero Luminoso and common crime; (c) narcotrafficking interests increasingly influence local and regional governments, (d) private investment is driven away by isolation from markets, insecurity, lack of state presence, and economic distortions caused by the constant flow of drug money; and (e) high population turnover, illicit activities and widespread crime create a climate of generalized distrust and weaken the communities' social fabric. These elements exist to different degrees in all the coca-growing areas, with higher intensity in those locations with higher concentration of illicit crops.

USAID/Peru plans to fund the Promoting Integrated Development Program over the next 5 years as the mission's main programmatic route towards reclaiming those areas of the country stricken by illicit coca cultivation and setting them on the path towards sustainable licit development. A new bilateral agreement outlining a joint multiyear counternarcotics strategy that will be negotiated between the United States Government (USG) and the Government of Peru (GOP) in 2008 will constitute the framework for the activity. The new agreement will provide the minimal conditions related to security and state presence necessary for licit development in the activity areas. The Promoting Integrated Development program will design

¹ Coca production figures in this section according to UNODC, Peru coca cultivation survey, June 2006. This source is used by the Peruvian government in its new counter-narcotics strategy.

² According to the results of the national survey on coca demand by Peru's National Institute of Statistics (INEI), published in 2004.

and deliver a program of economic and social benefits that will assist in sustaining the decision of the population in those areas to adopt licit lifestyles for the long term. The activity will leverage and coordinate its implementation with other USAID-funded activities in the same areas, as well as with development contributions from local, regional and national governments. The activity will take advantage of the excellent opportunities created by Peru's strong export-led economic growth. In the meantime, the present bilateral agreement for Alternative Development will be extended until December 2008 and will provide the initial framework for this alternative development program until the new bilateral agreement is finalized.

C.3 STATEMENT OF WORK

C.3.1 Program Objectives

The USG paper on Foreign Policy Priorities and Transformational Diplomacy in June, 2005 established four primary medium term foreign policy objectives for Peru: 1) advancing peace and security by combating narcotics trafficking and its links to terrorist organizations; 2) strengthening democracy and governance; 3) promoting poverty reduction through economic growth; and 4) increasing the government's investment in people. As a key pillar of the USG's counter-narcotics strategy for Peru, USAID's Alternative Development Program is most directly supportive of the "advancing peace and security" objective. In addition, because of the integrated nature of its approach to alternative development, the Program also contributes to the attainment of the other three objectives (i.e. by supporting the strengthening of local governance, pursuit of poverty reduction, and investment in social services). As such, the Alternative Development Program will continue to be a central strategic focus for USAID/Peru in the coming years.

The current USAID/Peru Mission overall strategy will expire in 2007, and follow-on strategic planning activities are underway in accordance with the Agency's foreign assistance reform efforts. However, the Mission anticipates the continuation of the overall strategic goal of sustained reduction of illicit coca crops in target areas of Peru. The Promoting Integrated Development program will be the primary mechanism for achievement of this overarching goal, with coordinated contributions from other sector programs and other activities as mentioned in the Alternative Development Background Section that is Attachment 6.

The implementing entity must be prepared to adapt to a volatile environment as the conditions impacting the implementation of the activity may vary, not only between areas, but also in the same area over time. Accordingly, flexibility and responsiveness in managing the intervention and quickly responding to unexpected opportunities and challenges will be a critical element for the successful implementation of the activity. The Promoting Integrated Development program will have two distinct components which will require varying approaches for success as they are each at different points in program maturity and face different sets of challenges: consolidating gains in existing VE communities and post-programmed eradication alternative development, which will include, to a limited extent, new voluntary eradication activities.

C.3.2 Expected Results

The principal objective of the activity will be to promote and sustain licit local development in communities formerly dependent on an illicit economy. The current Performance Management Plan should be consulted at <http://www.desarrolloalternativo.org> with the understanding that the current Mission strategy will expire in 2007 and could potentially be either extended or revised during the fiscal year. However, while the overall thrust of the strategy in relation to

counternarcotics and alternative development is not anticipated to change substantially, the contractor should be able to respond to some shifts in focus from the current strategic framework. Within the overall objective, The Promoting Integrated Development program will contribute directly to the intermediate results: willingness to reject coca increased; licit economic opportunities available; and perceived value of government increased. The approach for achieving these objectives will vary for each component: voluntary eradication consolidation communities, post-programmed eradication communities, and new and limited (if any) VE communities.

The following are indicators that the Mission has identified as achievement measures. Depending on the offeror's proposal, the list of final indicators, target levels, and measures will be subject to USAID review and approval. Minimum target levels are defined, but this should not limit the offerors, either in their proposals for individual targets, nor for what the offerors propose as the optimal mix of activities that will ultimately produce the most positive impact and give the most value to this USAID investment. Prospective offerors should discuss their approach to achieving results in these areas and suggest target levels that offerors believe are realistic and offer the best value to the USG . If offerors would like to propose additional indicators, they should do so in an attachment marked as such.

1. Post Programmed Eradication Alternative Development:**

- Percentage of AD client families remaining “coca free” (minimum 90%)
- Hectares of new licit crops planted by beneficiary families (minimum 5,000 hectares per year)
- Number of new families who sign no-replanting agreements (minimum 3,000 families per year)

** The GoP target for programmed eradication has, in recent history, been 10,000 hectares per year. The assumption for the post-eradication alternative development component is that the program will be able to attend to 3,000 families per year who experience programmed eradication.

2. Consolidating Voluntary Eradication (VE) Communities:

- Percentage of AD client families remaining “coca free” (minimum 90%)
- Hectares of new licit crops planted by beneficiary families (minimum 5,000 per year) **
- Increased average productivity in cacao and coffee crops installed under the current program. (minimum 20 percent increase in productivity over the baseline measurement for the five-year period.)

** As stated in the Alternative Development Programmatic Evaluation, the one hectare of licit crop per farmer is not enough for a farmer to reach a sustainable income and offerors will be evaluated on how efficiently their proposed program will increase farmers current holdings of licit crops – either through direct provision or indirect support for expansion.

C.3.3 Program Parameters

C.3.3.1 *General approach:*

Key to the success of what is essentially an integrated rural development program is working closely with community authorities, leaders and local populations to engage them in an integrated development process. The target communities present particular challenges given the presence of illicit activities and the perception within those communities of having been ignored and abandoned by the GOP. These factors have helped create a serious lack of confidence and trust in external institutions, and helped destroy the social base that is key to social and economic development. In this context, close coordination and follow-up with mayors and other elected authorities is required, except in the areas where political influence of cocalero or narcotrafficking interests may have overtaken local governments.

The Promoting Integrated Development program will have two distinct components which will require varying investments at the community level for success as they are each at different points in program maturity and face different sets of challenges. The first component is **post-programmed eradication alternative development**, which will include limited new voluntary eradication activities. The second component is **consolidating gains in existing VE communities**, which will number about 800 when the contract is awarded. Approximately 70 percent of the proposed activity's efforts will be focused on incorporating new post-eradication communities into the ongoing integrated development program, and 30 percent will be focused on continuing to support those communities already participating (albeit at much lower levels of investment) as they strive to maintain their commitment to licit lifestyles. The approach and methodology to negotiate "licit lifestyles" agreements with new communities may differ from those in use in the current stage of the program (VE and post eradication "no replanting" agreements), and would obviously be arrived at in close consultations with the GOP. Agreements with communities will continue to be commitments by the GOP as currently represented by DEVIDA, and commitments to remain coca free will continue as a prerequisite for assistance to any community. These mutual commitments might be established with individual communities, or with broader groups of communities taking into account cost-effectiveness and developmental considerations (multi-communal units; district levels).

Particular consideration will be given to promoting women's participation in the program and in their social, economic, and political development within their communities. This is in recognition of not just their fundamental right to equality, but also in recognition of the strong role women can play in the leadership of their communities and the beneficial impact they can have on the overall success of the program. Offerors' approach to integrating women as agents of change in the coca-growing regions will be highlighted in the evaluation criteria.

Additionally, the program will have three activities that support the two major components. These activities are:

- 1) Grants Under Contract, which will be a separate CLIN
- 2) The Communications Activity, which will support all CLINS, but will not be separated out as such in the schedule.
- 3) The Monitoring and Evaluation Program that will monitor and evaluate all aspects of the program, but will also not be separated out as a stand-alone CLIN.

Required activities under the contract are:

- Maximize use of host country professionals and local organizations.

- Coordinate with development partners in the coca-growing regions.
- Seek innovative approaches for increasing access to credit.
- Broaden private sector investment in alternative development and value chain linkage activities (processing, distribution channels).
- Promote joint U.S. and Peruvian Government Program.
- Promote public-private Alliances: USAID/Peru strongly encourages prospective offerors to give full consideration to how their approach can make the best use of public-private alliances, which both help ensure sustainability by involving the private sector and leverage additional resources to further program goals.
- Provide economic and social support to targeted communities to include: a) Social capital building; b) Creation of new sources of licit income; and c) Small social and economic infrastructure projects.

C.3.3.2 Grants under Contracts

The Contractor will implement a grants program that will support both post-eradication and voluntary eradication communities. Following the previous directions as to division of resources, 70 percent of the grants will be implemented in post-eradication communities, while 30 percent will be used to consolidate existing VE communities.

C.3.3.2(a) General. The Contractor will award one or more grants on behalf of USAID to eligible recipients to further the Program, and will generally administer such awarded grant(s), in accordance with the requirements of USAID's Automated Directives System (ADS) Chapters 302, 303, the provisions of this contract and applicable law.

C.3.3.2.(b) USAID Approval of Grantees. The Contractor shall coordinate with USAID with respect to the establishment of selection criteria for grantees, such that USAID shall have substantial involvement in the establishment of the selection criteria. Before awarding a proposed grant, the Contractor must receive the prior written approval of USAID, including USAID approval as to (1) the identity of the proposed grantee, (2) the amount of the proposed grant, and (3) the nature of the grant activities.

C.3.3.2.(c) Ineligible Recipients. Without the prior written consent of the USAID contracting officer on the Contract (the "Contracting Officer"), the Contractor may not award any grant to: (1) any entity which is a "private voluntary organization" ("PVO") but has not registered as such with USAID; (2) any entity whose name appears on the "List of Parties Excluded from Federal Procurement and Non-Procurement Programs"; (3) any "public international organization"; or (4) any entity affiliated with the Contractor or any of its directors, officers or employees. In the case of an unregistered PVO which the Contractor believes might be able to undertake useful grant activities to further the Program, the Contractor may encourage the organization to register as a PVO with USAID, provided that the Contractor makes no promise, actual or implied, that the organization shall thereafter receive a grant.

Please be advised that it is anticipated that some offerors shall include grants to local government organizations in their proposals. In the event that grants to local governmental organizations is accepted as part of the successful proposal, USAID/Peru shall seek a deviation

from the restrictions set forth in ADS 302 regarding these grants to local governmental organizations. Please be further advised that some, part or all of the funding planned for this activity may be appropriated and allocated as ESF funding, which would impose additional restrictions on the ability of the contractor to award grants under the contract to local government entities.

C.3.3.2.(d) Award of Grants. Without limiting the foregoing, this Section sets forth a brief overview of the Contractor's grant-making responsibilities. Grant-making duties include: (1) with USAID, establishing eligibility and selection criteria; (2) selecting grant recipients in accordance with competition requirements; and (3) after securing USAID's approval, drafting, negotiating and awarding grants.

C.3.3.2.(e) Selection Criteria for the Program. The cognizant USAID technical office (the "USAID Tech Office") will provide information to the Contractor as to the desired objectives to be met by the grant activities to be supported through the Program. The USAID Tech Office may give the Contractor guidance as to the estimated number of performance-based grants to be awarded (and any limitations on the dollar amounts thereof) and as to the type of organization to be targeted for assistance (e.g., health care, farmers, etc.). USAID will have substantial involvement in the selection criteria for the grantees.

C.3.3.2.(f) Form of Grant. Each grant awarded by the Contractor on behalf of USAID under this Agreement shall comply with the Contractor's grant manual, which requires Contracting Officer approval and generally follows the requirement found in ADS 303.

C.3.3.2.(g) Term of Grants. The Contractor may not award any grant for a period extending beyond the estimated termination or completion date of its Contract and whose term should allow for the orderly close-out prior to the expiration date of the contract.

C.3.3.2.(h) Funding of Grants; Separate Account. The Contractor will give periodic advances to the recipients of all performance-based grants hereunder, in accordance with the Required-as-Applicable Standard Provision, unless USAID shall have agreed to another payment mechanism. The Contractor will receive reimbursement from USAID of such advanced amounts through its usual vouchering procedure under the Contract. All interest and other refunds by grant recipients hereunder will be made to a special, non-commingled, interest-bearing account established by the Contractor (the "Separate Account"). The Contractor has no beneficial interest in any funds in the Separate Account. Funds in the Separate Account may be used for grant-making or shall be paid annually to USAID, as directed by the Contracting Officer. At the conclusion of the Contract, any funds remaining in the Separate Account shall be returned to USAID.

C.3.3.2.(i) Right of USAID to Supersede Contractor Decisions. Recognizing the paramount interest of the United States and USAID in grant-making, the parties agree that USAID may, in its sole discretion, supersede any decision, act or omission taken by the Contractor in respect of any grant made by it, or proposed to be made by it, hereunder. Notwithstanding any other provision of this Agreement, USAID retains the right, at all times hereunder, through the Contracting Officer, to (1) dictate a different decision with respect to the award or administration of any grant; (2) rectify an omission by the Contractor with respect to the award or administration of any grant; (3) take over the administration of any grant awarded hereunder; and/or (4) terminate, in whole or in part, the Contractor's authorities under this Agreement.

C.3.3.2.(j) Conflicts. In performing its duties hereunder, the Contractor shall scrupulously avoid any conflicts of interest. Should any conflict of interest arise, the Contractor shall immediately notify the Contracting Officer as to the conflict and the Contractor's proposed solution for avoiding the conflict, and the Contractor shall follow the instructions of the Contracting Officer.

C.3.3.2.(k) Records Retention. The Contractor will act as custodian for USAID of all records relating to performance-based grants under the Contract. The Contractor will preserve all records with respect to its grant-making (including with respect to the deliberations of all Review Panels) and grant administration hereunder. Copies of all reports received from grantees will be promptly forwarded to the Contracting Officer or his/her designee. USAID and the Comptroller General shall have full access to all documents, papers and others records of the Contractor with respect to its duties hereunder. At the conclusion of the Contract, the Contractor shall consult with the Contracting Officer for direction as to which records shall be transferred to USAID.

C.3.3.2.(l) Liability. The Contractor shall assume all liability with respect to its awarding and administration of grants on behalf of USAID hereunder, and with respect to the acts or omissions of its grantees hereunder, particularly to the extent that losses to the USAID foreign assistance program arise from the Contractor's negligence or bad faith in performing its responsibilities hereunder.

C.3.4 Illustrative Activities

The "menu" of potential investments in communities for both the post-programmed eradication alternative development component and the consolidation component is virtually the same. Depending on the needs of the community, the state of development and the length of time the community has been coca-free, the contractor, with DEVIDA and the communities, will decide on the specific development program for each community. The program for both major components of the project will consist of community-level support, communications for behavior change and monitoring and evaluation. Following are lists of illustrative activities for each of these areas.

Community-level support - The activity will provide economic and social support to targeted communities to include:

- Social capital building. This involves an initial socialization process; the creation of a shared vision of a licit future; assessment of options and priorities for community strategy/projects; promotion of women's leadership and organizations; strengthening of community organizations; and reinforcement of ties with local governments and civil society entities.
- Creation of new sources of licit income. This economic component is of course key to the success of the program. Experience has shown that it is the most important benefit from the farmer's point of view and, thus, for keeping coca eradication sustainable. It is assumed that any viable approach to this component would include delivery of inputs and technical assistance for immediate, medium and long-term income generation in the form of annual and perennial crops and other agricultural activities; support to producers' associations including entrepreneurial promotion and training (especially the role of women entrepreneurs); promotion of sustainable forest management and agro-forestry; development of sustainable market linkages to national or international buyers; and linkage with other USAID-funded economic development initiatives. Proposed activities must not

violate any legal restrictions in the area of agricultural promotion activities (e.g. Bumpers Amendment, palm oil limitations, etc). In addition, it is important to address non-farmer beneficiaries who are not apt for traditional agricultural activities. Because coca is a low-skill and undemanding crop to cultivate, some of the people involved in coca production may not be historically or culturally “farmers” of traditional crops. Offerors should be prepared to address this group of beneficiaries.

- Small social and economic infrastructure projects; which are important not only as immediate income generating activities to fulfill basic needs, but for the community-building process associated with them. These might include building/rehabilitation of rural roads, irrigation works, schools, health posts, etc. Best practices in this area include leveraging significant counterpart resources from communities and local/regional governments, and promoting local ownership and responsibility for maintenance.

As stated previously, these interventions will be provided to several types of communities: (a) limited number of new communities that commit to voluntary eradication agreements; (b) new communities that commit to remain coca free after programmed eradication has occurred; and (c) communities that have participated in the current stage of the program, where the activity will make the previous achievements sustainable. In all of these communities the contractor will coordinate support provided by other USAID development activities, such as PRA and APRENDES; will facilitate appropriate links with local/regional/central government entities to ensure sustainability of AD-funded interventions; and will support associations of licit producers and similar grassroots organizations facilitating productive projects’ linkages to markets. Please note, that while the present program includes an upfront payment for labor of \$100 for farmers to eradicate their coca as part of the implementation strategy and scope of work, those types of payments will not be considered under this program and offerors shall not include this approach or associated costs in their proposals.

Offerors are encouraged to propose other activities that support the overall goals of the project. These activities could include land titling, programs that leverage commercial credit, entrepreneurial development activities, forestry management programs, among other possibilities.

Communications - This effort will focus primarily on the populations in the AD target areas, as opposed to a wider national audience, with the aim of encouraging sustained behavior change towards licit lifestyles and increasing awareness of the risks and negative impact on families and communities of narcotrafficking and illicit coca cultivation. It will also foster a sense of ownership of the AD Program, by promoting its objectives, activities and achievements as well as the values associated with licit lifestyles. It will achieve this through a variety of “communication for development” initiatives. An assortment of strategies, methodologies and communication approaches will be considered, including strategic alliances, community mobilization, education through entertainment, advocacy, and mass media initiatives, among others. Strategies and messages specifically designed for women are expected to have an especially important impact on families and, subsequently, community and regional development.

While the emphasis in this effort is changing behavior in the regions, another target group will be national audiences, including decision makers and opinion leaders, with the aim of increasing awareness or debunking fallacies on broader narcotics/coca issues and program/institutional matters. It is expected that these actions will mostly complement and leverage efforts from the GOP in this regard. Lines of action would be low-cost, limited in scale, and could take the form of the production of communications materials and outreach efforts to the media, public opinion campaigns, development and dissemination of success stories, and

campaign design and production. Additionally, considering the emphasis that the GOP intends to place on a national prevention strategy and plan, the contractor should look for low cost ways to incorporate communication activities that support this effort.

All communications efforts under this activity will be closely coordinated with the other USG agencies on the Embassy-wide counternarcotics communications team, led by the Public Affairs Section, as well as with other USAID contractors working in strategic communications for alternative development (e.g. the Policy and Institutional Strengthening Project).

Monitoring and Evaluation - The Monitoring and Evaluation Plan for the new contract will be substantive and systematic, integrated with existing information management systems to maximize utility and minimize cost. The contractor will establish a monitoring and evaluation (M&E) unit, with representation in Lima as well as in all primary regional offices. The M&E units will be responsible for tracking all indicators required by USAID as well as management indicators for internal use. M&E units will coordinate very closely with DEVIDA and its monitoring unit, participating fully and openly in periodic joint verifications of project implementation in the field. In addition, the regional teams will make regular, frequent visits to a sample of their respective communities and do spot checks of implementation, reporting back to regional headquarters the level of progress and any discrepancies. In addition, the new contractor will take possession of the existing monitoring and evaluation system (currently run by Chemonics), which is integrated with the DEVIDA management information system, and use it as a basis for their own information management purposes. While the new contractor may have its own ideas about how it wants to track and monitor program information, any such concepts must be directly compatible with the system in place and should capitalize on the existing system in every way possible. USAID does not anticipate approving funding for the design of an extensive new system when so much has been invested in creating the current one and in integrating it with GOP databases.

Because of the complex and ever-changing nature of the alternative development program, instilling a culture of learning from challenges and best practices is critical to success. Information from M&E activities should feed decision-making and should be openly shared between the contractor, DEVIDA, and USAID.

Offerors should assume that all current hardware and software will be transferred to the follow on program and, thus, should not plan for any procurement for the monitoring and evaluation system. Offerors should plan for a team of nine (9) people to staff the monitoring and evaluation component of the program. This number includes the M & E Director, staff in Lima and regional staff. Please see Attachment 7 for further information and specifications on the monitoring and evaluation system.

C.3.5 Geographical focus and targeted communities

Post-Programmed Eradication Alternative Development

Given the hopeful signs that the post-eradication alternative development program in Tocache will ultimately succeed in providing the necessary support for large numbers of communities and individuals there to adopt a licit lifestyle for the long term, and the strategic importance of that apparent success, the major thrust of this new activity will be to apply that model to other geographic areas of Peru where programmed eradication will take place. Unfortunately, and for many reasons, it is difficult to predict with certainty which geographic areas might present opportunities for the program even in calendar year 2008, much less in the out years of the

activity. This lack of certainty presents a challenge in preparing proposals, but highlights the requirement for a high degree of flexibility, adaptability, and creativity throughout the implementation process on the part of the implementing entity. As the overall program moves forward, the contractor will be required, in conjunction with USAID, to design and implement new program activities for different geographic areas of the country as opportunities arise. Instructions for offerors on this post programmed eradication alternative development component can be found in Section L.

Consolidating Voluntary Eradication Communities

The Offers will design a consolidation program for communities that signed voluntary eradication agreements during the present program. Approximately 800 communities throughout the coca-growing valleys have signed agreements. The names of the communities, their location and the investments made in them thus far are all in the database that is posted on the web-site referred to in Section C.7.

C.3.6 Lessons Learned

During the four years of program implementation, many lessons have been learned. Below, this RFP mentions some that the offeror should consider as its proposal is developed.

- Communities place high value on increased security and education benefits, as discussed in the evaluation.
- Coordination with other USAID-funded programs and other GoP programs is key to greater impact at the community level.
- While progress on indicators is an important measure of success, other intangible factors are also key, such as creating a new community culture around new crops and a licit lifestyle.
- Recognizing the difficulty of the transition these communities is important and, the contractor must find ways to create a vision of a better, safer, more prosperous future, free of illicit coca, such as visiting communities where the program has already worked.
- Resources are limited and the contractor will have to find ways to get farmers to expand, through their own initiative beyond the one hectare of licit crop that they received as part of the program.
- The program must emphasize the demand-driven approach to link economic activities to markets and actual buyers.
- Post harvest training and quality control of crops produced is key to the success of the program.
- The contractor must put in place a system to verify the quality of the technical assistance, particularly for new crops.
- The contractor must ensure that information from the database and monitoring efforts is systematically reviewed and analyzed with USAID to inform decision making about needed shifts in programmatic direction.

C.3.7 Important Guidelines

- Maximize use of host country professionals and local organizations: Peru has excellent human resources, and a number of national and/or local organizations have demonstrated outstanding technical and administrative competence. By contracting local personnel and local organizations, they become stakeholders in the alternative development effort and increase the odds for sustainability.
- Implement activities jointly with development partners in the coca-growing regions: USAID/Peru is committed to achieving joint implementation among all program elements, as well as coordinating these activities with other donors and private organizations. The synergies that can be attained through this approach are key to program success.
- Seek innovative approaches for increasing access to credit: While USAID will not capitalize any new or existing credit, finance mechanism or program under this contract, it recognizes the importance of access to credit for the growth and sustainability of the program. Offerors should look for innovative mechanisms and partnerships with the commercial banking sector or other lending institutions to get credit to where it is needed in the alternative development areas.
- Broaden private sector investment in alternative development and value chain linkage activities (processing, distribution channels): There is a need to broaden private sector participation and investment in alternative development activities in the coca-growing regions through mechanisms that involve Alternative Development, the commercial banking sector, local organizations such as regional Chambers of Commerce and agricultural and industry groups. However, any activities in this vein must be closely coordinated with the PRA project to ensure complementarity and nonduplication of efforts.
- Promote joint U.S. and Peruvian Government Program: USAID/Peru will coordinate the program with the Government of Peru. The primary public sector counterpart for this program will be DEVIDA. The firm selected to manage this program is expected to give full recognition that this is a joint project of the U.S. and Peruvian Governments in all public notices issued in relation to the program, and all equipment and supplies should be marked as having been donated by USAID. In addition, the organization should also note in any public notices and events that U.S. Government assistance is supportive of GOP efforts to implement the Alternative Development Program.
- Promote public-private Alliances: USAID/Peru strongly encourages prospective offerors to give full consideration to how their approach can make the best use of public-private alliances, which both help ensure sustainability by involving the private sector and leverage additional resources to further program goals.

C.4 ILLUSTRATIVE KEY IMPLEMENTATION STEPS

The Promoting Integrated Development program will be implemented through a process that emphasizes maximum involvement of Peruvian institutions, develops strong political and technical support from national, regional, departmental, municipal, and community leaders, involves community members in participatory decision making, assures that all supported activities are economically justified and sustainable, brings new partners and significant resources to bear on the development problems through public private alliances, and maintains the highest technical standards in promoting appropriate economic activities.

For illustrative purposes, the following provides the Mission's description of the initial key implementation steps:

- The contractor will establish offices in Lima, Peru and in target regions. The Lima office will play only a strategic/supporting role for the core implementation work that is being done in the regions. This should be reflected in the size and location of the office. Lima headquarters staff and costs should be minimized.
- Within the first few weeks of implementation, USAID will facilitate a meeting between the existing and the new contractor to discuss transition issues.
- The contractor, with USAID/Peru, will meet with public sector and private sector counterparts in Lima and in the regions to present the program and invite local participation. It is important that local governments, civil organizations and community leaders are engaged before program implementation. This will pave the way for a cooperative relationship that will leverage counterpart participation and funds and strengthen the sustainability of the investment.
- The contractor will be expected to manage the transition from the existing contractor to the new contractor seamlessly at the community level. There should be no disruption of support or services, and the transition should be well coordinated with the existing contractor to ensure there are no gaps and to minimize anxiety among communities. USAID anticipates several months of overlap with the existing contractor to facilitate this process.

C.5 ENVIRONMENTAL PROCEDURES AND GUIDELINES

A Programmatic Environmental Assessment (PEA) was approved in 2004 for the Alternative Development Program (ADP) by USAID's Bureau Environmental Officer (BEO). In summary, the PEA states means by which the ADP identify and then avoid or adequately mitigate the negative environmental impacts of its activities with the purposes of conforming to the requirements of USAID environmental regulations to (a) to collect and analyze baseline information, and (b) to ensure that environmental mitigation measures and activity selection criteria are integrated into the implementation of the ADP activities. The PEA Section 2 summarizes the principal characteristics of the environment in the geographic area of the ADP activities. The Section 3 discusses the potential environmental consequences and their mitigation measures for the actions that the ADP proposes to finance and that the Environmental Threshold Decision assigned a Negative Determination with Conditions or a Positive Determination. The Section 5 recommends an institutional structure and coordination with the Government of Peru (GOP) counterpart, DEVIDA, and specify the processes for the ADP to comply with the environmental regulations of USAID 22 CFR 216 and Sections 118 and 119 of the Foreign Assistance Act. . This process is referred to as the ADP Environmental Process or simply as the Environmental Process. The Contractor shall follow the ADP Environmental Process according to the PEA.

Additionally, the USAID Mission in Peru has developed a Forestry/Biodiversity Environmental Assessment (F/BEA) approved by BEO in 2005, a Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP) and an Environmental Assessment (EA) for Productive Crops which were approved by BEO in 2006. These documents contain specific guidelines and environmental recommendations to mitigate significant environmental impacts and prevent potential impacts. It is expected that the recommendations from these environmental documents are followed by the Contractor to address significant potential environment impacts (direct, indirect, short-term or long-term impacts).

The Contractor shall develop an Environmental Management Plan. This shall be prepared during the first quarter of activity implementation and shall state: a) specific measures to be taken to mitigate potential environmental impacts (following the F/BEA, PERSUAP and EA recommendations); b) list of responsible environmental specialist(s); c) financial resources allocated for environmental monitoring, field evaluation and mitigation; c) training plan and capacity building programmed for environmental considerations (Reg 216, guidelines, etc) for its local staff and for the beneficiaries; d) chronogram of activities for adequate environmental monitoring; e) environmental compliance reporting.

The Environmental Management Plan shall also follow recommendations from the Latin American and Caribbean Environmental Guidelines that are posted online (http://www.usaid.gov/locations/latin_america_caribbean/environment/docs/epiq/epiq.html) for all activities that may have significant environmental impacts. Additionally, close coordination should be maintained not only with DEVIDA but also with INRENA, specially, when planning crop productive activities as per the soil capacity maps.

The Contractor shall take into consideration the environmental impact of all proposed and planned activities according to USAID's regulations. Annual work plans and budgets shall include environmental mitigations planned and the outcomes of these efforts will be reported as part of the annual reports. Potential environmental problems will be identified in each subsequent annual work plan. The Contractor shall be responsible for actions that will be required to mitigate any potential impacts. The environmental compliance report shall be prepared on an annual basis.

Any projects that fail to mitigate negative environmental impacts or that do not address on a timely manner unforeseen environmental impacts will be responsible for repairing the results of those impacts. The Environmental Management Plan is subject to review **and approval by USAID Mission Environmental Officer.**

C.6 PERFORMANCE MONITORING PLAN AND PROPOSED INDICATORS

The implementing contractor will be required to develop a performance monitoring plan to track progress towards achieving results, coordinating with other implementing partners. The plan will be due within the first quarter of contract award.

The contractor should also be aware that monitoring alliance commitments will require the tracking of resource commitments by partners, such as funds, equipment, donations, expert's time allocated to an activity, as well as volunteer hours etc.

C.7 BACKGROUND DOCUMENTS/RELATED STUDIES

USAID/Peru has established a website where relevant background documents and statistical information will be published:

<http://www.desarrolloalternativo.org>

The website will be updated throughout the RFP period. (See Section L.8.)

It is the offeror's responsibility to notify the following Mission staff in the event that there are any technical problems encountered in accessing any of the data in this website :

lmurguia@usaid.gov and emckee@usaid.gov

[END OF SECTION C]

