



Public Expenditure Tracking Survey

THE EDUCATION SECTOR IN PERU

September 25, 2002

This report contains the results of the PETS study undertaken by a team of Instituto Apoyo between April 2002 and August 2002. This study was made possible with the financial support from the Inter-American Development Bank and the World Bank. Support, assistance and criticism, were generously provided by many institutions and persons during the course of this study. We would like to express gratitude to Elena Conterno who provided valuable background material and Arturo Rubio who helped in the sample design. The team also expresses particular thanks to Jose Roberto Lopez-Calix for his important technical contributions to the design, implementation and analysis as well as his constant encouragement.. We also express our appreciation for the support received from Alberto Melo (Inter-American Development Bank), Bruno Barletti (SIAF/Ministry of Economics and Finance), Nicolas Lynch (ex-minister of education), Máximo Silva (Jefe de Presupuesto/Ministerio de Educacion), Juan Figueroa (Ministry of the Presidency), and to all the personnel of the CTARs, IUs, and schools that participated in the study.

INDEX

INTRODUCTION	4
I. Study Approach and Methodology	6
II. Educational System: Organization and Budgetary Considerations	15
III. The CTAR: Overview and Role as an Education IU	32
IV. The Implementing Unit: Overview	34
V. Teachers and other Education Personnel	50
VI. Transfers of Goods & Services from the IUs to the schools	60
VII. Transfers from the Ministry of Education to Schools: Teacher Training and Educational Materials	80
VIII. Other Sources of School Financing	84
REFERENCES	91
A1. School Breakfast Program	A1
A2. Surveys	A2

TABLE INDEX

Table 1	Distribution of Universe according to Size	9
Table 2	Implementing Units in the Education Sector for the Seven Departments Selected	10
Table 3	Implementing Units Selected According to Stratum	11
Table 4	Implementing Units of our Sample	12
Table 5	Logistics of Fieldwork	13
Table 6	IUs in Peru's Educational Sector	19
Table 7	2001 Budget - Main Programs	22
Table 8	2001 Budget – Education Programs	22
Table 9	2001 Budget – Education Programs	23
Table 10	Comparison of 5 CTAR	33
Table 10a	Investment Budget 2001	34
Table 11	Implementing Unit Expenses by Category, 2001	36
Table 12	Personnel profile of Implementing Units	37
Table 13	Administrative Budget of the Implementing Units 2001	39
Table 14	Budget Assignment to the IU	41
Table 15	Spending on Primary Program 2001	42
Table 16	Reasons for Request of Budgetary Increase	43
Table 17	Result of Request for Budget Increase	43
Table 18	Information Regarding Dates and Amounts	44
Table 19	Number of Audits 2001	47
Table 20	Frequency of Audits	47
Table 21	Institution in charge of external audit for:	48
Table 22	IU Supervision of Schools	48
Table 23	Frequency of Visits of IU Representatives	49
Table 24	Assignment of teachers of primary education in schools	51

Table 25	Percentage of Schools subject to IU visits	52
Table 26	Percentage of Schools whose personnel records match the IU's	53
Table 27	Mismatch of Personnel Records	56
Table 28	School Personnel who sign the payroll	58
Table 29	Payroll Signing Methods	58
Table 30	Method of payment for school personnel	59
Table 31	Delays in payment of school personnel	59
Table 31	Tardiness and Absenteeism Among Teachers	57
Table 32	Breakdown of Goods & Services Expense Category	61
Table 33	Expenses in Public Utilities	63
Table 34	Percentage of schools which report that the IU does not pay for their electricity	64
Table 35	Percentage of schools which report that the IU does not pay for their water	65
Table 36	Spending on Consumption Goods in Primary Program 2001	66
Table 36a	Variability of spending on consumption	67
Table 37	Most Frequently Distributed Goods	67
Table 38	Distribution of Goods	68
Table 39	Criteria used for selection of goods	69
Table 40	IU Requirement Reception from Schools	69
Table 41	Fraction of Goods Requests Attended	71
Table 42	Degree of Usefulness of the Goods Distributed	72
Table 43	Variability of Prices	73
Table 44	Criteria used in the assignment of consumption goods	74
Table 45	Date of last warehouse inventory	75
Table 46	Frequency of Distribution	75
Table 47	Method of informing schools regarding consumption good assignments	76
Table 48	Leakages: Consumption Goods	78
Table 49	Schools with teachers trained by PLANCAD in 2001	80
Table 50	Schools that received educational materials	81
Table 51	Month in which educational materials were received	80
Table 52	Perceptions on the usefulness of school textbooks and guides for teachers	83
Table 53	Schools receiving support as per type or institution	84
Table 54	Schools receiving APAFA's support in the purchase	86
Table 55	APAFAS Annual Income in 2001	86
Table 56	The Importance of APAFA Resources	87
Table 57	Schools purchasing consumer and capital goods with their own resources	88
Table 58	Annual income obtained by schools in 2001	89
Table 59	Schools that raised funds from municipalities, NGOs and churches in 2001	89
Table 60	Type of support provided by de municipalities, NGOs and churches	90

GRAPH INDEX

Graph 1	Audits 2001	46
Graph 2	Types of Audits	46
Graph 3	Schools Subject to IU Supervision	50
Graph 4	Payment of Public Utilities for Schools	62
Graph 5	Acquisitions of the last trimester of 2001	72
Graph 6	Distribution of Consumption Goods	73
Graph 7	Methods of Distribution	76

INTRODUCTION

In recent years, Peru has made significant advances towards strengthening the administration of public resources. The law of fiscal transparency has established annual goals for fiscal aggregates and an allocation system for inter and intra sector resources as well as protected and targeted budget assignments for social programs. These efforts have been accompanied by the implementation of a modern system of integrated financial administration (SIAF). The results, however, are still modest.

It is well known that the resources centrally assigned to education (schools), health (health posts) and nutritional programs, among others, confront considerable problems (delays and leaks) while reaching their final destinations, particularly when the destinations are outside of Lima or in rural remote areas. However, the Government of Peru has not made any attempts to evaluate the quality, efficiency, and efficacy of public expenditure at this level.

It is within this context that the Government of Peru, with the assistance of the World Bank and the Inter-American Development Bank, is supporting a revision of its social spending. To aid in this effort, Public Expenditure Tracking Surveys (PETS) were adopted as the instrument of choice to aid in the detection, analysis and quantification of the weaknesses of the budget execution system, on the effects of these weaknesses on service delivery, and to assist in the generation of policy recommendations.

The education sector of Peru is organized into Implementing Units (IU) for the purposes of executing resources. The organizational models within which these IU operate, however, is very variable. For the schools which belong to Lima & Callao, the budget submission belongs to the Ministry of Education (MED) and the resources are transferred to one of 18 IU – 1 Educational Directorate (ED) in Lima and one ED in Callao along with 16 Educational Services Units (USE) in Lima. For the schools of the rest of the country the budget submission belongs to the department Regional Administrative Councils (CTAR) by way of the Ministry of the Presidency (PRES). The organizational structure of the education sector in the 24 departments of Peru, excluding Lima and Callao, can be classified into one of seven types. The IUs of these 24 departments suffer from institutional schizophrenia as they depend functionally on the MED and depend on the CTAR by way of PRES for budget purposes. This duality has created immense problems in the effective administration of the education sector outside of Lima and Callao.

Numerous studies have shown that the spending in the education sector is inadequate, inefficient, and subject to very cumbersome bureaucracies. There exists, however, very little information on the mechanics of resource channeling, and on efficiency indicators. In fact, outside of Lima and Callao, very little is known about how the budgets are formulated, how the resources are allocated, and how these resources are utilized.

The relative lack of knowledge regarding resource assignment, and execution in the education sector motivates this study. Within this context, and given the complex and non-uniform organizational structure, the relative organizational autonomy of each department

of Peru, and the lack of transparency in the sector, a set of Public Expenditure Tracking Surveys (PETS) were designed.

The objectives of the study include, among others:

- 1) An analysis of the different organizational models of the education sector in Peru;
- 2) A deep understanding of the processes and deficiencies of the education budget process;
- 3) A thorough understanding of the agencies and units involved in the budget formulation and subsequent resource execution in the education sector;
- 4) An analysis of the processes by which resources are allocated in the education sector;
- 5) An analysis of the methods and characteristics of the resource transfer process in general, and specifically the transfers related to goods and services and payrolls; and
- 6) An assessment of the impact of the resource social transfers processes deficiencies on service quality.

Section I details the approach and methodology used. Section II describes the Peruvian education sector with a particular emphasis on the organization and the budgetary processes involved. Section III profiles the CTAR and section IV profiles the IUs of the Education Sector. Section V analyzes aspects related to teaching and administrative staff while section VI takes a detailed look at the transfer of goods & services to the schools. Section VII describes the transfer of resources, which are channeled directly from the MED by way of the national “Educational Materials” and “Teacher Training” programs. Finally, section VIII investigates other sources of resources for the schools (Parents Associations, Local Government, as well as NGOs and other non-profit organizations). Annex 1 presents a description of the *School Breakfast* program and finally annex 2 contains the surveys used in the study.

I. Study Approach and Methodology

The education sector of Peru is organized into Implementing Units (IU) for the purposes of executing resources. The organizational models within which these IU operate, however, is very variable. For the schools which belong to Lima & Callao, the budget submission belongs to the Ministry of Education (MED) and the resources are transferred to one of 18 IUs – 1 Educational Directorate (ED) in Lima and one ED in Callao along with 16 Educational Services Units (USE) in Lima. For the schools of the rest of the country the budget submission belongs to the department Regional Administrative Councils (CTAR) by way of the Ministry of the Presidency (PRES). The organizational structure of the education sector in the 24 departments of Peru, excluding Lima and Callao, can be classified into one of seven types¹. The IUs of these 24 departments suffer from institutional schizophrenia as they depend functionally on the MED and depend on the CTAR by way of PRES for budget purposes. This duality has created immense problems in the effective administration of the education sector outside of Lima and Callao.

Numerous studies have shown that the spending in the education sector is inadequate, inefficient, and subject to very cumbersome bureaucracies. There exists, however, very little information on the mechanics of resource channeling, and on efficiency indicators. In fact, outside of Lima and Callao, very little is known about how the budgets are formulated, how the resources are allocated, and how these resources are utilized.

To address these shortfalls, a set of PETS was designed to track and evaluate the spending in the education sector both in Lima and Callao and at the regional level. Specifically, the PETS were designed to track the budgetary process, the transfer of resources to IUs, and to evaluate the process by which resources ultimately are transferred to schools.

In order to achieve this, the study focuses on:

- Description of the education sector and the different organizational models
- Identification and analysis of the governmental procedures and mechanisms for the budgeting, allocation, assignment, and transfer of funds in the education sector at the central government level
- Determination of the delays, inefficiencies, and leakages associated with these resource transfers
- Characterization of the education IUs and analysis of the mechanisms by which they channel resources to schools
- Characterization and analysis of the sources and uses of transfers at the school level (from the IUs, Ministry of Education, parents associations, municipalities and others).
- Make policy recommendations for improving the processes of transfers to schools

¹ See Section II

The following information provided the basis for the analysis:

- Preliminary interviews with government officials from the Ministry of Economics and Finance (MEF), Ministry of the Presidency (PRES), Ministry of Education (MED), and five Presidents of the Regional Administration Councils (CTAR).
- Government reports
- Various studies
- SIAF statistics from the MEF
- Exploratory visits to CTARs, to IUs, and schools.
- Fieldwork that included 5 CTARs, 25 IU and 100 schools in the departments of Ancash, Arequipa, Cajamarca, Cusco, Lima, Loreto, and Piura.

Based on the extensive fieldwork, the following topics were subject to statistical analysis:

- Budgetary process at the CTAR level
- Budgetary process at the IU level
- Allocation of resources by the IU
- Audits by the Central Government and the CTARs
- Supervision by the IU of the schools within their jurisdiction
- Purchase mechanisms of goods & services
- Leakages associated with the transfers to schools
- Discrepancies in education personnel numbers (both teachers and school administrators)
- Identification of other sources of transfers at the school level

For the purposes of estimating leakages associated with the transfers of goods and services from the IU to the school we developed a two-prong approach.

- The leakage of funds associated with the payment of *public utilities* of the schools was defined to be the fraction of schools within a given IU that report to not have their utility bills paid for by the IU whilst the IU reports to pay them.
- The leakage associated with the transfer of *consumption goods* from the IU to the school was a little more complex to estimate. In order to determine this leakage we selected the four most frequently distributed goods in each IU and compared the amounts the school director reported to have received with the amounts the IU reported to have transferred. The leakages of the four schools in each IU were averaged to yield a single leakage at the IU level.
- A comparison between the school personnel rosters that the IU maintains for payroll reasons and the actual number of teachers and school administrators employed at a given school

I.1 Sample Design

The sample design had the objective of selecting a group of Implementing Units (IU) or “*unidades ejecutoras*” of the education sector of Lima and the rest of the country that is representative of all the IUs of Peru. For this purpose we applied the following procedure: definition of the universe of the study, determination of the geographic coverage of the study, stratification of the universe and sample selection.

Definition of the Universe

The universe of this study was defined as the totality of implementing units of the education sector in Peru. Additionally, the following were taken into consideration:

- According to the official definition, implementing units of the education sector are those government entities, which have an education budget and the authority to execute resources. By this definition an implementing unit can be a Regional Directorate, Regional Sub-Directorate, Educational Services Unit, or an Education Development Unit.
- Only those implementing units in existence in the year 2001 we taken into consideration.
- The universe was further restricted to those implementing units which managed a budget for the Primary Education Program since this program has the greatest share of the education budget (according to 2001 figures). This effectively restricted the universe to 81 implementing units (18 in Metropolitan Lima and 63 elsewhere).²

Stratification of the universe

Once the universe was defined it was stratified according to size in order to ensure proper representation both in terms of size and geographic location. The stratification criterion was based on the annual budget of the implementing units for the Primary Education program in 2001. This allowed us to partition the universe into three groups: small, medium and large.

The implementing units were classified according to the following rule:

- Small: those with annual budgets between S/. 1,292,724 and S/. 26,874,573
- Medium: those with annual budgets between S/. 26,974,574 and S/. 52,456,421
- Large: those with annual budgets between S/. 52,456,422 and S/. 78,038,270

² Worthy of mention is that in 2001, there were 87 implementing units in the education sector (regardless of the programs for which they executed resources)

Table 1
Distribution of universe according to size

	Number	Percentage
Small Implementing Units	62	76.5%
Medium Implementing Units	13	16%
Large Implementing Units	6	7.5%
Total	81	100%

Geographic Considerations

After consulting with various experts regarding how to make the sample representative of Peru with regards to geography, the choice of seven departments was made. The selected departments were: Ancash, Arequipa, Cajamarca, Cusco, Lima, Loreto and Piura³. These departments were selected to represent the three main regions of Peru: coastal region, mountain region (sierra) and jungle region (Amazon) and to represent the northern, central and southern parts of the country. The group of seven departments is also a balanced mix of poor, less poor, and not poor departments.

Within these seven departments there are 39 eligible implementing units:

³ These are the same departments selected for the first phase of the Peru PETS: “Central Government Transfers to Municipalities in Peru : A detailed look at the Vaso de Leche Program”.

Table 2
Implementing Units in the Education Sector
for the Seven Departments Selected

	Implementing Unit	Department
1	Educación Aija	ANCASH
2	Educación Ancash	ANCASH
3	Educación Carlos Fitzcarrald	ANCASH
4	Educación Huari	ANCASH
5	Educación Huarmey	ANCASH
6	Educación Huaylas	ANCASH
7	Educación Pallasca	ANCASH
8	Educación Pomabamba	ANCASH
9	Educación Santa	ANCASH
10	Educación Sihuas	ANCASH
11	Educación Arequipa	AREQUIPA
12	Educación Cajamarca	CAJAMARCA
13	Educación Cutervo	CAJAMARCA
14	Educación Chota	CAJAMARCA
15	Educación Jaén	CAJAMARCA
16	Educación Cusco	CUSCO
17	Educación USE 01 San Juan de Miraflores	LIMA
18	Educación USE 02 San Martín de Porres	LIMA
19	Educación USE 03 Cercado	LIMA
20	Educación USE 04 Comas	LIMA
21	Educación USE 05 San Juan de Lurigancho	LIMA
22	Educación USE 06 Vitarte	LIMA
23	Educación USE 07 San Borja	LIMA
24	Educación USE 08 Cañete	LIMA
25	Educación USE 09 Huaura	LIMA
26	Educación USE 10 Huaral	LIMA
27	Educación USE 11 Cajatambo	LIMA
28	Educación USE 12 Canta	LIMA
29	Educación USE 13 Yauyos	LIMA
30	Educación USE 14 Oyon	LIMA
31	Educación USE 15 Huarochiri	LIMA
32	Educación USE 16 Barranca	LIMA
33	Dirección de Educación de Lima	LIMA
34	Dirección de Educación del Callao	LIMA
35	Educación Alto Amazonas	LORETO
36	Educación Loreto	LORETO
37	Educación Ucayali-Loreto	LORETO
38	Educación Luciano Castillo	PIURA
39	Educación Piura	PIURA

Sample Selection

Implementing Units

The sample design included stratification into three groups. The size of the sample was determined taking into account predetermined targets for error margins and confidence intervals for the point estimates both within strata and for the entire sample. The size of the individual strata was selected to achieve the same proportionality as the universe and thereby create a self-weighted sample.

In order to define the sample size, the targets of 90% confidence levels and 10% error margins were selected. According to these parameters, 25 implementing units were selected.⁴

Table 3
Implementing Units Selected According to Stratum

	Number	Percentage
Small IUs	19	76%
Medium IUs	4	16%
Large IUs	2	8%
Total	25	100%

The following table lists the 25 implementing units selected as well as their geographic location and the annual budget (in local currency) for the Primary Education program in 2001.

⁴ For the selection of the implementing units we used PPS (probability proportional to size) with respect to the IU's 2001 budget for the Primary Education program.

Table 4
Implementing Units of our Sample

	Implementing Unit	Department	Annual Budget
1	USE Aija	Ancash	1,292,724
2	USE Carlos Fitzcarrald	Ancash	3,525,194
3	USE Pomabamba	Ancash	6,504,176
4	USE Huarmey	Ancash	6,922,256
5	USE Huari	Ancash	9,711,730
6	USE Santa	Ancash	19,306,599
7	Dirección Regional de Educación Ancash	Ancash	20,565,786
8	Dirección Regional de Educación Arequipa	Arequipa	53,259,045
9	Dirección Sub-Regional de Educación Cutervo	Cajamarca	12,585,999
10	Dirección Sub-Regional de Educación Chota	Cajamarca	24,416,936
11	Dirección Sub-Regional de Educación Jaén	Cajamarca	25,684,515
12	Dirección Regional de Educación Cusco	Cusco	77,771,129
13	USE Canta	Lima	1,443,894
14	USE Barranca	Lima	7,788,199
15	USE Huaral	Lima	9,398,758
16	USE Huaura	Lima	11,549,583
17	USE Cañete	Lima	11,774,347
18	USE San Borja	Lima	20,073,502
19	USE Vitarte	Lima	23,965,608
20	USE San Juan de Lurigancho	Lima	25,406,840
21	USE Cercado	Lima	27,827,800
22	USE San Martín de Porras	Lima	37,610,312
23	USE San Juan de Miraflores	Lima	41,976,358
24	Dirección Sub-Regional de Educación Alto Amazonas	Loreto	15,322,079
25	Dirección Sub-Regional de Educación Luciano Castillo	Piura	35,800,402

Schools

It was decided *a priori* that four schools would be selected from each of the IUs jurisdiction. Additionally, each sample included two urban and two rural schools for each IU in our sample.

Because it was not possible to collect information on the transfers from the IU to every school within its particular jurisdiction, it was necessary to limit the study and only select four schools from each IU. Our field team gathered detailed information - for these four schools -.

These four schools were selected from the latest distribution rosters of each IU visited in order to track four goods identified *in situ*. In each case our team attempted to select two

rural schools and two urban schools in order to better understand and be able to contrast geographic differences.⁵ 55 urban schools and 45 rural schools were selected.

I.2 Fieldwork Organization

A team of professionals specialized in social fieldwork conducted the public expenditure tracking surveys (PETS) in education from April 25th to May 15th 2002⁶. The fieldwork followed the approach, design and methodology previously described. As mentioned above the fieldwork included a sample of 25 IUs of the education sector, 4 urban and rural schools from each IU (a total of 100 school surveys) and 5 CTARs of the seven departments selected.

A team of 24 survey specialists, mostly social science professionals was selected to conduct the fieldwork. 12 experts were in charge of the surveys/interviews with the CTARs and IUs and 13 evaluators were in charge of the school surveys. The team was distributed among the departments visited according to the number of IUs sampled and according to the difficulty of the terrain. The distribution of our field team can be observed in the following table.

Table 5
Logistics of Fieldwork

Department	N° of IUs	No of experts	N° of schools	N° of evaluators
Ancash	7	4	28	3
Arequipa- Cusco	2	1	8	1
Cajamarca	3	2	12	2
Lima	11	3	44	5
Loreto	1	1	4	1
Piura	1	1	4	1
Total	25	12	100	13

Prior to the fieldwork the team received special training from the project technical team (two training sessions were conducted). Given the difficulty of the surveys/interviews, the training included sessions on the study approach and characteristics of the education organizational models, in addition to detailed training on the use of the instruments.

Also prior to the fieldwork, it was necessary to coordinate with the relevant institutions and authorities in order to obtain credentials (introductory letters of presentation) as well as insure their general support. These institutions were: Vice Ministry of Regional Development (Ministry of the Presidency), Ministry of Economics and Finance and Ministry of Education.

The procedure followed during the fieldwork was the following:

⁵ It should be mentioned that not all IUs include urban and rural schools in their jurisdiction.

⁶ In many cases it was necessary to visit IUs and schools several times in order to completely the information and to obtain coordinate interviews with IU employees and school directors.

Implementing Units

- Due to their complexity, these surveys/interviews were mostly conducted by the project core technical team of Instituto Apoyo (all IUs except for those of Ancash and Cajamarca).
- In each IU the expert-evaluator interviewed the IU director and explained the objectives of the project and described the fieldwork to be conducted. A letter from the Ministry of Education and MEF in Lima and Ministry of the Presidency and MEF in the rest of the regions was handed to the IU director.
- Portions of the survey were answered by representatives from Human Resources, Budget, Payroll, Supply and Acquisitions, Internal Control, and Institutional Management areas.
- From the office of Supply and Acquisitions our evaluators selected 4 of the more commonly distributed goods according to the latest distribution roster. Once the 4 goods had been selected all relevant purchase orders and if possible receipts were collected. The study was not limited to these four goods but they provided the parameters for school selection.
- The distribution roster was also used to select four schools (see sample design section).
- Upon reception of goods, school representatives sign receipts known as PECOSAs (Pedido de Comprobante de Salida). Our team collected the PECOSA for each school selected. From these documents together with the last distribution list of goods, four key goods were selected for tracking. More goods were often tracked but these four provided the selection criteria as well as took a pivotal role in the calculation of any leakages.

Schools

- Prior to this part of the fieldwork, the expert-evaluator communicated to the evaluator a list of the four schools selected along with the list of four consumption goods and 2 capital goods (if there were any) to be monitored. The evaluator was asked to collect information from these four schools at least for the goods identified up to a maximum of 10 for consumption goods and 6 capital goods. The reason for this set-up is due to the fact that the goods distributed vary significantly and we had no knowledge *a priori* regarding which products actually got distributed.
- The surveys were conducted by the evaluators
- Most portions of the survey were addressed to the school director (principal) yet in many cases, portions of the survey were also answered by other administrative school personnel (sub-director, treasurer, warehouse manager).
- Credentials (letter of presentation from the Ministry of Education) were handed to the director and in certain cases these credentials were complemented with a letter from the respective IU.

CTARs

Interviews were conducted by the project core technical team of Instituto Apoyo with the Director of Budget and Planning.

II. Educational System: Organization and Budgetary Considerations

II.1 The Public Education System Organization

The Peruvian public education system is organized by way of an authority chain with not very well defined roles. The Ministry of Education (MED) occupies the top position. It is in charge of establishing the sector's regulations that will then reach the schools through a number of national intermediate bodies, in charge of applying educational policies to a certain geographic area. Immediately below lie the Regional (one for each department) and Sub-Regional Education Directorates⁷. The third level consists of Educational Services Units (USE) and Education Development Areas (ADE). They are mainly in charge of pedagogical work and depend organically on the Regional Directorates. Regional Directorates and some USEs and ADEs are authorized by the Ministry of Economy and Finance (MEF) to execute budgets. In 2001 the educational system had 313 intermediate instances: 25 Regional Education Directorates, 17 Sub-Regional Directorates, 82 USEs and 189 ADEs. However, there are Sub-Regional Directorates in some departments and not in others. Besides, while some departments have USEs and ADEs, others just have USEs or ADEs. It is quite clear that there is considerable organizational chaos and very small degrees of uniformity among departments.

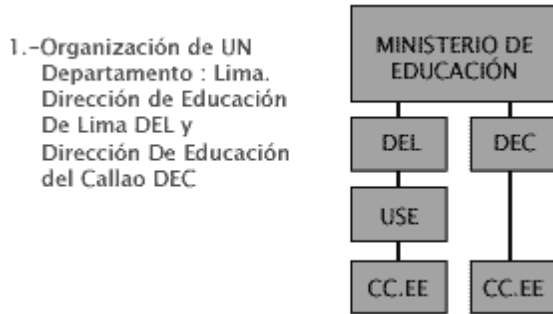
However, MED is not the only organ participating in the educational system's organization: at the regional level the system is more complex, because the intermediate organs' budget is obtained through the Temporary Regional Administration Councils (CTAR), which in turn depend on the Ministry of the Presidency (PRES). This duality in essence results in there being two systems coexisting: the Lima and Callao subsystem, in which the intermediate organs depend on MED in what concerns functions and budgets; and the regional subsystem, in which intermediate organs depend on MED in terms of functions and on their respective CTAR (and thus PRES) in what concerns budget.

Lima-Callao Educational Subsystem

MED has technical, regulatory and administrative functions in this subsystem. Besides, in this subsystem the budget belongs to MED itself and, therefore, it has the resources to pay for personnel expenses and service supplies in Lima and Callao schools.

In Callao, the Callao Education Directorate acts directly on schools under its jurisdiction. In the case of the Lima department, there are 17 IUs (1 Regional Directorate and 16 USEs), because of the large demand for educational services.

⁷ Sub-Regional Education Directorates were created in a decentralization education process due to the difficulties a Regional Directorate meets in supervising whole departments.



1. Organizational Chart of ONE department: Lima

DEL = Lima Education Directorate

DEC = Callao Education Directorate

CC.EE = School

Regional Education Subsystem

In the Regional Education Subsystem, there are two instances in charge: on the one hand, MED is in charge of designing the educational policy nationwide and, on the other hand, PRES manages the education sector budget through CTARs. The intermediate organs acknowledged by MEF as units entitled to execute expenditures (IUs) get budget allocations to finance their expenses and those of the schools under them. Hence, a Regional Directorate or a USE depends on MED in functional terms and for policy purposes and on CTAR (and therefore PRES and MEF) in terms of budget.

This system has sometimes been characterized as an organizational disorder⁸, and has given rise to different ways of organizing the educational administration instead of a uniform scheme for all the departments, which would simplify administration and allow for a better coordination between the authorities in the system. The problem is more complex in some departments, since a Regional Directorate and a Sub-Regional Directorate can coexist at the same level, because Sub-Regional Directorates directly coordinate with their CTARs to obtain and execute their budget and serve the schools under them. Besides, not all the USEs or ADEs are IUs and, hence, do not have their own budget. Any authorities that do not have IU rank must negotiate with the latter to inquire about the amount that will be allocated to them.

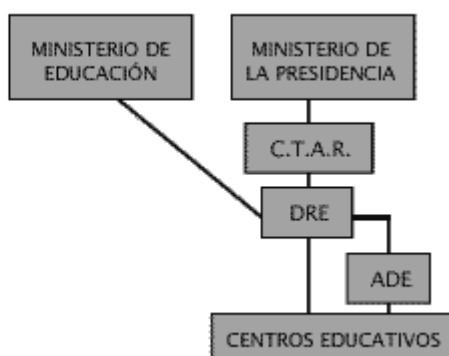
This situation has given rise to many functional conflicts between Regional and Sub-Regional Education Directorates regarding important decisions, such as appointment of USEs heads.⁹ This has also affected planning coordination between intermediate organs, since some of these are IUs and coordinate with their CTAR and not with MED in what concerns the execution of their budgets.

⁸ Gaviria, Lock, “El Sistema Educativo tiene dos jefes y muy poca coordinación”, 2001.

⁹ The position of USE head is a trusted one. Appointments are made through MED Supreme Resolutions. However, CTARs carry out these appointments irregularly, arguing this function corresponds to them since they are in charge of budget execution in every department sector.

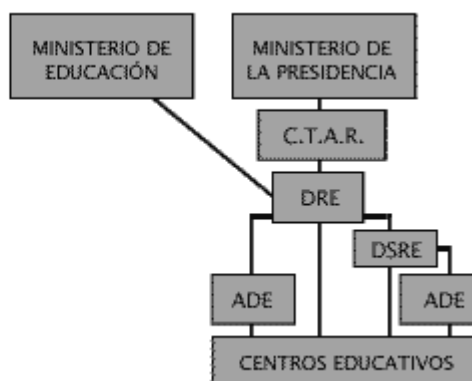
The current seven education organization models present in the regions are as follows:

2.-Organización de NUEVE departamentos : Puno, Junín, Pasco, Ucayali, Lambayeque, Tumbes, Moquegua, Madre de Dios Y Tacna.



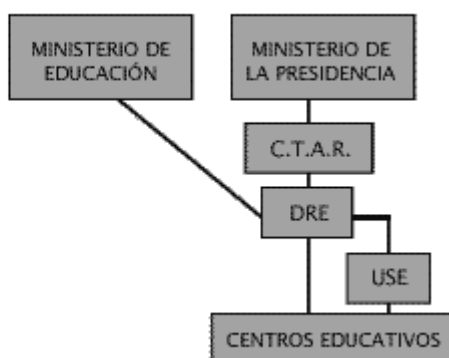
2: Organizational chart in NINE departments (listed above)

3.-Organización de CINCO departamentos : Piura, Amazonas, Cajamarca, San Martín y Loreto.



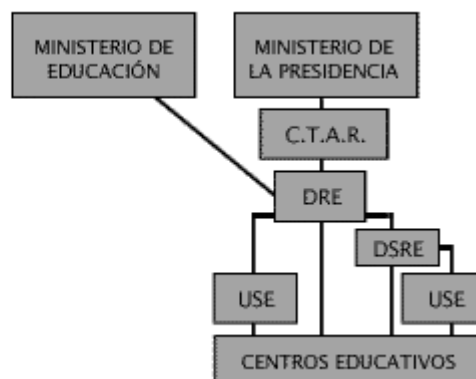
3: Organizational chart in FIVE departments (listed above)

4.-Organización de DOS departamentos : La Libertad y Arequipa.



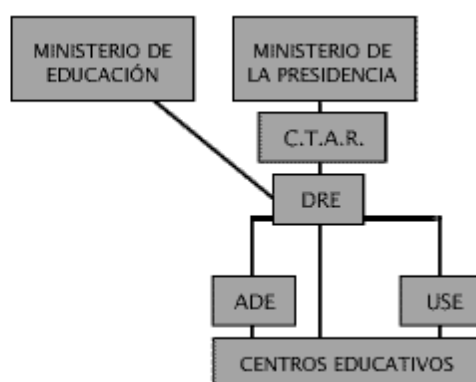
4: Organizational chart in TWO departments: La Libertad and Arequipa

5.-Organización de UN departamento : Ica.



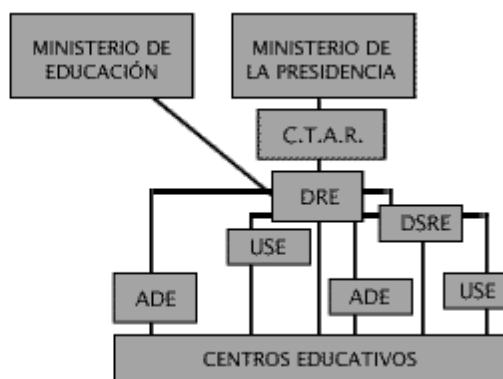
5: Organizational chart in ONE department: Ica

6.-Organización de TRES departamentos : Cusco, Huancavelica y Huánuco.

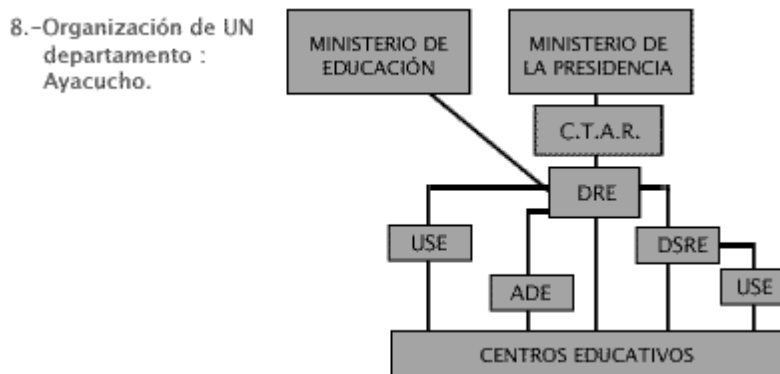


6: Organizational chart in THREE departments: Cusco, Huancavelica and Huánuco

7.-Organización de DOS departamentos : Apurímac y Ancash.



7: Organizational chart in TWO departments: Apurímac and Ancash



8: Organizational chart in ONE department: Ayacucho

There are differences within each one of the education management models identified, because not all the intermediate organs are IUs. For example, in Cusco and Arequipa only the Regional Directorate has IU rank and no ADE or USE has such attribute. On the other hand, the Regional Directorates and Regional Sub-Directorates of Piura and Cajamarca are IUs. In these cases, each IU coordinates all administrative aspects directly with the CTAR and independently supervises the schools within their jurisdiction. On the other hand, in departments such as Ancash both the Regional Directorate and many USEs are IUs. In this case, USEs that are IUs coordinate with their CTAR regarding budgetary aspects and with the Regional Directorate concerning educational aspects.

Table 6
IUs in Peru's Educational Sector

<i>Agency</i>	<i>Number</i>
Regional Directorate	25
Sub-Regional Directorate	15
USE	36
ADE	5
Total	81

This regional system becomes ever more complex as MEF (in connection with the budget) is the authority in charge of the creation of an IU. These are generally created in response to the need to speed up budgetary and administrative procedures, which tend to get slower and more bureaucratic the larger the task variety and geographic coverage of an IU. Nevertheless, the creation of IUs implies more administrative expenses. It is worth mentioning that in 2002 eight IUs were created in the sector (they are located in the departments of Ayacucho, Huancavelica and Puno).

II.2 Budget Management System of Public Expenditure in Education

According to information from the Institutional Classifier for the Comprehensive Financial Management System (SIAF), there are 26 institutional sectors in Peru receiving resource transfers from the central government. These sectors (including education) develop the budgets assigned to them by the central government through the National Budget Management System. This system is regulated by the General Budget Act published every year and by the guidelines defined by MEF's National Budget Directorate¹⁰, which clearly establish the functions of each sector involved in budget preparation.

The national budget has different categories through which expenditure types can be identified, as well as the objectives for said expenditures and their financing sources. The following categories are important: “Function” (the maximum aggregation level of State actions for the compliance with its main duties), “Program” (reflecting independent actions within a function to reach specific goals and objectives), “Generic Expenditure Group” (allowing for the consultation of expenditures by large items, such as payrolls and benefits, investments, goods and services, among others) and “Financing Sources” (which points to the origin of public resources that finance the State's expenditures).

As provided by Article 17 in Act No. 27209 (“State Budget Management Act”), budgetary entities (“*pliegos presupuestales*”)¹¹ such as MED and CTARs must establish their institutional priorities for the fiscal year in this budget phase. They must propose the budget goals to be included in their budget preparation, estimate the revenues they expect to collect and determine their total demand for resources as determined by their functions and services according to their mission.

According to law (article 18, Act N° 27209), MED and CTARs are responsible for communicating the general institutional objectives to their respective “IUs”. In addition CTAR personnel coordinate with representative from the IU budget offices to prepare partial and specific objectives for the fiscal year and define the budgetary goals and expenses. Budgets are prepared with strict observance of MEF guidelines. These guidelines establish that the budget for the following year must be extrapolated from the projected resource execution May-December. This effectively inserts a heavily inertial component into the budgetary process.

Additionally, the current budget preparation system does not make transparent the final destinations of the resources thus preventing schools nationwide from knowing the amount of resources that will be made available to them under the following yearly budget. Furthermore, this lack of transparency allows IUs a great deal of discretion regarding resource destination, not only for the entity's general administration, but also for the schools under their jurisdiction.

¹⁰ 2001 “Public Sector Budget Act” - Act No 909.

¹¹ The budgetary entities (“*pliegos presupuestales*”) are institutions in charge of a certain number of implementing units.

After this process, the Institutional Budget Project is prepared. It is submitted to MEF's National Public Budget Directorate for its evaluation. At this stage, MEF focuses on evaluating budget projects prepared by different budgetary entities and prepare a consolidated budget project, which must be authorized by the Council of Ministers and submitted to Congress for approval.

Once Congress approves the budget, the National Public Budget Directorate submits the budget breakdown to each budgetary entity detailing IUs, functions, programs, sub-programs, generic expenditure groups and financing sources, and assigns “quarterly allocations” to the different budgetary entities in the system. These must prepare the quarterly programming of the expenditures for all the IUs under it.¹²

Once this stage concludes, MEF prepares the budgets of each one of the IUs through the approval of “monthly calendars”, i.e., monthly expense calendars detailing generic expenditure groups, functions and programs to which their expenditures and financing sources must be aimed. Monthly expense calendars are communicated to the IUs through SIAF.¹³ Thus, each IU knows the budget it is allocated for monthly expenditures and must report the execution of resources on a monthly basis through the SIAF system. Finally, the budgetary performance of IUs is monitored by MEF, MED and CTARs.

It is important to note that although the IU has zero discretion as far as allocation among functions, programs, and generic expense categories, it has full discretion in distributing the resources within a generic expense category (so called specific expense category). Therefore, although the IU is assigned an amount for “Goods & Services” in the primary program, it has complete authority to partition that as it pleases among categories such as: consumption goods, travel expenses, among others.

II.3 Public Expenditure in Education

In order to ensure regular school services, the State carries out a number of expenditures in the following items:

- 1) Payroll and benefits (payments to teachers and clerks at schools and intermediate organs)
- 2) Goods and services
- 3) Capital expenditures¹⁴
- 4) Teaching materials
- 5) Teachers' and Principals' training

¹² As of the current year, the different Regional Directorates of each sector (Education, Health, Agriculture, among others) will propose their budgetary requirements to their respective sector (Supreme Decree N°001-2002 PCM).

¹³ Implementing units may request “calendar extensions” in case the budget allocated to them is insufficient to be able to comply with specific obligations. To do so, they shall submit an application through their budgetary entity, submitting the extension rationale to MEF for evaluation.

¹⁴ Expenditures related to minor repairs and painting is considered part of the schools' regular functions. New infrastructure construction is usually carried out by the Instituto Nacional de Infraestructura Educativa y de Salud (INFES), and in some cases the CTARs, among other institutions.

The first three expenditure items are executed in a decentralized manner, that is, by MED for schools in Lima and by CTARs for schools in the provincial regions. The other two items are centrally executed by MED.

The resources executed each year for schools are recorded in the budget as Function 09: Education and Culture. For 2001, the total budget for this function was 5,397 million soles, out of which 8% corresponded to the Pre-School Program, 34% to the Primary Education Program, 27% to Secondary Education, 18% to Higher Education and 7% to the General Management Program.¹⁵

Table 7
2001 Budget – Main Programs included
under the Education and Culture Function

	Soles	Percentage
Pre-School Education	425,099,805	7.8
Primary Education	1,860,581,553	34.4
Secondary Education	1,453,595,882	26.9
Education	961,816,215	17.8
General Management	361,307,007	6.6
Other programs	335,338,624	6.2
Total	5,397,739,086	100.0

Source: SIAF

As it has already been pointed out, MEF allocates the budget corresponding to each IU not only at function and program levels, but also at the generic expenditure group level. According to expenditure classifications prepared by MEF, there are 10 generic expenditure groups, out of which 5 correspond to the execution of public resources in education programs (“payroll and benefits”, “goods and services”, “other current expenditures”, “investments” and “other capital expenditures”).

Table 8
2001 Budget – Education Programs developed
at schools per Generic Expenditure Group
(in soles)

	Pre-School Education	Primary Education	High School Education
Payroll and Benefits	335,218,808	1,666,377,670	1,334,771,495
Goods and Services	53,073,688	99,079,862	70,374,403
Other Current Expenditures	125,920	646,034	533,580
Investments	35,300,902	90,813,178	36,527,905
Other Capital Expenditures	1,380,487	3,664,809	11,388,500
Total	425,099,805	1,860,581,553	1,453,595,883

Source: SIAF

¹⁵ Administrative expenses (overheads) of the Sector’s Intermediate Organs are mainly recorded in the General Management Program.

Table 9
2001 Budget –Education Programs developed
at schools per Generic Expenditure Group
(in percentage)

	Pre-School Education	Primary Education	Secondary Education
Payroll and Benefits	78.9%	89.6%	91.8%
Goods and Services	12.5%	5.3%	4.8%
Other Current Expenditures	0.0%	0.0%	0.0%
Investments	8.3%	4.9%	2.5%
Other Capital Expenditures	0.3%	0.2%	0.8%
Total	100.0%	100.0%	100.0%

Source: SIAF

The main types of expenditures carried out for the functioning of schools are described below:

Payroll and benefits

Expenditures in this general group correspond to payments to active personnel in the government sector and other benefits due to them for the effective position occupied and social charges paid by employers. In the education sector these expenditures are mainly payments for teachers in schools. It should be highlighted that a large portion of the education budget is used for payroll payments (approximately 90% of payments in the primary and high school programs).

Teachers may be hired on a permanent (tenured personnel) or temporary (contractor) basis. Permanent teachers are included in the Personnel Appointments Schedule (CAP), while teachers hired on a temporary basis fill transient vacant positions or others. The latter are hired when demand increases, as long as sufficient funding is available.

Although the IU is in charge of the payment of school personnel, the process of creation of permanent teaching positions is the responsibility of the MED, while the IU is charged with the hiring of additional personnel for the MED approved vacancies. The creation of permanent positions is a complex process. Schools must present a personnel request to the corresponding USE or ADE which then relays these requests to the *Dirección Regional de Educación*. If it is approved at this level, it is sent to MED, which, taking into consideration budget constraints and the opinions of the Personnel Office of MED, decides whether or not the new positions are created.

In relation to the payment system, the salaries are determined according to teaching levels and categories. Salaries are also set in proportion to the amount of hours worked per week. The system includes, in addition, the application of certain benefits to the base salary, which are granted for specific reasons (director positions, rurality, and so-called emergency hardship zones).

In order to improve the payment system, the transition government¹⁶ emitted the Supreme Decree N° 011-2001-ED. This Supreme Decree authorized MED to determine all the norms and guidelines related to salaries and wages and processing of the payroll. This law established a new payment system, which aims at avoiding legal confusion and eliminating the ambiguity of the norms related to the payment system of employees. To date, the system has been only been implemented in seven departments (including Piura and Cusco) and there does not seem to be much interest in expanding to the other departments. A primary deterrent appears to be the high costs generated by the new system.

Goods and services expenditures

Regular school operations include as another important spending item those expenditures in goods and services covering a range of lines such as goods, per diem, various services provided by individuals or companies, and others. To allow for a more flexible resource management, the Ministry of Economy and Finance allocates a given amount for this general expenditures item that the IU spends as needed. This type of expenditures includes utilities (water, electricity and telephone), and consumables (such as office furniture and cleaning items), payments to suppliers of facility maintenance services, and some services provided by individuals as part of education programs, such as “animators” in out-of-school initial education programs. This last point is very important. In pre-primary programs there are no official teachers but rather there are “animators” which are not on the official payroll. These animators receive their salaries out of the tips category of goods & services. This explains why in the breakdown of the educational budget, the payroll category is quite lower than it is for primary and secondary programs.

Capital expenditures

General capital expenditures are a third major expense item for ensuring regular operations of schools. This group includes funds spent on machinery and equipment such as computers and printers, office furniture and rehabilitation and maintenance of school facilities. In 2001 only the Lima executing offices received funding for these types of expenses. In the provincial regions, the IUs were unable to invest in capital goods or carry out facility and maintenance tasks in the schools under their jurisdictions. If they did, the corresponding expenses were recorded under a different line item.¹⁷

Although regional IUs do not receive funds to make capital investments in schools, the Regional Governments (CTARs) - that in theory do not have resources for schools - have set aside special funds to purchase capital goods for schools and carry out maintenance and rehabilitation tasks through their investment projects. Not all CTARs have resources to carry out these types of programs. To get these funds, they previously apply for them before the Ministry of Economy and Finance, where the Investment Division performs a

¹⁶ The transition government refers to the administration of President Valentin Panigua who assumed power after President Fujimori's resignation.

¹⁷ Only in what concerns maintenance and rehabilitation expenses can the executing agency benefit from resource transfers in money. Schools must report the use of those funds.

feasibility analysis. However, there are no clear criteria to determine how many schools can benefit from such investment projects.

Expenditures on teaching materials

The expense items described above are executed on de-concentrated basis, i.e. through executing agencies that operate in Lima and the provincial regions. However, as has already been mentioned, expenses are carried out centrally by the Ministry of Education (mainly on schools with primary education sections), on teaching materials and teacher training. These are carried out through the “Primary Education Quality Improvement Program” (MECEP) and the “Basic Education for All” Projects.

In what concerns teaching materials, MECEP distributes every year workbooks, teaching guides, textbooks, classroom library collections and sets of teaching aids as follows:

- Workbooks: every year each student and teacher gets two workbooks, one on mathematics and another on Spanish language. These teaching aids are delivered free of cost personally to each student. Approximately eight million workbooks are distributed annually.
- Teaching guides: every teacher receives one teaching guide matching the respective subject matters taught and the above workbooks.
- Textbooks: these are distributed to the schools’ libraries as reference material.
- Classroom library collections: one for each classroom. To date they have been distributed only once.
- Sets of teaching aids, other than printed material. Also, to date they have been distributed only once.

MECEP prepares a materials distribution schedule based on available school statistics. It hires private companies on a competitive basis to distribute these materials among the Regional Divisions that distribute them to the Regional Units (USE or ADE) within their jurisdiction and which, in turn, will distribute them to the schools.

Expenditures related to teachers’ and principals’ training activities

Training is provided mainly through the Ministry of Education’s National Principals Management Training Plan (PLANGED) and the National Teacher Training Plan (PLANCAD). Specialized service suppliers are hired to provide training in each geographical area. The transportation and per diem of participants from remote areas are paid to ensure their attendance.

Additionally, the Ministry of Education provides training in rural areas through several other programs underway, including the Special Program for Schools (PECEF) executed by the National Defense Unit (UDENA), and the Rural School Network Project executed by the School Decentralization Unit (UDECE).

Education Expenditure by Other Organizations

Schools get resources not only from the Ministry of Education, CTARs and the sector's IUs, but also from various other organizations. However, figures about this type of assistance are hard to obtain, because the assistance is partly non-monetary and partly in form of donations. (In some cases, civil society organizations providing this kind of assistance are not even registered).

Municipal governments are among the organizations supporting schools. Most of their contributions are also in-kind and directed principally to improve school equipment and facilities. It is worthwhile underscoring that local government support is provided on a voluntary basis and, therefore there are no rules governing which schools will receive this type of support.

Schools also get support from both local and international non-governmental organizations that sponsor education programs and projects. As in the above case, their cooperation focuses on school equipment and infrastructure, with an occasional component for teacher capacity building.

Parents Associations (APAFAs)

Households are another major source of funding for both public and private schools through their respective Parents Associations, which are recognized as social organizations belonging to the school system by Supreme Decree 020-98 ED. Their main form of participation includes managing households' contributions and setting priorities for their respective schools. Funds are raised by these organizations through contributions and social functions. The funds are used for purchasing consumer and capital goods, or for school and facility maintenance and rehabilitation. Occasionally, they are used to hire teachers.

Their participation in managing resources channeled to schools by the corresponding intermediate agency depends on the school officials' willingness to involve them, and the households' pressure to do so. Additionally, APAFAs perform a major role in overseeing the schools' principals and teachers' performance. Occasionally, parents have been instrumental in complaining about irregularities in the schools' operations, overseeing the appropriate use of consumables or capital goods received from the IUs, CTARs, NGOs or other organizations, and in some cases have pressured authorities to get principals or teachers removed.¹⁸

However, many complaints have been filed by the parents themselves about misappropriation of funds by the APAFAs and their lack of transparency and accountability.¹⁹

¹⁸ Report prepared by Elena Conterno for this study.

¹⁹ Jaime Saavedra et al. "El Financiamiento de la Educación Pública en el Perú: el Rol de las Familias", 2001.

Parents Associations are not the only way in which parents participate in funding their children's education. Recent studies²⁰ have identified that households' current expenditures on education per primary school student reaches 50% of the State's per student expense.

Revenues raised by schools

Some schools have created their own independent revenue streams by awarding restaurant, kiosk, and school uniforms and emblems franchises, and by renting space, among other businesses. The revenues are generally used in paying for non-payroll expenses such as school furniture, and maintenance and refurbishing of school facilities.

Each school determines how to best use these funds, usually through a committee consisting of the principal, teachers and parents. Only schools that generate their own resources maintain revenue and expenditure registries, and report to intermediate organizations and parents about how those funds are used.²¹

II.4 Central government transfers to schools

As mentioned above, certain intermediate level bodies that the Ministry of Economy and Finance (MEF) classifies as "IUs" execute public expenditure on education. Consequently, the present school system involves two stages in resource transfer to schools, i.e. central government transfers to IUs, and transfers from the latter to the schools themselves.

Central Government – IU Transfers

As mentioned previously, transfers to IUs depend on the budgets established for the MED and CTAR sectors. In these cases, MEF informs each unit of their quarterly allocation and transfers resources every month. MEF transfers clearly indicate the function, program and general expenditure class where the expenses may be incurred. IUs are thus informed of the available resources on a monthly basis. During the budget execution stage, CTARs and MED oversee the appropriate use of funds transferred to the IUs.

IUs – School Transfers

The IUs are charged with carrying out administrative tasks and, therefore, executing the public resources, allocated by MEF, for the schools within their jurisdiction. As has already been mentioned, resources are made available to the IUs with zero discretion at the function, program and general expenditure class levels. However, the IU has complete authority and independence as far as subdividing the generic expenditure class into specific expenditure categories.

We describe below how each IU spends its resources to meet the schools' main expense needs.

²⁰ Ibid.

²¹ Cf. Note 2 above.

Payroll and benefits

Every month, IUs pay the schools' payroll (teachers and other personnel), for either permanent or temporary employees. The payroll office will prepare the roster for each school, and pays employees either through a direct account deposit or by check.

Although the IU is in charge of the payments of all the personnel in the schools, it has no authority to create permanent positions. It can only hire temporary teachers if it can substantiate the need with evidence of an unsatisfied educational demand. In the hiring processes, the *unit executing* receives the requests from schools and, previous evaluation of the Personnel and Pedagogical Area of the IU, contracts personnel following the norms that MED establishes for these processes. Finally, the IU has to communicate to MED and CTAR (in regions) the total number of personnel hired under this modality. In addition, it is possible to emphasize that the hiring processes are not made generally in the first months of the year, reason by which some teachers begin to receive their payments with months of delay.

In the processes of hiring school personnel irregularities have been detected. Every year MED, CTAR and IU receive innumerable denunciations according to which some teachers would have been favored with the hiring process in exchange of favors of different nature.

In relation to the verification systems of attendance and punctuality of the school personnel used by the IU, it is to emphasize that there are no homogenous criteria to make the evaluation. These tasks go from the verification *in situ* of the school personnel, through periodic visits to the overhaul of information that the director of each school brings to the IU about the attendance and punctuality of the personnel. Nevertheless, generally these systems are not good enough to detect irregularities because visits are sporadic and the actual system of payments is too complex to facilitate control. Thus, cases have been detected in which some teachers in urban areas were receiving benefits for working in rural zones or dead teachers who continued receiving their salaries.

Payment of teachers and other school workers' salaries do not follow homogenous criteria from one IU to another. Generally, permanent workers get their salaries paid by means of deposits in their bank accounts, while temporary workers are paid by check. Occasionally, for the latter type of payments, workers pick up their checks from the IUs' offices, where they must also sign the corresponding receipt. In other instances, the principal picks up the payroll and checks from the IU and takes them to the school where the checks are personally delivered to the workers who sign the payroll receipt. Later, the payroll is returned to the IU.

Frequent irregularities have been identified in school staff hiring procedures. IUs are empowered to hire teachers and administrative personnel to meet increased educational demands. However, hiring procedures are not transparent enough, as shown by numerous complaints filed by teachers every year before IUs, CTARs and the Ministry of Education. Apparently, some teachers get preferential treatment in exchange for various types of retributions.

Goods and Services

Expenditures on goods and services play a vital role in the schools' regular operations, although this expense type accounts for only 5% of the total primary and high school education programs budget. (Approximately 90% of expenses on these programs go to payrolls). Goods and services expenditures provide expense line items for schools, i.e. purchases of office and cleaning materials, and utilities (electricity, water and telephone bills) as well as the payment of "animators" in the case of Pre-Primary Education Program.

IU's expenditures on office and cleaning materials fall within specific education programs (primary, high school, initial and other types of education), and in the general "consumables" expense class. If an IU purchases office supplies for a primary school, it must record the expense under the primary school program, the "goods and services" general class, and the "consumables" specific expense class.

Supplies and warehousing units generally purchase consumables through a direct purchase procedure for smaller dollar amounts. Either direct purchases or bids may be called for larger purchases.

It is worthwhile underscoring that no standard criteria are in place to determine what kinds of goods may be purchased by IUs. When deciding the type of purchases, the IUs will assess the schools' needs through a range of various criteria. In some cases, purchases are made to meet requests from schools to IUs. In other instances, IUs arbitrarily decide what goods to purchase. Nor are there standard criteria to determine what goods will be allocated to schools. Generally, the same types of goods are sent to schools within one program.

Goods are distributed to schools in various ways. However, distribution does not follow the same set of criteria among IUs. Some prepare prior distribution schedules while others respond to schools' requests. In the latter case, these goods will be most likely distributed only to some schools.

IUs do not regularly use transfer funds to deliver consumables to schools. The transport costs for these goods to a given school are in most cases paid by the school itself with its own funds or those from the respective APAFA. This fact is a source of problems: given the distance from some schools to the IU, and the corresponding high transportation costs, schools often fail to collect the allocated goods. When a school principal or representative picks up the goods allocated to his school, a collection document (PECOSA) is signed, detailing the goods, the respective quantities, and the delivery date.

Utilities (electricity, water and telephone bills) constitute another major cost for schools. They are included under the specific "general services rates" expenditure item, which is listed under the more general "goods and services" class. The decision to foot these bills is made by each individual IU, because no specific regulation requires them to pay for such services. Only as from this year, a regulation will decide that such utilities should be paid with funds from the IU and not by the APAFAs. Whenever IUs already run with these expenses, generally only electricity and water bills are paid, but not telephone expenses.

Moreover, most IUs will not pay for the utilities' bills of all schools effectively provided with these services.

On top of the above expenses, IUs perform a number of monitoring and supervising tasks around the schools' teaching programs through the field visits carried out by their corresponding Pedagogical Management Units. They oversee compliance with school study programs, and their principals' and teachers' performance, including the schools' staff attendance and punctuality, as well as utilization of consumables and capital goods. The frequency of such visits will be subject to the unit's decision to oversee the schools' work. However, they are at the source of a number of expenses, including transportation, per diem and meals for the inspecting officials. These expenses are consigned in the specific "fuel and lubricants", "per diem and assignments" and "persons' meals" items.

Capital Goods

Some IUs also have sufficient resources to purchase capital goods for schools, including computers and furniture. Last year, MEF, subject to austerity measures, only approved budgets for capital goods for the IUs of Lima. IUs record these purchases under a school program and the corresponding "other capital expenses" general expenditure class. Generally, capital goods are purchased once or twice yearly. The supplies and warehousing units will purchase the goods through a direct purchase system. No homogenous criteria are applied in designing the types of goods that may be purchased by the IU, nor at what time of the year they may be scheduled. Occasionally, the purchasing decision will depend on what the Pedagogical Management Area considers as being the schools' requirements, while in other instances the decisions will stem from the schools' requests.

Goods' delivery in this case does not follow homogenous criteria among all IUs. Some prepare delivery schedules in advance, while others deliver them as requested by some schools. Generally, the IU because of the larger size and value of capital goods meets delivery expenses.

Administrative Expenses

IUs get transfers to cover their own administrative expenses and those of the intermediate bodies within their jurisdiction. These expenses are executed through the General Administration Program. Principally, they comprise IU and intermediate body payrolls, purchase of consumables and capital goods, and facility and equipment maintenance. IUs hold that their administrative expenses are subject to ongoing increases, which results in some of those expenditures being erroneously recorded under a given school program.

Similarly to schools, IUs employ both permanent and temporary workers. Each worker fills a position in the personnel deployment chart. Additionally, IUs may hire personnel on an independent worker basis, which does not establish a work relationship between the employee and the State. This type of remuneration is recorded in the General Management Program, under the "goods and services" general expenditure item and the specific "non-personal services" class.

For purchases of consumables and capital goods, IUs will make similar awards as for school purchases. As in those instances, the decision of what goods to purchase and when to do so will fall on each IU's estimated needs.

Finally, another major type of expenditure at IUs under this program regards expenses on maintenance and repairs of the IUs' facilities and equipment. These expenses are recorded under the specific "outsourced services" class.

III. The CTAR: Overview and Role as an Education IU

III.1 General

The process of regionalization took a sharp turn after the dissolution of Congress by ex-President Fujimori in 1992. Under the Fujimori administration a CTAR (Temporary Regional Administrative Council) was created in each of the 24 departments (including the Province of Callao). Initially, the CTAR were ascribed to the PCM (Presidency of Council of Ministers) for budgetary purposes but since then have become subordinate to the Ministry of the Presidency (PRES).

In many cases the sectorial budgets, although channeled through the relevant CTAR are not implemented by it. Quite the contrary, although the CTAR is the responsible authority of the budget submission (RA), it is the IU, which is in charge of executing resources (with some exceptions).

The CTAR, however, does play a critical role in the submission of the sectorial budget proposals to the Central Government.

Each year the CTAR outlines the general department-wide goals by sectors. The CTAR then requests that the individual IUs (of the different sectors including education) submit their projected budgetary requirements for the following calendar year in accordance with the department-wide goals set forth and in accordance with certain guidelines. For example, the IUs of the education sector must base their payroll figures on the annualized amount of payroll expenditures of June of the previous year.

The CTAR combines the individual IU budgets into a department-wide budget. Concurrently, the MEF notifies the CTAR regarding its spending cap. At this point the CTAR, in close coordination with the individual IUs, modifies the initial budget to ensure that the spending cap is not exceeded. A revised budget is then submitted to the MEF for approval. Once the budget is approved by the MEF, the CTAR is no longer directly involved with the execution of resources, which have been allocated to individual IUs.

Nonetheless, the CTAR is also an IU and executes education resources as part of the overall investment strategy for the sector (capital goods and infrastructure construction and maintenance). Payroll and goods & services are directly executed by the subordinate IUs.

Although there is not a standard internal structure for the CTARs, they include a head office (Presidency and one or more secretariats) and specialized offices: planning, budget and institutional development, administration (accounting, personnel, support, systems and documentary administration), internal control, investments, supervision of operations and decentralized units.

As part of our fieldwork, we visited five CTAR (Ancash, Arequipa, Cajamarca, Cusco, and Piura) and found that in general they are organized in similar ways although they differ in size and budget:

Table 10
CTAR Characteristics

CTAR	Total Personnel 2001	Administrative Budget 2001
Ancash	365	S/. 10,530,103
Arequipa	241	S/. 4,581,921
Cajamarca	152	S/. 4,887,097
Cusco	222	S/. 13,200,000
Piura	398	S/. 21,408,736

Source: Instituto Apoyo CTARs Survey - 2002

III.2 Investment Program: Infrastructure and Capital Goods

The CTAR are technically also IUs for the health, education, agriculture, and transportation sectors and execute resources related to investment. In the specific case of the education sector, these resources mostly go towards school construction and maintenance as well as the purchase of capital goods (desks, computers, among others).

Every year, the office of Budget and Planning of each department CTAR develops a yearly education investment plan with the aid the schools and IUs in its charge. The 5 CTAR we visited reported that these strategic plans are developed giving consideration to²²:

- ✓ School Requests
- ✓ Subordinate IU requests
- ✓ General needs of the population

In some cases the CTAR receive information regarding needs directly from schools while in other cases the needs are channeled through subordinate IUs (General Directorates, USEs, and ADEs). Therefore, there is little uniformity as far as the channels through which the CTAR receives information about school needs and the method by which the general needs of the population are determined, however, is not very clear.

These yearly strategic plans along with resource requirements are submitted for approval to the MEF. The following table presents the education sector investment budgets awarded to each of the five CTAR we visited for the 2001 calendar year. The last column of the table presents the uses of these investment resources as reported by the CTAR itself.

²² This is the way the CTAR determine the strategic plans for its jurisdiction, other criteria is used then to assign resources to a specific school (like number of teachers, students, poverty, etc). This issue will be treated later.

Table 10a
Investment Budget 2001

CTAR	Amount	Uses of
Ancash	S/. 804,807	Construction and maintenance of infrastructure
Arequipa	S/. 746,164	Construction and maintenance of infrastructure
Cajamarca	S/. 1,501,397	Construction and maintenance of infrastructure
Cusco	S/. 4,378,000	Not yet determined
Piura	S/. 4,769,000	Construction and maintenance of infrastructure, computer purchases

Source: Instituto Apoyo CTAR Survey - 2002

IV. The Implementing Unit: Overview

IV.1 General

As has been mentioned in Section II, there is little uniformity among implementing units (IU) of education in Peru. In fact, there exist eight organizational models for the education sector and although there are some similarities between these organizational schemes, there are also considerable differences.

In Lima, the *Directorate of Education* alongside 17 *Educational Services Units* (USEs) are implementing units with a budget and the authority to execute) whereas in the rest of the country, there exist seven models in which Regional Directorates of Education, Regional Sub-Directorates of Education, Educational Services Units (USE), and *Educational Development Units* (ADE) can all be implementing units.

The organizational models and jurisdictions of the seven departments included in our sample also vary considerably. For example, the department of Ancash is an example of a bottom-heavy structure with many IUs (USEs) each in charge of a relatively small number of schools. In sharp contrast stands Arequipa with only one IU (the Regional Directorate) in charge of executing resources for all the schools in the department.

The responsibilities of an educational IU include, *inter alia*:

- Preparation of a budget for submission
- Allocation of budget assigned
- Teacher Assignments
- Pedagogical Functions
- Supervision
- Purchase and Distribution of Goods and Services
- General Administrative Functions

Given the differences mentioned above, it is not surprising that there is no way to characterize the *typical* IU. In the tables that follow we present some descriptive statistics that help illustrate the similarities and differences among the IUs in our sample.

The following table presents the disaggregated budgets for the Administration budget and the Primary Education budget for the 25 implementing units in our sample. The breakdown of the administration budget (the operating budget of the implementing unit itself) is, on average, evenly divided between payroll and goods & services with the exceptions of Ancash (where payroll is twice as large as goods and services) and Lima (where payroll is half as large as goods & services). On the other hand, the disaggregated budget for the Primary Education budget is markedly different. The numbers make very evident that a considerable portion of the allocated budget is for payroll obligations. The small residual is allocated to goods and services.

Table 11

Implementing Unit Expenses by Category, 2001							
		Administration			Primary		
		Payroll	Goods and Services	Other	Payroll	Goods and Services	Other
Total		49.2%	47.0%	3.7%	96.5%	3.1%	0.3%
Ancash		68.5%	29.9%	1.5%	98.9%	1.0%	0.0%
	Dirección Regional de Educación Ancash	72.5%	26.2%	1.3%	98.9%	1.0%	0.0%
	USE Aija	74.0%	26.0%	0.0%	98.0%	1.9%	0.1%
	USE Carlos Fitzcarrald	69.2%	28.5%	2.3%	98.6%	1.3%	0.0%
	USE Huari	77.2%	22.8%	0.0%	98.8%	1.1%	0.1%
	USE Pomabamba	74.1%	24.5%	1.4%	98.9%	1.1%	0.0%
	USE Santa	42.5%	53.5%	4.0%	99.4%	0.6%	0.1%
	USE Huarney	73.3%	26.0%	0.8%	97.9%	2.1%	0.0%
Cajamarca		44.5%	53.3%	2.3%	99.8%	0.2%	0.0%
	Dirección Sub-Regional de Educación Chota	52.8%	45.1%	2.1%	99.8%	0.1%	0.0%
	Dirección Sub-Regional de Educación Cutervo	29.1%	67.4%	3.4%	99.8%	0.2%	0.0%
	Dirección Sub-Regional de Educación Jaén	41.8%	56.2%	2.0%	99.7%	0.3%	0.0%
Piura		59.9%	39.7%	0.5%	99.8%	0.2%	0.0%
	Dirección Sub-Regional de Educación Luciano Castillo	59.9%	39.7%	0.5%	99.8%	0.2%	0.0%
Lima		28.8%	63.6%	7.6%	92.8%	6.5%	0.7%
	USE Barranca	25.8%	61.7%	12.6%	91.8%	6.6%	1.7%
	USE Huaura	26.5%	63.8%	9.6%	90.6%	8.5%	0.9%
	USE Hualar	9.0%	82.1%	9.0%	88.7%	8.5%	2.8%
	USE Cañete	23.7%	64.3%	12.0%	94.1%	5.3%	0.6%
	USE Canta	27.9%	53.0%	19.1%	69.5%	21.7%	8.7%
	USE San Juan de Miraflores	33.8%	58.4%	7.8%	93.2%	6.2%	0.7%
	USE San Juan de Lurigancho	38.4%	55.1%	6.6%	94.0%	5.6%	0.4%
	USE San Martín de Porras	34.4%	60.6%	5.1%	94.1%	5.5%	0.4%
	USE Cercado	24.9%	70.4%	4.7%	93.2%	6.5%	0.3%
	USE San Borja	32.4%	63.4%	4.2%	91.4%	7.6%	1.0%
	USE Vitarte	30.8%	65.5%	3.7%	93.3%	6.3%	0.4%
Loreto		67.7%	29.3%	3.0%	98.6%	1.4%	0.0%
	Dirección Sub-Regional de Educación Alto Amazonas	67.7%	29.3%	3.0%	98.6%	1.4%	0.0%
Arequipa		49.6%	49.6%	0.7%	99.0%	1.0%	0.0%
	Dirección Regional de Educación Arequipa	49.6%	49.6%	0.7%	99.0%	1.0%	0.0%
Cusco		70.0%	27.4%	2.6%	99.8%	0.2%	0.0%
	Dirección Regional de Educación Cusco	70.0%	27.4%	2.6%	99.8%	0.2%	0.0%

IV.2 IU Personnel

As mentioned, IUs vary in size and in the scope of their jurisdictions. The variability in their personnel profiles reflects this heterogeneity:

Table 12

Personnel Profile of Implementing Units						
	Total Personnel		Breakdown of personnel (% of total employees) 1/			
	Per hundred Schools	Per hundred Teachers	Temured	Contract	Office of Acquisitions	Personnel Office
Total Nacional	14	2	46%	38%	9%	11%
Ancash	19	2	53.1%	46.3%	5.9%	10.2%
Dirección Regional de Educación Ancash	30	4	45.2%	54.8%	5.5%	6.8%
USE Aija	40	11	14.3%	85.7%	4.8%	9.5%
USE Carlos Fitzcarrald	14	3	65.0%	25.0%	5.0%	10.0%
USE Huari	9	3	44.4%	55.6%	4.4%	2.2%
USE Pomabamba	28	7	68.8%	31.3%	3.8%	7.5%
USE Santa	13	1	69.8%	30.2%	13.2%	15.1%
USE Huarmey	59	3	34.4%	65.6%	3.1%	28.1%
Cajamarca	5	2	71.2%	23.7%	9.6%	14.1%
Dirección Sub-Regional de Educación Chota	6	2	80.3%	19.7%	4.5%	4.5%
Dirección Sub-Regional de Educación Cutervo	3	1	66.7%	29.2%	4.2%	16.7%
Dirección Sub-Regional de Educación Jaén	5	2	63.6%	25.8%	16.7%	22.7%
Piura	7	Na	71.6%	20.3%	10.8%	9.5%
Dirección Sub-Regional de Educación Luciano Castillo	7	Na	71.6%	20.3%	10.8%	9.5%
Lima	32	2	42.6%	49.9%	9.1%	12.4%
USE Barranca	35	4	5.5%	85.5%	7.3%	5.5%
USE Huaura	30	3	32.0%	60.0%	4.0%	12.0%
USE Hualal	46	3	8.5%	84.5%	12.7%	19.7%
USE Cañete	7	1	22.7%	77.3%	27.3%	50.0%
USE Canta	70	13	5.4%	81.1%	8.1%	8.1%
USE San Juan de Miraflores	51	2	46.6%	45.2%	13.7%	8.2%
USE San Juan de Lurigancho	69	3	34.0%	52.5%	8.0%	9.9%
USE San Martín de Porras	58	2	85.4%	8.3%	7.6%	18.8%
USE Cercado	32	2	60.2%	32.2%	3.5%	13.5%
USE San Borja	31	2	42.6%	57.4%	12.9%	5.0%
USE Vitarte	6	1	10.0%	90.0%	12.5%	10.0%
Loreto	13	3	69.9%	17.8%	6.8%	12.3%
Dirección Sub-Regional de Educación Alto Amazonas	13	3	69.9%	17.8%	6.8%	12.3%
Arequipa	8	2	0.0%	0.0%	14.2%	4.0%
Dirección Regional de Educación Arequipa	8	2	0.0%	0.0%	14.2%	4.0%
Cusco	4	1	62.5%	1.0%	9.6%	15.4%
Dirección Regional de Educación Cusco	4	1	62.5%	1.0%	9.6%	15.4%

Source: *Instituto Apoyo Survey 2002*

1/ Not all types of personnel are included in the table.

The IUs we visited, on average, have similar personnel to teacher ratios (approximately 2 employees per hundred teachers in their jurisdiction). There are, nonetheless, some outliers. Within the department of Ancash, the IUs of Aija and Pomabamba have considerably higher ratios (11 and 7 employees per one hundred teachers in their charge) while in the department of Lima the IU of Canta exceeds the average at 13 employees per one hundred

teachers. One would expect that the employee/teacher ratio be constant given the similar services that the education IUs provide.

Furthermore, given the major responsibilities of the IUs, it is not surprising that about 20% of the employees work either in the personnel office (in charge of teacher assignments and payrolls) and in acquisitions (in charge of purchase, storage, and distribution of goods and services).

In most cases tenured employees considerably outnumber contracted employees with the notable exceptions of Lima and Ancash where the distribution is roughly even. There is, however, considerable variability among different IUs even within a single department. This variability is greatest for the IUs in Lima where you have extreme examples of tenure-heavy and contract-heavy IUs. For example, USE Barranca is almost exclusively staffed with contract employees, while the opposite is true for USE San Martin de Porras. This apparent disorder in the tenure/contract ratios in Lima could be a result of the ad-hoc method in which vacancies are filled with contracts rather than tenured positions.

IV.3 Administrative Overhead

Every IU, besides the educational budgets they manage, has a budget for purely administrative functions. This program includes the salaries of the employees of the IU and all related administrative expenses and represents an overhead costs associated with the education sector in Peru.

The administrative overhead of the IUs also varies considerably (in part due to the differences in personnel/school ratios). On average, for the IUs we visited, the administrative overhead represents approximately 3% of its total budget, but this percentage fluctuates in the sample within 1 to 11% of the total budget each IU handles. The most remarkable results are those of Canta (11%) and Aija (10%), which are clearly high compared with the average obtained. These results should be analyzed giving consideration to the size of the IU (number of students, teachers, schools within the IUs' jurisdiction) to determine if it justifies the resources devoted to the administrative expenditures.

Table 13

Administrative Budget of the Implementing Units 2001			
	Per School	Per Teacher	Per Student
Total	S/. 2,367.39	S/. 331.33	S/. 13.38
Ancash	S/. 3,892.97	S/. 497.35	S/. 28.04
Dirección Regional de Educación Ancash	S/. 8,135.26	S/. 973.17	S/. 51.81
USE Aija	S/. 5,732.21	S/. 1,550.04	S/. 88.60
USE Carlos Fitzcarrald	S/. 3,374.29	S/. 785.25	S/. 60.50
USE Huari	S/. 1,675.66	S/. 543.52	S/. 24.04
USE Pomabamba	S/. 3,677.53	S/. 939.37	S/. 46.61
USE Santa	S/. 2,061.41	S/. 132.52	S/. 7.24
USE Huarmey	S/. 19,988.67	S/. 886.93	S/. 125.57
Cajamarca	S/. 775.54	S/. 237.28	S/. 11.04
Dirección Sub-Regional de Educación Chota	S/. 648.87	S/. 178.83	S/. 14.14
Dirección Sub-Regional de Educación Cutervo	S/. 605.46	S/. 211.13	S/. 8.66
Dirección Sub-Regional de Educación Jaén	S/. 983.56	S/. 307.95	S/. 10.78
Piura	S/. 1,122.05	--	S/. 7.78
Dirección Sub-Regional de Educación Luciano Castillo	S/. 1,122.05	--	S/. 7.78
Lima	S/. 3,706.85	S/. 239.18	S/. 9.32
USE Barranca	S/. 5,931.01	S/. 615.04	S/. 25.81
USE Huaura	S/. 3,058.95	S/. 334.02	S/. 16.38
USE Huaral	S/. 6,397.24	S/. 465.47	S/. 32.92
USE Cañete	S/. 3,249.21	S/. 389.70	S/. 15.12
USE Canta	S/. 11,237.09	S/. 2,012.05	S/. 69.18
USE San Juan de Miraflores	S/. 3,770.40	S/. 128.99	S/. 4.69
USE San Juan de Lurigancho	S/. 6,254.57	S/. 254.40	S/. 7.28
USE San Martín de Porras	S/. 6,748.64	S/. 206.99	S/. 8.23
USE Cercado	S/. 2,414.26	S/. 166.10	S/. 7.28
USE San Borja	S/. 3,108.20	S/. 164.33	S/. 7.34
USE Vitarte	S/. 1,585.80	S/. 230.85	S/. 7.88
Loreto	S/. 1,881.61	S/. 453.64	S/. 20.30
Dirección Sub-Regional de Educación Alto Amazonas	S/. 1,881.61	S/. 453.64	S/. 20.30
Arequipa	S/. 2,664.24	S/. 555.73	S/. 25.09
Dirección Regional de Educación Arequipa	S/. 2,664.24	S/. 555.73	S/. 25.09
Cusco	S/. 1,918.56	S/. 385.35	S/. 13.51
Dirección Regional de Educación Cusco	S/. 1,918.56	S/. 385.35	S/. 13.51

Source: Instituto Apoyo Implementing Unit Survey 2002

Although Lima has as many employees per teacher as Ancash, the administrative overhead in Ancash is about 5% larger (S/. 3,893 versus S/. 3,707). Canta - in the department of Lima- with an administrative overhead of S/. 2,002 per teacher (8 times as large as the average for the department), is a notable outlier. The IU of Aija in Ancash represents an administrative overhead of S/. 1,550 per teacher (or three times higher than the department average)

It is interesting to note that the administrative overhead per student varies from S/. 7 to about S/. 125 per year as compared with the spending on consumption goods per student in the primary program, which only ranges from S/. 0.05 to S/. 80!²³

These figures are the official administrative budget numbers and greatly underestimate the amount of resources destined to the IU's operation. The reason for this underestimation is that many of the IU functions are disguised as budget items within other programs (pre-primary education, primary education, secondary education, and others). Many activities that are administrative in nature yet can somehow be linked to the educational programs (pre-primary, primary, secondary, and others) are often times not included in the general administrative budget but rather in the education budgets. These were the cases of for example, the IU Cutervo, where they declared that that the payments of extra hours of the IU personnel are included in the educational programs meals expense category. In other IUs those payments of the IU utilities are included within the services expense category of the educational programs. Some IUs are extremely creative in this sort of budget manipulation and are able to include many overhead items into non-overhead budgets thereby further decreasing the resources available to schools, teachers, and students. An more exact estimate of the amount of "creativity" involved in the budget formulation would necessitate an in-depth audit.

IV.4 Resource Allocation Process

IUs formulate a yearly budget based on the previous year's expenses and submit it to MED in the case of the Lima and to the corresponding CTAR (Regional Administrative Council) outside of Lima. The MED and CTAR use this to formulate a budget which gets submitted to the MEF. It is due to this method of budget formulation that there exists a significant component of "inertial spending" in the education sector.

In general:

- IUs know which institution is in charge of determining their budget
- These amounts are determined taking into consideration the number of teachers and schools within their jurisdiction
- Yet the amounts assigned are quite insufficient.

²³ The Standard Deviation of each category is: S/. 4176.107 (administrative budget per school), S/.467.12 (administrative budget per teacher) and S/. 30.142 (administrative budget per student).

Table 14

Budget Assignment to the IU		
	Yes	No
Does the IU know which institution is in charge of determining the amount of resources which will be made available?	100%	-
Has this budget been formulated taking into account the number of schools and teachers within its jurisdiction?	96%	4%
Is the budgeted amount sufficient to address the needs of the schools within its jurisdiction?	4%	96%
<i>Observations</i>		25

Source: Instituto Apoyo Survey 2002

Of the 25 IUs we visited, 96% reported that the amount they were assigned had taken into account the number of schools and teachers within their jurisdiction. This did not however imply that the resources were sufficient. In fact, 96% responded that the amount of resources allocated were insufficient to address the needs of the schools under their responsibility. The reason most often cited is that although the budget authorities do take into account the teacher count, they mainly fail to consider:

- The teacher count has not kept up with the population growth of the student body²⁴
- The implicit inertia with respect to previous years perpetuates the substandard situation

The following table presents official SIAP/MEF figures for the expenditures in the Primary Education Program in 2001. As readily observed in the table, there is no homogeneity in the transfers with respect to the number of schools in a give IU's jurisdiction. However, there does seem to be a correlation between the budgeted amounts by the MEF and the teacher count. The allocated amounts ranged from S/. 5,200 per teacher in Lima to about S/. 7,000 per teacher in Cusco and Loreto. Students on average are allocated S/. 240 yearly in the Primary Program but as we shall see later on, little of this gets translated into tangible things.

The allocated budget per school is a misleading figure when between IUs since the relative size of the schools can be quite different. For example, the student populations of the schools in Lima are substantially higher than in the rest of the country. The low variability

²⁴ Although every year each IU conducts a survey in order to determine the number of students, teachers and schools within their jurisdiction (as reported by each school), inertia prevails and therefore the increases in resources are often insufficient.

in the next two columns of the table suggests that teacher and student counts are factors in determining budgets.

Table 15

Spending on Primary Program 2001			
	Per School	Per Teacher	Per Student
Total	S/. 42,479	S/. 5,770	S/. 240
Ancash	S/. 43,126	S/. 5,510	S/. 311
Dirección Regional de Educación Ancash	S/. 88,050	S/. 10,533	S/. 561
USE Aija	S/. 25,498	S/. 6,895	S/. 394
USE Carlos Fitzcarrald	S/. 28,385	S/. 6,606	S/. 509
USE Huari	S/. 20,869	S/. 6,769	S/. 299
USE Pomabamba	S/. 25,130	S/. 6,419	S/. 319
USE Santa	S/. 51,072	S/. 3,283	S/. 179
USE Huarney	S/. 132,867	S/. 5,896	S/. 835
Cajamarca	S/. 22,838	S/. 6,987	S/. 325
Dirección Sub-Regional de Educación Chota	S/. 25,398	S/. 7,000	S/. 553
Dirección Sub-Regional de Educación Cutervo	S/. 19,256	S/. 6,715	S/. 275
Dirección Sub-Regional de Educación Jaén	S/. 22,735	S/. 7,118	S/. 249
Piura	S/. 35,352	N/A	S/. 245
Dirección Sub-Regional de Educación Luciano Castillo	S/. 35,352	N/A	S/. 245
Lima	S/. 80,797	S/. 5,213	S/. 203
USE Barranca	S/. 55,269	S/. 5,731	S/. 241
USE Huaura	S/. 52,358	S/. 5,717	S/. 280
USE Huaral	S/. 76,360	S/. 5,556	S/. 393
USE Cañete	S/. 42,067	S/. 5,045	S/. 196
USE Canta	S/. 36,181	S/. 6,478	S/. 223
USE San Juan de Miraflores	S/. 154,260	S/. 5,278	S/. 192
USE San Juan de Lurigancho	S/. 141,543	S/. 5,757	S/. 165
USE San Martín de Porras	S/. 164,658	S/. 5,050	S/. 201
USE Cercado	S/. 67,758	S/. 4,662	S/. 204
USE San Borja	S/. 75,188	S/. 3,975	S/. 178
USE Vitarte	S/. 46,791	S/. 6,811	S/. 232
Loreto	S/. 29,331	S/. 7,071	S/. 316
Dirección Sub-Regional de Educación Alto Amazonas	S/. 29,331	S/. 7,071	S/. 316
Arequipa	S/. 27,741	S/. 5,786	S/. 261
Dirección Regional de Educación Arequipa	S/. 27,741	S/. 5,786	S/. 261
Cusco	S/. 35,307	S/. 7,091	S/. 249
Dirección Regional de Educación Cusco	S/. 35,307	S/. 7,091	S/. 249

Source: Ministry of Economics and Finance statistics

Note: Totals are calculated by dividing total amounts by total schools, teachers, and students respectively

When asked whether the IUs have made requests for increases in their budget, an overwhelming 88% reported to have done so. The majority of the requests responded to payroll issues as well as purchase of additional materials for the schools.

Table 16

Reasons for Request of Budgetary Increase	
Payroll	91%
Acquisition of consumption goods for schools	45%
Acquisition of capital goods for schools	36%
Acquisition of consumption goods for UI	27%
Acquisition of capital goods for UI	18%
Other	14%
<i>No. Observations</i>	22

Source: Instituto Apoyo Survey 2002

Sixty percent of these requests resulted in increases although these generally take the form of calendar extensions. Calendar extensions are not true increases as they simply carry forward or “borrow” on future months.

In 36% of the cases, requests for increase were denied and in 5% of the cases they were ignored. Most calendar extensions are granted based on exceptional needs. In absence of this, there is strict adherence to MEF established expense ceilings.

Table 17

Result of Request for Budget Increase	
Received an increase	59%
Negative response	36%
No response	5%
<i>No. Observations</i>	22

Source: Instituto Apoyo Survey 2002

In addition, when asked regarding resource surpluses in any given month, the IUs reported to often have small surpluses mainly due to teacher vacations, and leaves of absence. These resources are never disbursed and therefore go back to the MEF and are generally lost. However, the IU can request that they be executed at a later time if they can justify a delay in the execution. Of the IUs visited, 64% reported to have monthly surpluses, which got lost in 59% of the cases. Only 35% reported to have used the monthly surpluses in later months. It is because of this that often times there is an end-of-the-month scramble to execute resources on the part of the IUs.

It is important to mention, however, that the monthly surpluses are quite insignificant relative to the amounts executed in that month. There is a strong incentive on behalf of the IU to try to execute as much of the assigned monthly resources as possible. Carrying surpluses over, as mentioned above, is not guaranteed and therefore as can be expected IUs try not to allow for much surplus.

IV.5 Information

The budget disbursement process is quite transparent in the education sector due to the SIAF system of the MEF. We asked the people in charge of accounting and budget at each of the IUs if they knew the amounts they were to receive each month and if they knew the dates when these resources would be made available.

Table 18

Information Regarding Dates and Amounts		
	Yes	No
Knows the amount that will be received each month?	96%	4%
Knows the day in which the resources are available for use?	96%	4%
Is there a difference between the day in which the resources should be available and the day in which it actually becomes so?	16%	84%
	<i>Obs</i>	25

Source: Instituto Apoyo Survey 2002

Only the IU of Arequipa (4% of the sample) responded that it did not know the dates and amounts that it would be assigned each month. However, this turns out to be more of a problem with the way the enumerator's question was interpreted. Strictly speaking, they are not 100% sure of the amounts that will be assigned as there are occasionally unexpected changes (albeit small).

Nonetheless, it can safely be said, that within reasonable margins of error, all the IUs of our sample knew the amounts and dates of the resources that would be available. Some reported that there was a difference in the date they expected the resources to be made available and the date in which this actually became so but this difference was never in excess of two days.

The resources assigned to an IU per month cannot be carried over into a following month (with some exceptions²⁵). Therefore, towards the end of each month there is a race to

²⁵ An IU can carry over into a following month the assigned resources only if it can fully justify that these expenditures need to be executed in another month. For example, if a good were ordered from a distributor and was backordered due to inventory issues.

execute any remaining resources and some IUs reported that this end-of-the-month scramble to execute resources generates congestion and delays in the SIAF computer system. Excepting the end of the month congestion, the system seems to work quite efficiently and the delays are minimal or non-existent. These are a few cases (for example USE Fitzcarrald and USE Huari) in which the IU was not equipped with a computer terminal linking it to the SIAF system. In these cases, the accounting personnel have to travel to the nearest IU, which does have a SIAF link to enter their resource requests.

IV.6 Audits and Supervision

The SIAF system provides an automatic yet cursory means of supervising the IUs finances. Each IU expense must be registered through the SIAF in order for the resource to be transferred. These amounts are known real-time and can be accessed via an electronic query system by the general public.

Although the SIAF does require there to be some degree of discipline in the handling of the budget, it was not designed to be an auditing tool. Audits of the IUs fall into one of two categories:

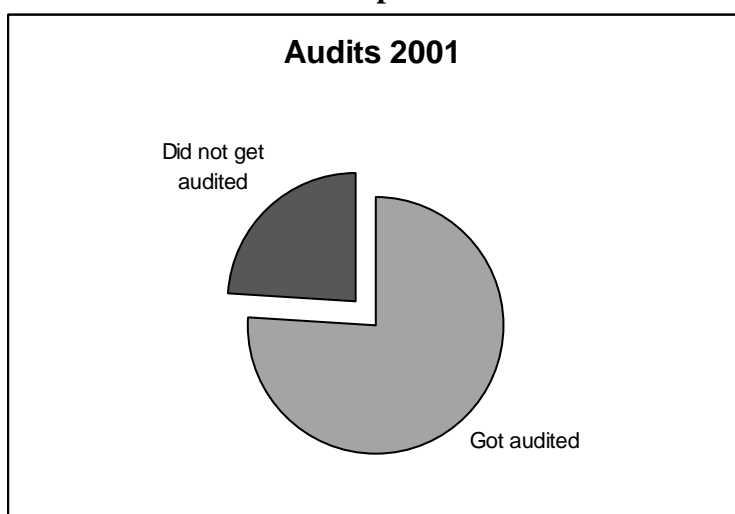
Internal Audits

Every IU has an office of internal control, which is in charge of reviewing the proper execution of resources according to function, programs and generic expenditure group and investigating reports of misbehavior of the IU itself, particular schools, teachers, or principals.

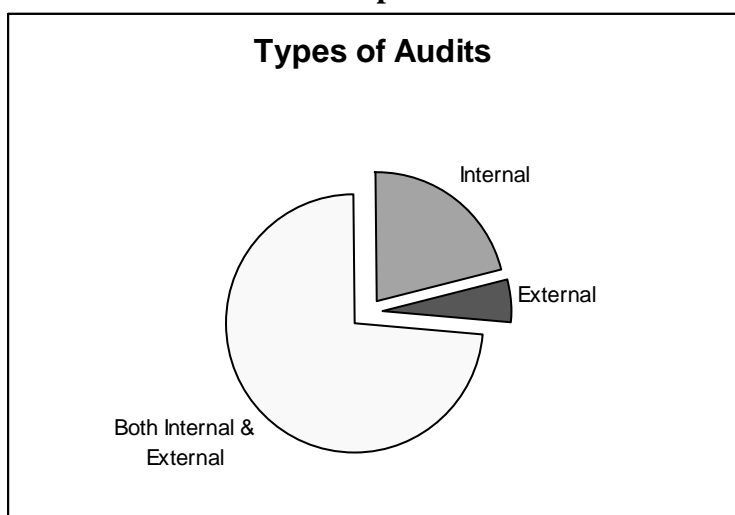
External Audits

These are performed by the MED (in the case of Lima) or the CTARs (in the cases outside of Lima) and also by representatives of the MEF (Contaduria and SIAF). They are generally not done with regularity and mainly respond to specific complaints.

The following graph shows that roughly 3 out of every 4 IU we visited was audited either internally or externally in 2001.

Graph 1

Source: Instituto Apoyo Survey 2002

Graph 2

Source: Instituto Apoyo Survey 2002

The number of audits, however, was quite varied ranging from 1 internal audit in 2001 to 19 (external audits ranged from none to 2 per year).

It is important to mention that a higher number do not necessarily reflect a better situation since external audits tend to only be carried out in response to a complaint. Additionally, not all wrongdoing gets reported and so this number is also not a perfect indicator of the level of wrongdoing within an IU.

Our fieldwork suggests that the external audits are often times a mix between supervision and capacity building while the internal audits respond more directly to reports of

wrongdoing or misappropriation. CTARs are somewhat hesitant of investigating IUs given their relative autonomy as far as the execution of resources. Similarly, MED is somewhat hesitant in investigating resource allocation since their primary role outside of Lima is policy setting. The organizational duality leaves external audits in somewhat of a twilight zone.

Table 19

Number of Audits		
	2001	
	Internal	External
Ancash		
USE Carlos Fitzcarrald	0	1
Dirección Regional de Educación Ancash	0	1
Cajamarca		
Dirección Sub-Regional de Educación Chota	4	1
Dirección Sub-Regional de Educación Jaén	3	0
Dirección Sub-Regional de Educación Cutervo	2	1
Piura		
Dirección Sub-Regional de Educación Luciano Castillo	3	1
Lima		
USE San Martín de Porras	19	1
USE San Juan de Miraflores	8	1
USE Barranca	6	1
USE Cañete	4	0
USE San Juan de Lurigancho	4	0
USE Vitarte	3	2
USE Huaral	3	1
USE Carlos Fitzcarrald	2	0
USE Cercado	1	1
USE San Borja	1	2
USE Huaura	1	2
Loreto		
Dirección Sub-Regional de Educación Alto Amazonas	3	1
Arequipa		
Dirección Regional de Educación Arequipa	9	1

Source: Instituto Apoyo Survey 2002

Table 20

Frequency of Audits		
	Internal	External
Monthly	6%	-
Bi-monthly	17%	-
Every 3 months	6%	-
Every 6 months	17%	-
Annually	11%	31%
Variable	45%	69%

Source: Instituto Apoyo Survey 2002

Most of the audits (both internal and external) are done with variable frequency reflecting the fact that they respond to specific complaints: 45% of the IUs reported that internal audits have a variable frequency while 69% reported this for external audits. About a third of the external audits are performed annually and about 46% of internal audits get performed with a frequency of at most every 6 months.

Table 21

Institution in charge of external audit for:		
	Regional Directorate	USE / Regional Sub-Directorate
Ministry of Education	2	3
Regional Directorate	NA	8
CTAR	1	3
Ministry of Economics and Finance	-	2

Source: Instituto Apoyo Survey 2002

External audits most often get performed by the Regional Directorate (in the cases where the IU is not a Regional Directorate). The MED and CTAR are much less involved in the audit process and the MEF rarely gets involved.

When asked about their role in supervising the schools regarding the transfer process and subsequent usage of consumption and capital goods (for the IUs of Lima), the IUs responded in considerable numbers that they do indeed supervise the schools' activities.

Table 22

IU Supervision of Schools		
	Consumption Goods	Capital Goods
Supervision of urban & rural schools	48%	60%
Supervision only of urban schools	12%	30%
Supervision only of rural schools	4%	-
No supervision	9%	10%
Obs	25	10

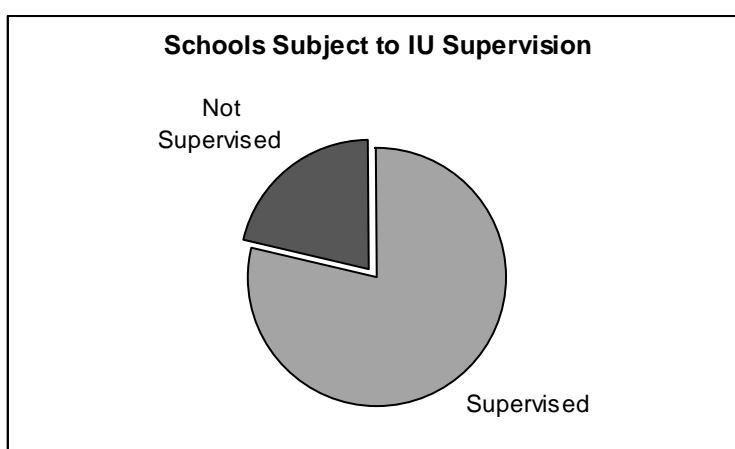
Source: Instituto Apoyo IU Survey 2002

As far as consumption goods, 48% of the IUs visited report to supervise both urban and rural schools, while 12% only supervise urban schools. 4% of the IUs only supervise rural schools whereas a mere 9% report to not conduct any supervisory activities.

Of the 10 Lima IUs in the sample, 60% reported that they supervise the usage of capital goods in all schools while 30% reported that only supervise urban schools. 10% reported to not conduct any supervisory activities.

This is further confirmed by the results of our surveys to schools where 79% reported to have been supervised by the corresponding IU. In these cases, however, the supervisory activity focused on the verification of personnel records (54%), on the enrollment rates (62%) and to a much lesser degree on the usage of consumption and capital goods assigned. Our fieldwork, however, presents evidence of widespread mismatch between personnel numbers at the IU and at the schools which suggests that the supervision which indeed takes place is quite poor and ineffective.

Graph 3



Source: Instituto Apoyo School Survey 2002

Of the schools, which reported to be supervised by the corresponding IU, almost half reported that the visits were every 6 months.

Table 23

Frequency of Visits of IU Representatives	
Monthly	1%
Every 3 months	19%
Every 6 months	48%
Annually	17%
No regular frequency	14%
Obs	71

Source: Instituto Apoyo Schools Survey 2002

V. Teachers and other Education Personnel

The IU performs two basic tasks with relation to personnel management in schools: drafting the labor contracts for temporary personnel (office personnel and teachers) with the objective of meeting the growing demand for education services, and paying all personnel working in schools under its jurisdiction.

V.1 Hiring of personnel

In order to guide the hiring of additional temporary personnel and renew the existing contracts, the Ministry of Education (MED) has issued guidelines for these processes. Along these lines, the first task appointed to the IU is the renewal of temporary personnel. In compliance with the guidelines issued by the Ministry of Education, contracts should be automatically renewed unless there are grounds for dismissal. With regard to the aforementioned, personnel managers of the selected IUs were interviewed and they responded that no major problems existed regarding the renewal of teachers' contracts. On the other hand, they recognized that there existed a drastically different situation regarding the hiring processes of new teachers in which the existence of irregularities is recognized.

Regarding the drafting of new contracts, survey results indicate that 30% of IUs, at the date of the visits, (end of April) had not yet hired new personnel. Although this may be due, in some cases, to the fact that no vacancies were created to hire new personnel (like in the USE Huari), in most cases it is due to delays in the renewal of contracts by the IU.

In addition to the delays, lack of transparency is another major problem in this type of process. Unions and teachers constantly accuse the IUs of non-compliance with contracting guidelines set out by the Ministry of Education. It has been verified through fieldwork that IUs use different criteria to carry out evaluations of personnel applying to fill these positions. Although most personnel managers pointed out that the grade obtained at the tender was an important criterion used for hiring, other aspects were also taken into account such as the educational attainment of the applicant and work experience.

Regrettably, the system to control transparency of these evaluations is very weak. This situation has caused many IUs to commit irregularities in these processes. Consequently, some teachers have filed complaints with the Ministry of Education, the CTAR and the media about irregularities as, for example, that some persons had been favored in exchange for favors. In the case of visited IUs, the most startling experiences regarding this issue are the irregularities at the USE Huaura in Lima which prompted the teachers union (SUTEP) to take over the USE Huaura's facilities and demand for the principal of said institution to resign (this happened during the visit to this IU) and the accusation filed by the Dirección Sub-Regional Luciano Castillo before the CTAR Piura regarding alleged irregularities in the hiring processes carried out by the previous management. This accusation was declared well founded.

On the other hand, the IU is responsible for making the decisions about new contracting and also deploying the newly hired personnel. In theory, their development should respond to the schools' requirements for new personnel. Although positions created for personnel (teachers) under contract are few, the IU must assign said personnel in the most efficient manner. The survey with school principals showed cases in which schools have been assigned more teachers than requested or that they did not request at all. This fact points out to the discretionary powers of IUs in assigning said positions. This situation was detected in seven schools: two in the Dirección Regional de Huaraz, two in the USE Huaral, two in the USE San Juan de Lurigancho and one in the USE San Juan de Miraflores.

Table 24
Assignment of teachers of primary education in schools
(in percentages)

	School requesting new teachers	Schools assigned unrequested teachers
Total	40.3	2.9
Lima	51.3	8.6
Other regions	36.8	1.1
Urban	49.8	3.0
Rural	29.6	2.7
N° of observations	95	95

Source: Instituto Apoyo Schools Survey, 2002

V.2 Payrolls

Payrolls are prepared monthly by experts in the personnel offices of the IUs, which draw their information from appointment resolutions, employment contracts and school personnel wage scales. These units are entrusted with the task of checking information in the contracts and resolutions, the hours worked by personnel and to consider deductions for loans. Personnel records are not at all standard, however. Although in most IUs personnel are classified as “teachers” or “office personnel”, in other IUs personnel can be classified in one of five categories: “teachers”, “hierarchical personnel”, “auxiliary teaching personnel”, “supervisory personnel” and “office personnel”.

Among the 25 IUs we visited, only eight (3 in Ancash, 3 in Lima, 1 in Loreto and 1 in Arequipa) carried out personnel supervisory visits to schools. Moreover, the IUs, which reported to supervise school personnel, also reported to visit only a handful of schools within their jurisdiction (either by random selection or in response to specific complaints).

In the vast majority of cases, visits are carried out not only to perform personnel inspections but also to evaluate other aspects such as compliance with study programs and delivery of supplies, among others. IUs visit only a small fraction of all schools in their jurisdiction

and then only sporadically (on average, bimonthly or quarterly). Implementing units' personnel managers pointed out their small budgets prevented them from carrying out more visits and keeping a more strict personnel inspection.

Table 25
Percentage of Schools subject to IU visits

	December 2001	March 2002
Dirección Regional de Ancash	17%	8%
USE Aija	100%	47%
USE Huarmey	11%	0%
USE Canta	94%	47%
USE San Borja	7%	6%
USE Vitarte	0%	1%
Dirección Sub-Regional de Alto Amazonas	10%	0%
Dirección Regional de Arequipa	<i>n.a</i>	<i>n.a</i>

n.a = not available

Source: Instituto Apoyo IUs Survey, 2002

Data from the visited IUs were cross-referenced with data provided by the school principals. In USE Aija, Dirección Sub-Regional de Alto Amazonas and Dirección Regional de Arequipa, school principals mentioned that IU personnel did not visit them in 2001 for the purposes of supervising school staff. In the schools visited in USE Canta and San Borja, principals said they had been visited; while in Dirección Regional Ancash and USE Vitarte, only one school reported a visit in each jurisdiction. In general, each IU visits only a fraction of the schools in its jurisdiction. Therefore, given that we did not sample a very large number of schools for each IU the results presented in the previous table should not be taken as representative of all the schools within an IU jurisdiction. However, the random sampling does suggest that there could indeed be a wide dispersion in terms of IU supervision / visits to schools.

Because school personnel are not otherwise supervised, payroll officials in the IUs said their information about teachers' attendance and punctuality came from the monthly personnel reports principals in each school send to the IU. This is common practice in 80% of visited IUs. However, as pointed out by experts there, not all schools send these reports.

Nevertheless, the accuracy of the information in the attendance and tardiness reports, which are prepared by the school principals and used to prepare payrolls as well as provide staff control in schools, is seriously contested because school principals do not keep records of current personnel in their schools. This was verified by comparing IU personnel records and visited schools personnel records.

In order to evaluate the quality of personnel records, a comparison was made between those records held by the IU and those held by principals at schools. To this end, the personnel office in the IU was sent a request for information about the total number of teachers and office personnel registered in four schools. Subsequently, the four schools were visited and

principals requested to send similar data to that requested from the IU. Those cases where IU personnel records matched school personnel records are listed below.

Table 26
Percentage of Schools whose personnel records match the IU's

	Primary School Personnel	Total Personnel
Ancash	28.6%	17.9%
Dirección Regional de Educación Ancash	25%	0%
USE Aija	25%	25%
USE Carlos Fitzcarrald	0%	0%
USE Huari	25%	0%
USE Pomabamba	75%	75%
USE Santa	25%	0%
USE Huarmey	25%	25%
Cajamarca	62.5%	50%
Dirección Sub-Regional de Educación Chota	75%	50%
Dirección Sub-Regional de Educación Cutervo	<i>n.a</i>	50%
Dirección Sub-Regional de Educación Jaén	50%	50%
Lima	30.3%	27.3%
USE Barranca	50%	25%
USE Huaura	100%	100%
USE Huaral	25%	50%
USE Cañete	50%	50%
USE Canta	50%	25%
USE San Juan de Miraflores	0%	0%
USE San Juan de Lurigancho	0%	0%
USE San Martín de Porres	0%	0%
USE Cercado	0%	0%
USE San Borja	33.3%	0%
USE Vitarte	25%	50%
Piura	50%	50%
Dirección Sub-Regional de Educación Luciano Castillo	50%	50%
Loreto	75%	50%
Dirección Sub-Regional de Educación Alto Amazonas	75%	50%
Arequipa	50%	50%
Dirección Regional de Educación Arequipa	50%	50%
Cusco	50%	50%
Dirección Regional de Educación Cusco	50%	50%
Total	44.9%	40.5%
<i>N° of observations</i>	95	99

n.a = not available

Source: Instituto Apoyo Implementing Units and Schools Survey, 2002

Approximately 40% of schools keep information records regarding the total number of primary school personnel and the total number of school personnel matching data sent by the IU. Records from smaller schools are less disperse. The matching rate for schools with under 10 personnel is 65.6%.

Record keeping problems are due to various reasons. Visits to the school principals show that schools do not keep orderly records for appointed personnel, temporary personnel and total personnel, nor about the workers' wage scales. Principals declared they ignored the IUs' personnel record keeping methods. For example, when information was requested regarding the number of primary school teachers and office personnel, the principals pointed out that they did not know under what education program they had been hired (pre-school, primary or secondary). Nor did principals know how principals, who worked as teachers, were registered (either as "teachers" or as "office personnel") or how personnel assigned to other schools or to intermediate bodies were to be recorded (if they were to be recorded as members of their personnel or not).

Not in all cases was the total number of registered personnel at the IU higher than the number registered at the schools. In the following table we present the number of cases of overestimation (IU number is greater than school) and underestimation (IU number is lower than school) as well as the matching cases.

In our sample, the total number of cases in which the IU reports a larger number of school personnel than does the school (overestimation) is the same as the number of cases in which the IU reports a lower number (underestimation) while the number of matches is slightly higher.

Of the 30 cases of overestimation, however, 21 are in the IUs of Lima. Insofar, as an overestimation is suggestive of "ghost" teachers, the problem seems to be concentrated in the schools within the department of Lima. Piura, Loreto, Arequipa, and Cusco have no cases of over-reporting while Ancash has 8 cases.

Of our total of 95 schools, 32% have overestimates, 32% have underestimates, and only 36% of the schools have records that match those of the IU. It is very clear from these numbers that the personnel tracking system is severely deficient, and the great proportion of overestimations in Lima is suggestive of ghost or sham teachers.

Although the number of overestimations equals the number of underestimations (30 in each case), the magnitudes of the discrepancy is not symmetric. The overestimations are on average 33% while the underestimations are on average about 18%. These differences are consistent with the hypothesis that underestimations are mainly attributable to record-keeping difficulties and are often times small while overestimations are indicative of wrongdoing and can be quite large.

Table 27 Mismatch of Personnel Records

	Primary School Personnel		
	Overestimate	Underestimate	Match
Total	30	30	35
Ancash	8	12	8
Dirección Regional de Educación Ancash	2	1	1
USE Aija	2	1	1
USE Carlos Fitzcarrald	0	4	0
USE Huari	2	1	1
USE Pomabamba	1	0	3
USE Santa	1	2	1
USE Huarney	0	3	1
Cajamarca	1	2	5
Dirección Sub-Regional de Educación Chota	1	0	3
Dirección Sub-Regional de Educación Cutervo	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>
Dirección Sub-Regional de Educación Jaén	0	2	2
Lima	21	9	13
USE Barranca	2	0	2
USE Huaura	0	0	4
USE Huaral	2	1	1
USE Cañete	1	1	2
USE Canta	1	1	2
USE San Juan de Miraflores	2	2	0
USE San Juan de Lurigancho	4	0	0
USE San Martín de Porras	3	1	0
USE Cercado	3	1	0
USE San Borja	1	1	1
USE Vitarte	2	1	1
Piura	0	2	2
Dirección Sub-Regional de Educación Luciano Castillo	0	2	2
Loreto	0	1	3
Dirección Sub-Regional de Educación Alto Amazonas	0	1	3
Arequipa	0	2	2
Dirección Regional de Educación Arequipa	0	2	2
Cusco	0	2	2
Dirección Regional de Educación Cusco	0	2	2
<i>N° of observations</i>	95		

Source: Intituto Apoyo School and IU Survey (2002)

Although, we cannot draw the conclusion that all the mismatches are “ghost” (absentee) teachers, it is evident that the current personnel registry system and poor oversight of

Ministry of Education and CTAR budget sheets allow registration of personnel in IUs who do not necessarily work in schools. It is worthwhile mentioning recent efforts by the Ministry of Education to investigate personnel records in the department of Tumbes, Ica, and Cusco, where families of many deceased teachers still collected wages. As a result of this investigation, the Ministry of Education has estimated that illegal collections by family members amounted to 18 million soles in these particular cases²⁶. If we assume that teachers earn an average of S/.10,500 per year (average tenured salary), these illegal collections represent approximately 1,700 teachers in these three departments alone!

After payrolls are prepared, IUs pay school personnel. Payrolls are signed and wages paid in many different ways. However, the school principals' survey revealed that approximately 6% of school personnel failed to sign payrolls. As an anecdotal case, it was found out that in the Dirección Sub-Regional de Alto Amazonas, not signing the payroll does not prevent collection of wages. This is quite an important finding since law dictates that teachers and other school personnel sign pay slips. The percentage of non-compliance with this measure is highest in Loreto where 1 out of every 2 people does not sign a pay slip, and troubling in Ancash and Cajamarca where non-compliance represents 17% and 10%, respectively.

²⁶ Ministry of Education, Press Release, June 2002

Table 28
School Personnel who sign the payroll
(in percentages)

Total	94%
Lima	100%
Other regions	92%
Ancash	83%
Arequipa	100%
Cajamarca	90%
Cusco	100%
Lima	100%
Loreto	50%
Piura	100%
N° of observations	99

Source: Instituto Apoyo School Survey, 2002

On the other hand, in the 94% of the cases where payrolls are actually signed, IUs use different signing methods. The schools principals survey revealed that the main method used involves the IU's sending the monthly payroll to each principal who will deliver it (together with paychecks for personnel paid in this manner) to the school where workers sign the payroll. Subsequently, the principal returns the signed pay slips and any non-delivered checks to the IU. In three schools located in Ancash, Cajamarca and Loreto, the school principal signed the payroll on behalf of all school workers. Consequently, even if pay slips are signed, it is not possible to know with certainty if personnel actually works there and collects wages at the school. It is clear that the IU has little oversight capability and control over the payroll process.

Table 29
Payroll Signing Methods
(in percentages)

Principal delivers payroll to school	58%
IU delivers payroll to school	2%
Personnel signs payroll at the IU	36%
Principal signs payroll on behalf of all personnel	3%
Others	1%
Total	100%
N° of observations	99

Source: Instituto Apoyo Schools Survey, 2002

With regard to the payment of school personnel (both teachers and administrators), survey results show that the most common way that school personnel is paid is by way of direct deposits to the *Banco de la Nación*. Most tenured personnel are paid in this way while teachers hired under a contract agreement receive a paycheck. Consequently, some schools use both methods.

Table 30
Method of payment for school personnel
(in percentages)

Only by a Deposit in account in Banco de la Nación	87%
Only by check	0%
Both methods	12%
Other method	1%
N° of observations	99

Multiple option question

Simple average

Source: Instituto Apoyo School Survey, 2002

Additionally, over 10% of payments were delayed. Of these delayed payments, the vast majority (88%) occur in schools which only have personnel who receive payment via electronic transfer mechanisms. The evidence suggests that the source of the delays is the preparation of the payroll paperwork at the IU.

In these cases, 15% of school principles reported that the delays were less than two days while 85% reported the delays were between two and seven days.

This type of problem is less common in Lima IUs than elsewhere.

Table 31
Delays in payment of school personnel
(in percentages)

Total	11.6%
Lima	8.6%
Other regions	12.4%
Ancash	19.1%
Arequipa	0%
Cajamarca	14.8%
Cusco	25.0%
Lima	8.6%
Loreto	0%
Piura	0%
N° of observations	99

Source: Instituto Apoyo School Survey, 2002

VI. Transfers of Goods & Services from the IUs to the schools

VI.1 Allocation Process

Each IU is allocated a monthly resource ceiling for each generic expense category (Personnel, Goods & Services, etc.) by the MEF. The IU has no power to alter these amounts yet can partition these expenses within these generic categories among specific expense categories.

Within the generic expense category of Good & Services specifically, the IU can allocate resources to:

1. Per diem (meals, local transportation, board or IU staff and school staff)
2. Fuel and lubrication (costs associated with automobile purchases)
3. Meals
4. Professional and Technical Services (so-called SNP, or *Servicios No Personales* which can be used to hire security guards, secretaries, etc.)
5. Construction Materials (costs associated with the maintenance of property)
6. Consumption Goods
7. Transportation Costs (including tickets, taxes, and car rentals)
8. Public Utilities
9. Other Services Provided by Third Parties
10. Tips (relevant only for the Pre-primary program and described in the personnel section)

There are significant differences in how the IUs of our sample distribute the resources allocated to Goods and Services among the ten specific expenses described above. As an example we will analyze the distribution of the resources allocated via the Primary Education program.

Out of the S/. 19,286,200 allocated to the 25 IUs we visited by way of the Primary Education Program in 2001, 56% was used to pay public utility bills, 22% to pay the services of third parties, and 18% went towards the purchase of consumption goods (chalk, detergent, pencils, paper).

It is worthy of mention that some IUs deviate significantly from this “average” distribution. For example, Ancash, Cajamarca, and Piura destine more than 40% of the total to consumption goods while Arequipa, Lima and Cusco only destine 28%, 17%, and 5% respectively. In the latter departments, the bulk of the resources in Goods & Services goes towards the payment of public utilities.

A frequent source of “leakage” of resources of Goods & Services is through the flexible Per Diem and Meals expense categories. Ancash spends almost 10% on the per diem category while Loreto spends almost a third. Cajamarca and Loreto both spend upwards of 10% on the meals category as well. All of this further detracts from the resources available to schools and students.

Table 32 – Breakdown of Goods & Services Expense Category (Primary Education Program)

Goods & Services by Specific Expense Primary Education Program, 2001										
	Per Diem	Fuel and Lubricants	Meals	Professional and Technical Services (SNP)	Construction Materials	Consumption Goods	Transportation Expenses	Public Utilities	Other third party services	Other
Average	2%	1%	1%	0%	0%	18%	0%	56%	22%	0%
Ancash	9%	1%	0%	0%	0%	43%	0%	28%	18%	0%
Dirección Regional de Educación Ancash	2%	1%	0%	0%	0%	39%	0%	50%	8%	0%
USE Aija	1%	1%	6%	0%	0%	65%	3%	9%	16%	0%
USE Carlos Fitzcarrald	25%	1%	0%	0%	0%	34%	0%	3%	36%	1%
USE Huari	18%	0%	0%	0%	0%	49%	0%	3%	30%	0%
Cajamarca	4%	9%	13%	0%	0%	50%	1%	4%	18%	1%
Dirección Sub-Regional de Educación Chota	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%
Dirección Sub-Regional de Educación Cutervo	0%	0%	79%	0%	0%	21%	0%	0%	0%	0%
Dirección Sub-Regional de Educación Jaén	7%	16%	0%	0%	0%	36%	1%	6%	32%	3%
Piura	7%	4%	0%	0%	0%	58%	3%	12%	14%	1%
Dirección Sub-Regional de Educación Luciano Castillo	7%	4%	0%	0%	0%	58%	3%	12%	14%	1%
Lima	1%	0%	0%	0%	0%	17%	0%	57%	23%	0%
USE Barranca	0%	0%	0%	0%	3%	35%	0%	21%	40%	0%
USE Huaral	3%	0%	1%	1%	0%	54%	0%	18%	22%	0%
USE Cañete	7%	0%	0%	0%	0%	31%	1%	22%	38%	2%
USE Canta	11%	1%	3%	1%	0%	31%	0%	4%	49%	0%
USE San Juan de Miraflores	1%	1%	0%	0%	0%	18%	0%	65%	16%	0%
USE San Juan de Lurigancho	0%	0%	0%	0%	0%	10%	0%	56%	34%	0%
USE San Martín de Porras	0%	0%	0%	0%	0%	11%	1%	82%	5%	0%
USE Cercado	2%	0%	0%	0%	0%	3%	0%	75%	20%	0%
USE San Borja	0%	0%	0%	0%	0%	13%	0%	56%	31%	0%
USE Vitarte	2%	0%	1%	0%	0%	18%	0%	53%	26%	0%
Loreto	27%	5%	11%	2%	0%	36%	3%	7%	7%	1%
Dirección Sub-Regional de Educación Alto Amazonas	27%	5%	11%	2%	0%	36%	3%	7%	7%	1%
Arequipa	-	-	1%	0%	-	28%	-	69%	1%	1%
Dirección Regional de Educación Arequipa	-	-	1%	0%	-	28%	-	69%	1%	1%
Cusco	1%	2%	-	-	-	5%	-	89%	2%	-
Dirección Regional de Educación Cusco	1%	2%	-	-	-	5%	-	89%	2%	-

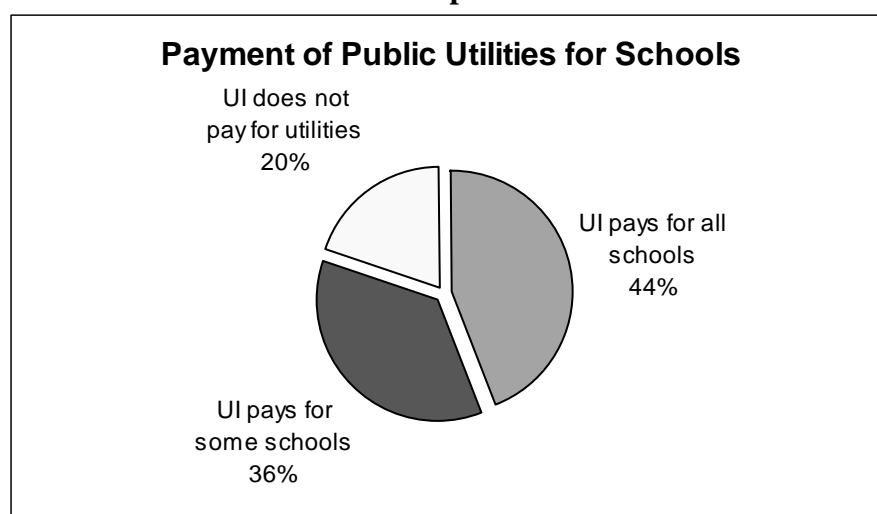
In general, the “per diem” category receives well under 10% of the total budget. However, there are some clear exceptions. In Ancash both the IUs of Fitzcarrald and Huari allocated over 15% of the primary education budget to “per diem”. These two IUs are the only ones in Ancash, which have no direct link-up to the SIAF system and whose employees must travel to a nearby IU to enter SIAF information. The large expenses of these two IUs in the “per diem” category reflects the constant travels of their accounting personnel. Loreto’s IU also has high “per diem” expenses (27% of the total) yet this is partly explained by the higher than average transportation costs in the jungle regions and not by their lack of direct access to SIAF.

VI.2 Public Utilities

Our fieldwork made evident that a considerable portion of the resources available for schools goes towards the payment of public utilities (electricity and water primarily) leaving scant resources for the purchase of goods such as teaching materials (chalk, paper, pencils) and cleaning supplies (detergent, brooms).

However, we found that IUs do not pay the utility bills for all schools in their jurisdiction. In fact, as the table below shows, only 44% of the IUs pay the utilities of all the schools within their jurisdiction.

Graph 4



Source: Instituto Apoyo Survey 2002

Of the IUs which report to only pay the utilities of some of the schools, 36% indicate that the choice of which schools to finance is based on the receipt of individual school requests; 10% indicate that it is based on resource availability; while our fieldwork suggests that another important criterion is the school’s capacity to generate internal revenue. In this way, given resource limitations there exists a large inertial component whereby schools

which have had their utilities paid for continue to do so yet new school requests are not attended to.

There was a significant percentage (20%) of IUs, which reported to not pay any public utilities for schools yet we found interestingly enough that they report SIAF budget numbers for that specific expense category! In the table that follows we present the public utility expenses of three educational programs for the IUs that report to not pay school utility bills.

Table 33

Expenses in Public Utilities			
	Pre Primary	Primary	Secondary
USE Carlos Fitzcarrald	S/. 411	S/. 1,404	S/. 1,473
USE Huarmey	S/. 24,960	S/. 34,700	S/. 36,000
Dirección Sub-Regional de Educación Chota	S/. 0	S/. 0	S/. 0
Dirección Sub-Regional de Educación Cutervo	S/. 2,929	S/. 0	S/. 387
Dirección Sub-Regional de Educación Jaén	S/. 3,584	S/. 5,267	S/. 511

Source: Instituto Apoyo Survey 2002

Of the five IUs that reported to not pay any public utility bills only Chota has no corresponding expenses in that specific expense category. The remaining four mysteriously have positive entries in this category with Huarmey being the worst offender.

These resources are probably being channeled towards the payment of the IUs own public utility bills and being incorrectly included in the budgets of the educational programs. This is another case of creative budgeting, which serves only to divert the already scant resources made available to schools.

This last finding, however, is not the only worrying result regarding the payment of public utilities. As part of our fieldwork we specifically asked the IUs about the payment of electricity and water bills for the four schools in their corresponding jurisdiction which we had randomly selected to visit. We then constructed a measure of leakage, which calculated the fraction of schools, which report to not have their utilities paid for yet for which the IU claims to make payment. The results are presented in the following two tables.

Table 34

Percentage of schools which report that the IU does not pay for their electricity while the IU reports to pay		
	Dec. 01	Mar. 02
Average	25%	39%
Ancash	78%	73%
Dirección Regional de Educación Ancash	25%	25%
USE Aija	75%	75%
USE Huari	100%	100%
USE Pomabamba	100%	100%
USE Santa	67%	50%
Cajamarca	--	100%
Dirección Sub-Regional de Educación Jaén	--	100%
Lima	0%	0%
USE Barranca	0%	0%
USE Huaura	0%	0%
USE Huaral	0%	0%
USE Cañete	0%	0%
USE Canta	0%	0%
USE San Juan de Miraflores	0%	0%
USE San Juan de Lurigancho	0%	0%
USE San Martín de Porras	0%	0%
USE Cercado	0%	0%
USE San Borja	0%	0%
USE Vitarte	0%	0%

Source: Instituto Apoyo Survey 2002

Table 35

Percentage of schools which report that the IU does not pay for their water while the IU reports to pay		
	Dec. 01	Mar. 02
Average	30%	23%
Ancash	80%	80%
Dirección Regional de Educación Ancash	25%	25%
USE Aija	75%	75%
USE Pomabamba	100%	100%
USE Santa	100%	100%
Piura	NA	0%
Dirección Sub-Regional de Educación Luciano Castillo	NA	0%
Lima	13%	13%
USE Barranca	0%	0%
USE Huaura	0%	0%
USE Huaral	33%	33%
USE Cañete	50%	50%
USE San Juan de Miraflores	50%	50%
USE San Juan de Lurigancho	33%	33%
USE San Martín de Porras	0%	0%
USE Cercado	0%	0%
USE San Borja	0%	0%
USE Vitarte	0%	0%

Source: Instituto Apoyo Survey 2002

We found, surprisingly, that there were some clear leakages associated with the payment of public utilities. The case of Ancash is particularly troublesome where according to the December 2001 reports, 78% of schools, which the IU reports to pay electricity for, report the contrary. In Lima schools there was no such discrepancy.

A similar analysis done for water bills reveals that Ancash once again is a source of considerable leakage (80%) while Lima has a smaller leakage associated with it at 13%. These numbers are worrisome given that the payment of public utilities is often times a large portion of the spending in the Goods & Services generic expense category.

VI.3 Transfer of Consumption Goods

The tables in Section II illustrated that the spending on goods & services represents roughly 5% of the total spending of the primary and secondary education programs and about 15% of the total spending of pre-primary education²⁷. Moreover, the generic goods & services

²⁷ As mentioned, pre-primary education does not have formal teachers but rather has “animadoras” which are paid via the expense category ‘tips’. This category falls under the generic expense group of goods & services and therefore inflates the number.

expense category is further broken down into specific expense groups whereby consumption goods on average only represents 18% of the resources allocated to goods & services (ranging from 5% in Cusco to 58% in Piura). How does this translate to resources per school, per teacher, and per student? The following table presents the total spending on consumption goods in the primary education program and the numbers are appallingly low.

Table 36

Spending on Consumption Goods in Primary Program 2001			
	Per School	Per Teacher	Per Student
Total	S/. 482.90	S/. 82.11	S/. 2.75
Ancash	S/. 408.91	S/. 61.49	S/. 2.76
Dirección Regional de Educación Ancash	S/. 575.23	S/. 101.04	S/. 4.79
USE Aija	S/. 518.56	S/. 171.07	S/. 10.03
USE Carlos Fitzcarrald	S/. 213.85	S/. 57.34	S/. 3.45
USE Huari	S/. 235.92	S/. 69.09	S/. 2.84
USE Pomabamba	S/. 253.96	S/. 70.35	S/. 2.79
USE Santa	S/. 487.35	S/. 27.52	S/. 1.16
USE Huarmey	S/. 1,150.00	S/. 106.70	S/. 6.36
Cajamarca	S/. 36.75	S/. 12.65	S/. 0.44
Dirección Sub-Regional de Educación Chota	S/. 56.06	S/. 17.34	S/. 0.58
Dirección Sub-Regional de Educación Cutervo	S/. 12.88	S/. 4.24	S/. 0.16
Dirección Sub-Regional de Educación Jaén	S/. 32.61	S/. 12.52	S/. 0.43
Piura	S/. 69.18	N/A	S/. 0.55
Dirección Sub-Regional de Educación Luciano Castillo	S/. 69.18	N/A	S/. 0.55
Lima	S/. 2,262.85	S/. 146.35	S/. 4.91
USE Barranca	S/. 2,625.23	S/. 341.05	S/. 10.66
USE Huaura	S/. 2,144.00	S/. 312.82	S/. 11.89
USE Huaral	S/. 5,153.55	S/. 568.45	S/. 25.34
USE Cañete	S/. 1,556.77	S/. 209.90	S/. 7.11
USE Canta	S/. 5,194.40	S/. 1,082.17	S/. 80.66
USE San Juan de Miraflores	S/. 2,998.66	S/. 141.20	S/. 4.32
USE San Juan de Lurigancho	S/. 1,446.61	S/. 62.85	S/. 1.92
USE San Martín de Porras	S/. 1,689.04	S/. 77.37	S/. 2.68
USE Cercado	S/. 523.11	S/. 26.74	S/. 1.08
USE San Borja	S/. 2,216.79	S/. 114.26	S/. 3.65
USE Vitarte	S/. 2,218.31	S/. 144.57	S/. 4.55
Loreto	S/. 195.57	S/. 59.83	S/. 2.34
Dirección Sub-Regional de Educación Alto Amazonas	S/. 195.57	S/. 59.83	S/. 2.34
Arequipa	S/. 244.04	S/. 39.64	S/. 1.68
Dirección Regional de Educación Arequipa	S/. 244.04	S/. 39.64	S/. 1.68
Cusco	S/. 6.84	S/. 1.63	S/. 0.05
Dirección Regional de Educación Cusco	S/. 6.84	S/. 1.63	S/. 0.05

Source: Instituto Apoyo Survey 2002

On average, students receive S/. 2.75 (or \$0.80) per year in consumption goods during 2001, and the allocation per student ranged from S/. 0.05 in Cusco to S/. 80.66 in Canta (or about \$0.01 to \$23.00 per year respectively). The next table shows the large variability of spending on consumption goods in the Primary Program during 2001. As the table suggests, there is an enormous difference between the maximum and minimum spending as well as a great dispersion captured by the standard deviation.

Table 36a

Variability of Spending on Consumption Goods in Primary Program (2001)			
	Per School	Per Teacher	Per Student
Mean	S/. 482.90	S/. 82.11	S/. 2.75
Minimum	S/. 6.84	S/. 1.63	S/. 0.05
Maximum	S/. 2,625.23	S/. 312.82	S/. 10.66
St. Deviation	S/. 1,492.13	S/. 235.85	S/. 16.15

What do the IUs buy and distribute with these scant resources? The following table presents the ten most frequently distributed goods.

Table 37**Most Frequently Distributed Goods**

Rank	Good
1	Brooms
2	White Chalk
3	Creso Detergent
4	Colored Chalk
5	Pinesol Disinfectant
6	Dustpans
7	Detergent
8	Bond Paper
9	Bleach
10	Pens

Source: Instituto Apoyo Survey 2002

In order to get a sense of magnitudes, we estimated the amounts of the last transfers to the schools we visited (per teacher and per student) of three of the more commonly distributed consumption goods. The results are shown below.

Table 38

Distribution of Goods						
	White Chalk (sticks)		Creso Detergent (in gallons)		Brooms	
	Per Student	Per Teacher	Per Student	Per Teacher	Per Student	Per Teacher
Total	3.9	101.2	0.0	0.3	0.0	0.4
Ancash	5.6	141.1	0.0	0.3	0.0	0.2
Dirección Regional de Educación Ancash						
USE Aija						
USE Carlos Fitzcarrald	4.0	100.0			0.0	0.1
USE Huari	6.8	4.7	0.0	0.2	0.0	0.2
USE Pomabamba						
USE Santa					0.0	0.1
USE Huarmey			0.0	0.5	0.1	1.2
Cajamarca	2.2	60.4			0.0	0.7
Dirección Sub-Regional de Educación Chota	3.1	112.7			0.0	0.7
Dirección Sub-Regional de Educación Cutervo	1.2	24.1				
Dirección Sub-Regional de Educación Jaén					0.0	0.4
Piura	1.4	42.6			0.0	0.4
Dirección Sub-Regional de Educación Luciano Castillo	1.4	42.6			0.0	0.4
Lima	6.6	142.6	0.0	0.3	0.0	0.4
USE Barranca	0.8	14.9				
USE Huaura					0.0	0.7
USE Huaral			0.0	0.4		
USE Cañete			0.0	0.2	0.0	0.1
USE Canta			0.0	0.3	0.0	0.5
USE San Juan de Miraflores			0.0	0.5	0.0	0.4
USE San Juan de Lurigancho					0.0	0.2
USE San Martín de Porras	11.7	301.1			0.1	1.9
USE Cercado			0.0	0.2	0.0	0.1
USE San Borja			0.0	0.2		
USE Vitarte						
Loreto	3.5	74.1			0.0	0.3
Dirección Sub-Regional de Educación Alto Amazonas	3.5	74.1			0.0	0.3
Arequipa	8.2	143.8			0.0	0.5
Dirección Regional de Educación Arequipa	8.2	143.8			0.0	0.5
Cusco	2.5	83.9			0.0	0.2
Dirección Regional de Educación Cusco	2.5	83.9			0.0	0.2

Source: Instituto Apoyo Survey 2002

It is clear after seeing the yearly transfer amounts of consumption goods - in monetary terms and looking at the effective transfer of materials in the last distribution (in terms of

goods) – that the transfers are exceedingly small and do not attend to even the most basic of needs.

VI.4 Selection of Consumption Goods

The criteria used in the selection of which products to purchase is most often the individual requests the IU receives from the schools. The second most common factor determining product selection is the previous year purchases.

Table 39

Criteria used for selection of goods	
Requests from schools	68%
Based on previous years	16%
Other	12%
There are no criteria	4%

Source: Instituto Apoyo IU Survey 2002

Finally, in about 4% of the cases the IU specifically indicated that they have no criteria for the selection of which goods to distribute and that these products are chosen in an *ad hoc* manner with no pre-established criteria.

All schools do not present requests, however. The following table suggests that only in half of the IUs of the country are all schools presenting their requirements. However, in 88% of the cases the IU receives school requests from either all or the majority of schools in its jurisdiction.

Table 40

IU Requirement Reception from Schools	
From all the schools	52%
Majority of Schools	36%
Some Schools	8%
No Schools	4%
Obs	25

Source: Instituto Apoyo IU Survey 2002

Our fieldwork suggests that requirements of urban schools are presented to the corresponding IU in slightly higher frequencies than the requirements of rural schools (79% and 76% respectively). The difference is not that great, however, and our initial suspicions that the selection of goods was biased towards urban needs proved false.

In order to indirectly gauge the degree to which school needs were being taken into consideration in the goods selection process by IUs, we asked the school directors to list the

four most commonly requested goods. The following table presents the percentage of these 4 goods, which were actually distributed to the school by the IU.

Arequipa and Ancash appear to be the least responsive IUs in terms of school requests (25% and 30% responsiveness rates) while Piura appears to be completely responsive (100%) followed by Cusco at 58% responsiveness. The differences in the “responsiveness” of different IUs is remarkable and might be partially explained by the differences in relative size of the jurisdictions. It is plausible that it is a lot harder to coordinate the needs of a larger number of schools versus a smaller number. This would be consistent with Arequipa being quite unresponsive given the organizational top-heavy structure (one IU) but does not explain the unresponsiveness of Ancash, which is characterized by many smaller IUs.

Table 41

Fraction of Goods Requests Attended (in percent)	
Average	45%
Ancash	30%
Dirección Regional de Educación Ancash	33%
USE Aija	50%
USE Carlos Fitzcarrald	67%
USE Huari	--
USE Pomabamba	15%
USE Santa	25%
USE Huarmey	31%
Cajamarca	49%
Dirección Sub-Regional de Educación Chota	53%
Dirección Sub-Regional de Educación Cutervo	100%
Dirección Sub-Regional de Educación Jaén	17%
Piura	100%
Dirección Sub-Regional de Educación Luciano Castillo	100%
Lima	34%
USE Barranca	13%
USE Huaura	56%
USE Huaral	19%
USE Cañete	17%
USE Canta	33%
USE San Juan de Miraflores	0%
USE San Juan de Lurigancho	31%
USE San Martín de Porras	58%
USE Cercado	83%
USE San Borja	13%
USE Vitarte	19%
Loreto	33%
Dirección Sub-Regional de Educación Alto Amazonas	33%
Arequipa	25%
Dirección Regional de Educación Arequipa	25%
Cusco	58%
Dirección Regional de Educación Cusco	58%

Source: Instituto Apoyo IU Survey 2002

Furthermore, we asked the school directors to estimate the “usefulness” of the goods distributed to them. The table below indicates that 41% of the schools find the good distributed to them are very useful and 50% find the goods are useful. For the schools in the department of Lima, which receive capital goods, 96% found them to be either very useful or useful.

Table 42

Degree of Usefulness of the Goods Distributed		
	Consumption	Capital*
Very Useful	41%	38%
Useful	50%	58%
Somewhat Useful	8%	4%
Less Useful	1%	0%
Not Useful	0%	0%

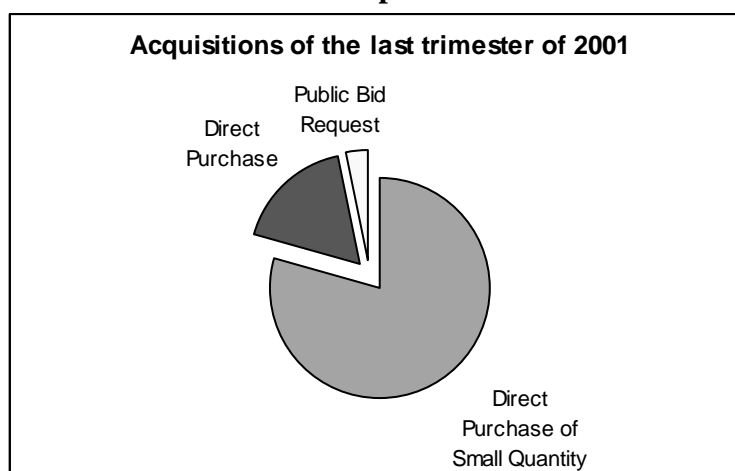
*Lima

Source: Instituto Apoyo School Survey 2002

VI.5 Purchase Process

Once the goods have been selected, they are purchased via direct public adjudications. Sometimes these processes have to be public bid requests (in the cases where the purchase amount exceeds a threshold of S/. 35,000 or \$10,000) which given the extremely small budgets is rarely the case.

In fact, during the last trimester of 2001, 23 out of the 29 acquisition processes of the IUs of our sample were direct purchases of small quantity. In only one case was the purchase amount large enough for the law to require that the process be a public call for bids.

Graph 5

Source: Instituto Apoyo Survey 2002

One interesting finding was the relatively large variability in the purchase prices of very similar goods²⁸. For example, the gallon of *Pinesol* disinfectant ranged in price between S/. 3.20 and S/. 9.20 almost a 3-fold difference between the highest and lowest price. Broom prices were even more variable and white chalk had the greatest dispersion in prices (the highest price being more than ten times as large as the lowest price). Some variability is expected given that prices vary according to region, amount of purchase, however the variability evidenced by the following table does appear to exceed acceptable levels. Chalk, which is a relatively homogeneous product in terms of quality, shows the largest relative variability in prices followed by specific brands of disinfectant. The numbers are troublesome as they could be capturing some illegal activity. MED or another supervisory entity would have to standardize the procurement process in order to eliminate this issue.

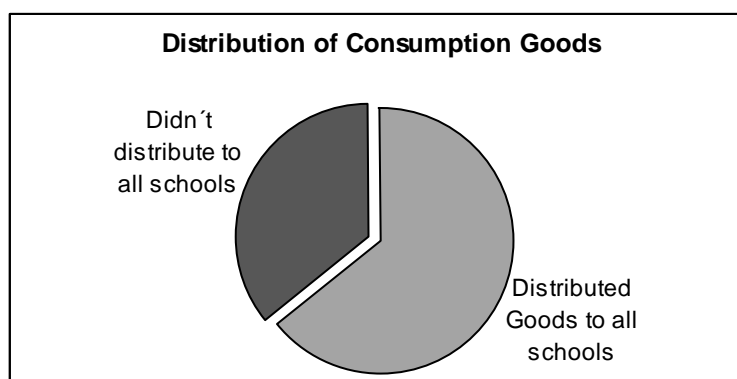
Table 43

Variability of Prices					
Good	Unit	Mean	Minimum	Maximum	St. Deviation
Disinfectant (Pinesol)	Gallon	S/. 5.39	S/. 3.20	S/. 9.20	S/. 2.26
Broom	Individual	S/. 4.58	S/. 1.88	S/. 7.50	S/. 1.76
Disinfectant (Kreso)	Gallon	S/. 5.04	S/. 3.60	S/. 6.50	S/. 1.19
Dustpan	Individual	S/. 4.92	S/. 3.80	S/. 7.50	S/. 1.50
Chalk (White)	Box of 100	S/. 3.85	S/. 1.50	S/. 15.80	S/. 4.03
Chalk (Colored)	Box of 100	S/. 3.67	S/. 2.40	S/. 4.25	S/. 0.75

Source: Instituto Apoyo Survey 2002

VI.6 Allocation, Storage, and Distribution of Consumption Goods

All of the IUs we visited purchase consumption goods for distribution to schools and the vast majority distribute to all of the schools in their jurisdiction.

Graph 6

Source: Instituto Apoyo Survey 2002

²⁸ It is important to mention that the procurement process of each IU receives no external supervision and monitoring.

It is difficult to imagine a very efficient allocation method when dealing with the distribution of such small quantities however our fieldwork provides evidence that the amounts notwithstanding, IUs do base their allocation on some reasonable indicators of size.

In general, the IUs offices of acquisitions stated that they tend to use indicators of school size (number of teachers, number of classrooms, number of students) to determine the transfer amounts.

Table 44

Criteria used in the assignment of consumption goods	
Number of students	64%
Number of teachers	48%
Poverty levels	36%
Rurality	24%
Remoteness	16%
Other Criteria	32%

Multiple Choice question

Source: Instituto Apoyo Survey 2001

In fact, an overwhelming two-thirds of IUs reported that they take the number of students into account when determining school transfers. Almost 50% take the number of teachers into account and close to 40% take poverty levels into account. Once again, as with the payment of public utilities, there seem to be IUs, which allocate more resources to schools with less internal revenue generating capacity.

All 25 IUs we visited have storage facilities for warehousing purchased consumption goods. The warehouses personnel is in charge of distribution of the goods, of generating inventories, and of making up the distribution lists. We found that the person in charge of the warehouse often times exercises quite a bit of authority and quite often is in charge of determining the distribution ratios.

The employees in charge of the warehouse usually carry out yearly inventories. In general, however, the warehouse does not have a large stock of stored goods at any given time. Most often, the goods remain in storage at most a few months before being distributed to the schools. When asked about their last inventory the 25 IUs responded:

Table 45

Date of last warehouse inventory	
Feb-01	4%
Mar-01	4%
Apr 01	4%
Oct-01	4%
Dec-01	48%
Jan-02	4%
Feb-02	4%
Mar-02	12%
Apr-02	12%
May-02	4%
<i>Obs</i>	25

Source: Instituto Apoyo Survey 2002

The frequency of distribution of consumption goods seems to vary from IU to IU. Evidence suggests that there are large distributions at the beginning of the school year (March-April) and then at sometimes regular yet often times irregular intervals throughout the school year. Purchases, however, occur monthly due to the fact that resources not executed in a given month are lost. In between distributions, the good purchased with the monthly transfers from the Central Government are stored. The most commonly reported distribution frequencies are monthly and annually and the complete breakdown of distribution frequencies is presented in the following table.

Table 46

Frequency of Distribution	
Monthly	29%
Every 2 months	8%
Every 3 months	13%
Bi-annually	17%
Annually	25%
Variable	8%

Source: Instituto Apoyo Survey 2002

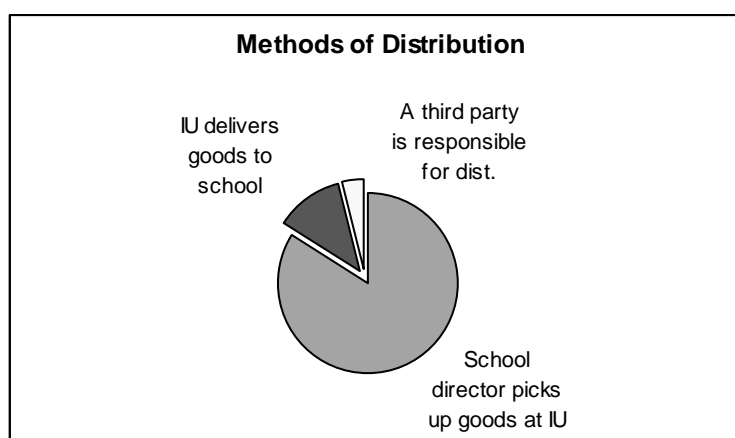
Usually the distributions are made public via distribution rosters, which are posted at the IU offices. Schools are also individually notified on occasion but our team found that the schools are so impoverished and in such desperate need of materials that the school directors often times pass by the IU several times per week to check the status of any pending purchases/distributions.

Table 47

Method of informing schools regarding consumption good assignments	
Distribution list posted at IU	24%
Distribution list and notification to school	40%
Notification to school	12%
No notification sent	4%
Other methods	20%

Source: Instituto Apoyo Survey 2002

Usually the school director (or a suitable representative) pick-up the consumption goods allocated to his/her school at the IU offices or at the warehouse. Upon reception of the goods he signs a receipt (PECOSA). In a small number of cases the goods are distributed either by the IU or by a third party.

Graph 7

Source: Instituto Apoyo Survey 2002

VI.7 Capital Goods

In the department of Lima, the IUs additionally distribute capital goods (a separate budget item). Of the nine IUs in Lima that we visited, seven have distributed capital goods in the last trimester of 2001 and the first trimester of 2002. The transfers were in all seven cases computer equipment. It is important to mention that in 2001, the IUs outside of Lima did not receive resources for the acquisition of capital goods.

VI.8 Leakages of Goods

In order to gauge the degree to which there exist leakages in the transfers of consumption goods from IUs to schools within their jurisdiction we visited four schools selected at random for each IU in our sample (see section I). Our team collected information from the IU regarding the distribution of four major products to the selected schools and contrasted these numbers with the numbers reported by the school principals.

The following table presents the results of this analysis.

Table 48

Leakages: Consumption Goods			
Implementing Unit	Leakage		
	Total	Rural	Urban
Average	2.55%	4.75%	1.45%
Ancash	3.06%	0.08%	7.15%
Dirección Regional de Educación Ancash	0.00%	0.00%	--
USE Aija	0.02%	0.04%	0.00%
USE Carlos Fitzcarrald	0.00%	0.00%	0.00%
USE Huari	9.87%	0.00%	19.75%
USE Pomabamba	0.00%	0.00%	0.00%
USE Santa	0.42%	0.31%	0.63%
USE Huarmey	1.69%	0.00%	5.06%
Cajamarca	0.00%	0.00%	0.00%
Dirección Sub-Regional de Educación Chota	0.00%	0.00%	0.00%
Dirección Sub-Regional de Educación Cutervo	0.00%	0.00%	0.00%
Dirección Sub-Regional de Educación Jaén	0.00%	0.00%	0.00%
Piura	0.00%	0.00%	0.00%
Dirección Sub-Regional de Educación Luciano Castillo	0.00%	0.00%	0.00%
Lima	7.05%	20.41%	1.52%
USE Barranca	0.00%	0.00%	0.00%
USE Huaura	0.00%	0.00%	0.00%
USE Huaral	0.00%	0.00%	0.00%
USE Cañete	0.00%	0.00%	0.00%
USE Canta	2.69%	4.03%	0.00%
USE San Juan de Miraflores	17.22%	34.44%	0.00%
USE San Juan de Lurigancho	0.00%	0.00%	0.00%
USE San Martín de Porras	17.39%	--	17.39%
USE Cercado	0.00%	--	0.00%
USE San Borja	--	--	--
USE Vitarte	16.89%	50.68%	0.00%
Loreto	0.51%	0.68%	0.00%
Dirección Sub-Regional de Educación Alto Amazonas	0.51%	0.68%	0.00%
Arequipa	4.42%	8.70%	2.28%
Dirección Regional de Educación Arequipa	4.42%	8.70%	2.28%
Cusco	0.00%	0.00%	0.00%
Dirección Regional de Educación Cusco	0.00%	0.00%	0.00%

Source: Instituto Apoyo Survey 2002

In our sample, the average leakage was 2.5% (4.75% in rural schools and 1.45% in urban schools). The IUs of the departments of Cajamarca, Cusco, and Piura had no leakage in

consumption goods while the departments of Ancash, Arequipa, and Lima had average leakages in excess of 3% (Lima being the worst offending department at 7%).

However, the leakages at the IU level varied within the department. In the department of Lima, the IUs of San Martin de Porras and San Juan de Miraflores dominate the department average each with 17% leakages. It is very interesting to note that the leakages in the IU San Juan de Miraflores are concentrated in the more distant schools where the leakage is in excess of 30%! We found that the nearby schools in that specific IU had no associated leakage.

The IU of San Martin de Porras, on the other hand, has no distant schools in their jurisdiction and the 17% leakage we estimated corresponds to urban schools.

The Ancash average leakage is being driven by the high leakage estimated in the IU Huari, which has a leakage of 10% (20% for the urban schools).

In general, except for the three cases described above, there was little leakage in the transfer of consumption goods for the IUs in our sample. The small quantities that are distributed to the schools are not conducive to large-scale misappropriations.

These, however, are the leakages on paper. Anecdotally we know of cases where IUs distribute goods to school directors who then proceed to re-sell the goods rather than supply their schools. In addition, there are many cases in which the effective transfer to the school is zero because the schools are too far away from the IU and the transportation costs exceed the value of the goods to be picked up!

We also estimated the leaks associated with capital good transfers for the IUs of Lima and found zero leakages.

VII. Transfers from the Ministry of Education to Schools: Teacher Training and Educational Materials

VII.1 Teacher Training

As mentioned in previous sections, the MED is in charge of teacher training, chiefly through the PLANCAD program. However, as the program's experts mentioned, not all schools or all teachers have been covered. PLANCAD selects the professionals who will be charged with the training via a nationally held contest among members of educational institutions (public and private universities, technical institutes, and NGOs). The training courses focus on: curricular design, educational materials, teaching methods. Training sessions generally last around 15 days and a teacher can participate in at most one session per year.

Based on the results of the survey to principals, teacher training by means of this program in 2001 covered at least one teacher in 95% of the schools. In the past three years, approximately 80% of teachers have received at least one training course under this program. Nevertheless, differences on the program coverage have been found between rural and urban schools.

Table 49
Schools with teachers trained by
PLANCAD in 2001
(percentages)

Total	95.4%
Lima	97.5%
Other regions	94.8%
Urban	98.6%
Rural	91.8%
N° of observations	95

Source: Instituto Apoyo Survey Schools 2002

Principals' opinions on the training offered by PLANCAD are variable. While most people surveyed in the IUs value MED's efforts under this program, many problems are cited, such as the training proposal being more oriented to urban schools, the preference conferred to the urban areas of department or province capitals, the inappropriate selection of implementation bodies (institutions offering training courses at the request of the Ministry), among others.

VII.2 Educational Materials (school textbooks for students and teacher guides)

The MED is also in charge of providing all schools with educational material (textbooks for students and guides for teachers) to help teachers meet all the learning goals described in the curriculum proposal, and of distributing them to all the country's schools through the departments' intermediate bodies.

Based on the results of the survey to principals, the great majority of schools did receive school textbooks for students and guides for teachers, as reported by almost all principals, with minimal differences when comparing urban to rural areas. It must be noted that all principals of schools in Lima confirmed the reception of these materials.

Table 50
Schools that received educational materials for all the students
(percentages)

	Mathematics Textbooks	Language Textbooks	Guides for teachers
Total	97.9%	97.9%	97.5%
Lima	100%	100%	100%
Other regions	97.3%	97.3%	96.7%
Urban	98.3%	98.3%	97.5%
Rural	97.5%	97.5%	97.5%
N° of observations	95	95	95

Source: Instituto Apoyo Survey Schools, 2002

While most schools visited receive all educational materials prepared by MED, it has been found that the great majority of them has not received them timely, i.e. before the beginning of classes (April). According to figures, approximately 60% of schools receive these materials after April. Even worse, a significant percentage of rural schools would be receiving them by June or thereafter. It has also been found that there is a higher percentage of late reception of materials in schools out of Lima and in rural areas. This is due to delays by MED -which does not distribute school textbooks to the intermediate bodies promptly-, and by the intermediate bodies since they also take a long time to distribute them.

Table 51
Month in which educational materials were received
(percentages)

Mathematics textbooks for students			
	April or before	May	June onwards
Total	42.7	41.5	13.5
Lima	64.7	24.9	0.4
Rest of the country	35.6	46.8	17.6
Urban	43.2	48.8	4.6
Rural	42.1	33.1	23.6
Language textbooks for students			
Total	42.7	41.5	13.5
Lima	64.7	24.9	0.4
Rest of the country	35.6	46.8	17.6
Urban	44.9	48.8	2.8
Rural	41	33.1	24.7
Work guides for teachers			
Total	42.5	41.7	13.5
Lima	64.7	24.9	0.4
Rest of the country	35.2	47.1	17.6
Urban	42.7	49.2	4.6
Rural	42.1	33.1	23.5
N° of observations	91		

Source: Instituto Apoyo Survey - Schools, 2002

It has also been assessed if schools were receiving the necessary number of books with respect to the number of students registered for the year, and the usefulness of the same for teaching classes. As regards the delivery of these materials to students, 97% of elementary students received their textbooks, hence, there seems to be no major problem in this regard. As concerns their usefulness, approximately 80% considers textbooks as “useful for teaching”. However, remarkable differences have been found between the perceptions of principals in Lima and those in other regions visited, as 50% of principals in Lima recognized the usefulness of school textbooks. It must also be noted that in some implementation units we have been informed that the delivery of these materials is not welcomed in some schools because some principals and teachers would have agreements with publishing houses (through commissions) to use other books instead of those distributed by MED.

Table 52
Perceptions on the usefulness of school textbooks and guides for teachers
(percentages)

	Mathematics Textbooks	Language textbook	Didactic guides for teachers
Total	80.1%	90.3%	77.9%
Lima	57.4%	50.4%	65.6%
Rest of the country	93.7%	89.7%	94.8%
Urban	84.2%	77.5%	87.8%
Rural	86.0%	83.4%	87.9%
N° of observations	95		

Source: Instituto Apoyo Survey – Schools 2002

An important aspect to be considered in the delivery of these materials is whether the intermediate bodies (which in most cases are the implementation units themselves) are actually in charge of delivering the school textbooks to schools. It has been found that over 50% of the teaching staff of the schools picks up the educational material themselves. In Lima, this issue is less serious since only 20% of schools pick up the material by their own. Also, the implementation unit makes the delivery of these materials in 39% urban schools compared to 63.2% rural schools. This would suggest that the intermediate bodies would be prioritizing school textbook delivery to rural schools while urban centers would have to pick them up by themselves.

Where the teaching staff of the educational center has to pick up the school textbooks, the IU never covers costs of the transportation of these materials. Material transportation costs are mostly covered by the APAFAS (44%), the educational center's own incomes (31%), teachers and principals' funds (25%), and municipalities (3%).

VIII. Other Sources of School Financing

As previously indicated, resources allocated by the implementation units are scarce, and do not meet all the schools' needs appropriately. This has encouraged civil organizations and public and private institutions to provide schools with different types of assistance such as hiring of additional staff, purchase of consumer goods or capital assets, payment of public utilities, among others.

According to the survey's results, schools find different ways to raise funds in order to cover certain expenses. Thus, in addition to funds raised by the IUs, the main sources of funding are: the APAFAS, schools' own generated income, municipalities, NGOs and churches. The table below shows the percentage of schools receiving support from these institutions, and where resources are allocated to meet specific needs. The table does not, however, give us a sense of the relative magnitudes of the financing by institution. In our sample of schools we found that of the APAFAS that contribute to teacher salaries, 6% of them contribute between 0-5% of the total payroll costs, and 7% contribute between 5-15% of total payroll costs. Internal income contributes to payroll in 6 schools of our sample and in 4 of those contributes between 0-5% of total payroll costs while in the remaining 2 schools the contribution is between 5-15% of payroll.

Table 53
Percentage of Schools which receive support by institution and type of support
(percentages)

	IU	APAFA	Schools' own income	Municipality	NGO / Church
Staff payment (teaching and administrative staff)	100%	14.1%	6.1%	0.0%	0.0%
Consumer goods	91.9%	38.4%	30.3%	1.0%	1.0%
Capital goods	42.4%	27.3%	10.1%	8.1%	10.1%
Payment of public utilities	51.5%	21.2%	28.3%	4.0%	7.1%
Upgrading and maintenance of facilities	21.2%	81.8%	29.3%	19.2%	7.1%

* Simple average

Source: Instituto Apoyo Survey, 2002

VIII.1 APAFAS

The schools' principals referred to the APAFAS as one of the main sources for complementing certain expenditures. The fact that there exist APAFAS in all the schools that we visited is indicative of the potential for these local organizations to play a more important role.

Not all APAFAs have income. However, of the ones that do have an income, the revenues are mainly obtained through payments made by parents for school enrollment. In addition to this payment, these associations carry out raising-fund activities throughout the year or request extraordinary contributions to parents. Based on the results, 79% of APAFAS reported incomes last year. Additionally, it must be noted that the APAFAS registered income in 95% urban schools, as compared to 62% rural schools.

Generally, the association's steering committee decides where to spend the money in coordination with the school's principal. Basically, the APAFAS cover three expenditure items: Maintenance and restoration of the schools' facilities and infrastructure, the purchase of consumer and capital goods that assist in the teaching of classes and the hiring of additional staff for the school. It has been found that a great percentage of APAFAS allocates their resources to the maintenance and restoration of the schools' facilities and infrastructure (around 80% of schools with incomes confirmed this finding).

The second expenditure item in most schools - also considered a priority- is the purchase of consumer and capital goods. Approximately 60% and 30% of schools meet their needs on consumer and capital goods with APAFAS resources. In the case of consumer goods, priority is given to the purchase of office supplies and teaching materials, i.e. chalk, paper, flip charts, pens, etc.; and in the case of capital goods, the purchase of furniture (desks and chairs).

Table 54
Schools receiving APAFA's support in the purchase
of consumer and capital goods
(percentages)

	Consumer Goods	Capital Goods
Total	59%	31%
Lima	56%	42%
Other regions	61%	23%
Urban	61%	37%
Rural	55%	24%
N° of observations	99	99

Simple average

Source: Instituto Apoyo Survey to schools, 2002

Finally, the third expenditure item in schools accounts for the payment of additional staff. In 2001, the APAFAS hired additional staff in 14% of schools. In these cases, the staff hired is mainly devoted to the teaching of courses like Sports, Arts, Dance, among others. It must be noted that the staff hired is not made up by teachers necessarily, neither is it the best qualified for these tasks.

While the APAFAS cover certain expenditures, their resources are short, thus they cannot meet most of the schools' needs. Surveys to principals revealed information on the resources owned by these associations. It has been found that nearly 90% of APAFAS have incomes under S/.15,000 per year. Another finding is that the APAFAS with higher resources are concentrated in Lima and in urban areas.

As can be seen in the following table, the average annual income for APAFAs is roughly 5,600 soles (or \$1,600). In addition, it is clear that there is a large difference between the income generating capacities of urban versus rural APAFAs (urban APAFAs annual incomes are more than 6 times as great as their rural counterparts).

Table 55
APAFAS Annual Income in 2001

	Mean	Standard Deviation
Total	5,656	6,750
Lima	5,968	6,922
Other regions	5,548	6,744
Urban	8,541	7,282
Rural	1,276	1,649
N° of observations	78	

Source: Instituto Apoyo Survey to schools, 2002

Nonetheless, the revenue that APAFA contributions represent for schools is quite important. The following table compares the APAFA contribution per student with both total primary public resources per student and resources destined specifically towards consumption goods (this is mainly the expense which APAFA resources complements).

Table 56
The Importance of APAFA Resources

	Government Spending in Primary Program	Government Spending on Consumption Goods in Primary Program	APAFAS Spending in Schools
Total	S/. 240	S/. 2.7	S/. 5.5
Anchash			
Dirección Regional de Educación Ancash	S/. 561	S/. 4.8	S/. 14.6
USE Aija	S/. 394	S/. 10.0	S/. 0.9
USE Carlos Fitzcarrald	S/. 509	S/. 3.5	S/. 0.0
USE Huari	S/. 299	S/. 2.8	S/. 0.5
USE Pomabamba	S/. 319	S/. 2.8	S/. 1.5
USE Santa	S/. 179	S/. 1.2	S/. 2.3
USE Huarmey	S/. 835	S/. 6.4	S/. 6.3
Cajamarca			
Dirección Sub-Regional de Educación Chota	S/. 553	S/. 0.6	S/. 0.8
Dirección Sub-Regional de Educación Cutervo	S/. 275	S/. 0.2	S/. 5.7
Dirección Sub-Regional de Educación Jaén	S/. 249	S/. 0.4	S/. 0.3
Piura			
Dirección Sub-Regional de Educación Luciano Castillo	S/. 245	S/. 0.5	S/. 5.9
Lima			
USE Barranca	S/. 241	S/. 10.7	S/. 1.5
USE Huaura	S/. 280	S/. 11.9	S/. 4.7
USE Huaral	S/. 393	S/. 25.3	S/. 2.8
USE Cañete	S/. 196	S/. 7.1	S/. 6.1
USE Canta	S/. 223	S/. 80.7	S/. 3.9
USE San Juan de Miraflores	S/. 192	S/. 4.3	S/. 5.8
USE San Juan de Lurigancho	S/. 165	S/. 1.9	S/. 7.7
USE San Martín de Porras	S/. 201	S/. 2.7	S/. 4.0
USE Cercado	S/. 204	S/. 1.1	S/. 11.7
USE San Borja	S/. 178	S/. 3.7	N.A
USE Vitarte	S/. 232	S/. 4.6	S/. 3.2
Loreto			
Dirección Sub-Regional de Educación Alto Amazonas	S/. 316	S/. 2.3	S/. 0.0
Arequipa			
Dirección Regional de Educación Arequipa	S/. 261	S/. 1.7	S/. 2.5
Cusco			
Dirección Regional de Educación Cusco	S/. 249	S/. 0.1	S/. 0.6

Source: Instituto Apoyo School Survey 2002

Finally, the relationship between the APAFAS and the principals are not good in most cases. In this regard, the implementation units reported constant problems between these associations and the principals due to discrepancies in the administration and allocation of funds available. Furthermore, accusations on the misappropriation of funds by the APAFAS steering committees were reported by the principals to the IUs. It has also been found that some of these associations in charge of the transportation of capitals assets - allocated by the implementation unit to the school- fail to deliver them to their recipients.

VIII.2 Resources generated by schools

A second source of funding is made up by the income obtained by the school through the lease of stalls, sales of photocopies, school materials, fund-raising activities, etc. Based on the results, 50% of schools rely on these sources of income. It must be noted that in Lima, 87% of schools have their own source of funding, as compared to 40% of schools in other regions. High resources have also been found in a larger number of urban schools, as compared to those in rural areas.

In most cases, a small committee made up by the principal and some teachers decide where to allocate the funds. These resources are chiefly aimed at the purchase of consumer and capital goods, the payment of public utilities and the maintenance and restoration of the schools' facilities.

According to principals, the schools' own resources were identified as the second source of income used to meet the needs on consumer goods (43%) and capital goods (17%).

Table 57
Schools purchasing consumer and capital goods
with their own resources
(percentages)

	Consumer Goods	Capital Goods
Total	43%	17%
Lima	58%	23%
Other regions	32%	13%
Urban	61%	28%
Rural	22%	4%
N° of observations	99	99

Simple average

Source: Instituto Apoyo Survey to schools, 2002

These resources also finance other activities such as the maintenance and restoration of the schools' facilities, the payment of public utilities (this is mostly seen outside Lima because very few implementation units in the regions pay these costs).

As in the case of funds raised by the APAFAS, the schools' own incomes are also very low, and they cannot meet the most urgent needs. It has been found, for example, that 90% of schools depending on this source of funding register incomes lower than S/.10,000 per year; these resources are concentrated in urban schools.

Table 58
Annual income obtained by schools in 2001
(percentages)

	Mean	Standard deviation	Income / Student ratio
Total	3,650	8,574	4.4
Lima	3,819	6,969	5.2
Other regions	3,546	9,555	4.0
Urban	4,435	9,535	4.7
Rural	936	2,474	3.5
N° of observations	60		

Source: Instituto Apoyo Survey to schools, 2002

VIII.3 Other sources of financing

Schools also receive support of other institutions such as the provincial and district municipalities, NGOs and churches. Generally, the support of these institutions consists of donations such as construction materials for the restoration of the schools' facilities, as well as furniture, and food supply for the students.

As regards municipal support, schools submit support requests to carry out certain activities in the school. On a different basis, the NGO's and the churches' contributions are made upon their own initiatives. These institutions usually assist the schools by providing them with goods rather than money (last year, less than 3% of schools received money from these institutions).

Table 59
Schools that raised funds from municipalities,
NGOs and churches in 2001
(percentages)

	Municipality		NGO / Churches	
	Financial support	Non-financial support	Financial support	Non-financial support
Total	1.9	44.3	2.8	58.9
Lima	2	20.6	1.8	54.6
Other regions	1.9	51.2	3.1	60.1
Urban	0.2	42.4	4.1	53.8
Rural	3.8	46.5	1.4	64.5
N° of observations	99			

Source: Instituto Apoyo Schools Survey, 2002

While some schools count on the support of these institutions, it must be noted that this is not permanent, since in most cases these are contributions made from time to time that depend on the willingness and resources of these institutions.

Table 60
Type of support provided by the municipalities, NGOs and churches
(percentages)

	Municipality	NGOs and the churches
Maintenance and restoration of facilities	57%	20%
Furniture and equipment	3%	31%
School textbooks and educational materials	13%	6%
Payment of public utilities	10%	2%
Food supply	3%	24%

Simple average

Source: Instituto Apoyo Survey to Schools, 2002

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