Motivation

The survey focuses on nutritional assistance program "Glass of Milk" (VdL) and includes municipalities receiving the cash transfer from the central government for the foodstuffs purchase, the "Glass of Milk" committees, which distribute foodstuffs to the beneficiary households, and households, which in theory distribute the foodstuffs to final beneficiaries. This PETS looks at the key causal factors responsible for the leakages and gives policymakers clear directions for addressing the problem.

Objectives

To detect, analyze, and quantify the leakages and delays in the transfer of public expenditure as well to assess the effects of service delivery deficiencies on the quality of associated services.

Main findings

Inadequate design of the program, with a presumed high degree of participation of community leaders grouped in a committee, but low accountability. It puts into question not only the quality of the program design, but also a frequent assumption that private organizations are in general more accountable in managing resources than are official institutions.

Leakage

71 % (The targeted beneficiaries get on average 29 cents of each $)
1) Central Government to Municipality: 0.06 % (Lima); 0.02 % (the rest of Peru) with considerable volatility in transfers in the less accessible areas outside Lima (volatility calculated as the standard deviation of monthly % changes of transfers).

2) In-kind transfers from the municipalities (% of the amount transferred to the municipality from the Central Government that is unaccounted for by the total expenses of the municipality for a particular month): 3.03 % (Lima) (there is suspected considerable misuse of funds within these districts at the municipal level, e.g., one municipality in Lima was found to have 18 % leak of the transfers, and another to have 15 %); 0.63 % (the rest of Peru);
3) From the Municipality to the Local Communities (in terms of products purchased for the VdL program; % of the amount listed in the municipal not accounted for by the VdL committee and estimated using municipal and committee data computed at the committee level): over 10 % (Lima), 2.6 % (the rest of Peru);
4) Committee to Beneficiary/Household (the monetary value of the amount of all the products received by the VdL committee per beneficiary is compared with the monetary value of the amount received by the individual households per beneficiary (excluding the committees that distribute prepared products): In the case of prepared products, there was no way to gauge whether the serving-per-container directive was followed and no way to measure the amount of raw product a household was actually receiving (cases in which the product was not distributed in the raw form were excluded from the sample); 5) Dilution of the ration within the household (defined at the household level as one minus the percentage of household members who consume VdL products, who are official beneficiaries): target beneficiaries only receive 41 % of the ration that arrives at the household, not considering all the losses associated with earlier leakages.
Causes: Diversion of funds to cover the program's operating expenses -significant in small, rural and less accessible areas. High price variability amongst districts for similar products. In some cases, the municipality supplements the transfers with municipal resources turning leakages into negative. Every municipality has an allocation formula, based entirely on the size of the target population, not the relative poverty. Some municipalities may make changes to the allocations to every committee, keeping product already assigned for later distribution. Ration dilution occurs when the beneficiaries do not receive their rations directly from the committees but through non-targeted household members; in about 60% of committees, the products are distributed in unprepared form, facilitating dilution.

Sample

120 of 1828 municipalities

Sample design

Sample frame: entire universe of districts in Peru, excluding Lima and Callao (total of 1,651 districts).

The Ministry of Economy and Finance's continuous index of poverty, FGT2 was used to calculate poverty population deciles. The deciles were arranged into three groups such that group 1 consisted of deciles 1 to 3, group 2 of deciles 4 to 7, and group 3 of deciles 8 to 10. These three groups approximate the categories of "not poor," "poor," and "extreme poor," and were used to stratify the districts of our subpopulation (Ancash and Piura) into three strata.
The three strata represent 14 percent, 41 percent, and 45 percent of the districts in Peru (excluding Lima and Callao), respectively. In order for the sample to be self-weighted 14, 41, and 45 municipalities (total of 100) were chosen from each stratum respectively (from the subpopulation of six departments). The selection for each stratum was done using Probability Proportional to Size (PPS) relative to district population.

Contact

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Main report

A World Bank Country Study (2002)"Peru: Public Expenditure Tracking Study," excerpt from "Peru: Restoring Fiscal Discipline for Poverty Reduction: Public Expenditure Review," Chapter 4, June.