



*Contraloría General de la República  
Comptrollership General of Peru  
Gerencia de Estudios y Control de Gestión  
Risk and Performance Control Management*

**COMPTROLLERSHIP GENERAL'S RECOMMENDATIONS EFFECT  
ON THE FISCAL SUSTAINABILITY OF PROGRAMMES ON FIGHT  
AGAINST POVERTY: MILK GLASS PROGRAMME CASE**

Lima, March 2007

## INDEX

1. Introduction.....	Erro! Marcador não definido.
2. Theoretical Framework.....	Erro! Marcador não definido.
3. Programme History .....	Erro! Marcador não definido.
4. Milk Glass Programme Operation Framework.....	Erro! Marcador não definido.
5. Comptrollership General's Role in the Programme..	Erro! Marcador não definido.
6. Conclusions .....	Erro! Marcador não definido.
ACRONYM LIST .....	10
BIBLIOGRAPHY .....	10

# **“Comptrollership General’s recommendations effect on the fiscal sustainability of the programmes on fight against poverty: Milk Glass Programme case”**

## **1. Introduction**

Supreme Audit Institutions (SAIs) fulfil a very important role in the fiscal sustainability of the various development programmes that governments carry out. They are responsible of supervising and controlling the proper use of public resources.

This control is essential in social programmes developed by government, since, the effectiveness, efficiency and economy whereupon these programmes are fulfilled, will result in a greater impact of these programmes as well as an improvement in the conditions of the target population.

It is clear that most of the time SAI’s human resources and financial shortage, does not entirely meet the whole range of tasks carried out in social programmes. Nevertheless, a preventive role may be exerted in maintaining a fluid communication with the various actors involved in these social programmes.

The Comptrollership General of Peru (CGR) deems convenient to present the following article, stressing out its role in the Milk Glass Programme (MGP). This is the oldest and most extensive social programme in effect in the country, and the CGR has been achieving very important work within its control and supervision.

The article is developed in six sections, section two is dedicated to the conceptual framework where the milk glass programme is carried out; in section three, some contributions on the MGP history are introduced, following this, section four, displays the Milk Glass Programme operation framework. Section five informs on the CGR’s role in the programme, to finally end the article with the conclusions.

## **2. Theoretical Framework**

Social programmes are specific actions seeking to reduce injustice in society on the basis of politics endorsed by state. These programmes are developed in countries with high levels of

poverty and inequality (Peru<sup>1</sup> and others), with the purpose of alleviating economical differences; as well as lessening social frictions (See Table 1 displaying the poverty percentage in some countries in South America).

<b>Countries in a poverty situation</b>						
<small>((Percentage of Total Population in each geographic area)</small>						
<b>Country</b>	<b>Year</b>					
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Bolivia</b>	...	...	62.4	63.9	...	...
<b>Brazil</b>	...	37.5	...	38.7	37.7	36.3
<b>Chile</b>	20.2	...	...	18.7	...	...
<b>Colombia</b>	...	...	51.1	...	51.1	46.8
<b>Ecuador</b>	...	...	...	...	51.2	48.3
<b>Peru</b>	...	54.8	...	54.7	51.1	...
<b>Venezuela</b>	...	...	48.6	...	45.4	37.1
<b>Source: CEPAL</b>						
<b>Personal compilation</b>						

Some of these programmes are thought as specific funds, attempting to compensate deprivation in specific society's area; or as multisectorial programmes seeking to combat impoverishment through comprehensive or complementary programmes.

Social programmes or funds can be generally defined as “agencies that finance small projects in several sectors, targeted to benefit a country’s poor an vulnerable groups based on the demand generated by local groups and screened against a set of eligibility criteria” according to Jorgensen and Van Domelen (2000:91).

On the other hand, Rawlings (2004) and others, mention that social funds have become a popular development tool, that empower the capacities of local decision making; as well as being an agile and fast mechanism to transfer resources to communities and stakeholders.

The Milk Glass programme excels for its duration and scope in the varied range of social programmes carried out by the central government. The MGP reaches all districts of Peru, as we will describe later on, and has over 20 years in force.

The milk glass programme agrees with the search of food security, which is understood as “all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”(FAO, 1996).

<sup>1</sup> Nevertheless, Peru is classified as an average income country according to the GNP per capita within the WB’s and IMF ranking, the internal poverty indicators (51% of the population is poor, 24% extremely poor)

According to Suárez (2003), food security depends on three components:

- **Availability**, when the population's feeding is ensured through national and/or imported food.
- **Access**, understood as the population's access to food, whether they buy it or produce it.
- **Use**, implying the food is correctly assimilated by the human body, which could otherwise be attributed to deficiencies in other areas such as education (inability to consume proper products, waste them, etc.), health, etc.

The MGP has become a milestone of what is known as food security for the low-income population. Because of the fact that it is within reach in all the country's districts, it looks after the less fortunate sectors, and has as target consumers, children up to 6 years of age, pregnant women and nursing mothers. The programme may also attend children between 7 and 13 years of age, the elder and people with tuberculosis, if there are available resources after taking care of all the main stakeholders. (Alcázar, 2004).

### **3. Programme History**

The MPG story begins in the early 80's (1983 – 1984) in Lima, during Mr. Alfonso Barrantes Lingán's period as Mayor of Lima. Its birth certificate takes place with the enactment of the 1985 Law 24059. However, the moment of truth for its existence is given with the approval of the 1986 Public Budget Law, where resources are specifically allocated for MPG in every district.

District and province municipalities run the programme and have complete autonomy; nevertheless, they must observe the priorities specified in the programme's legal framework when selecting the stakeholders and other law requisites (e.g. that 100% of the transfer is used for food procurement). The programme's operation rests on the stakeholders themselves, which are organised through mother clubs or committees<sup>2</sup>. These organisations cover the whole country, even remote areas, and have remarkably increased the community's capital stock; thus strengthening women's position in society and increasing

---

indicate the serious inequality and poverty existing within the country.

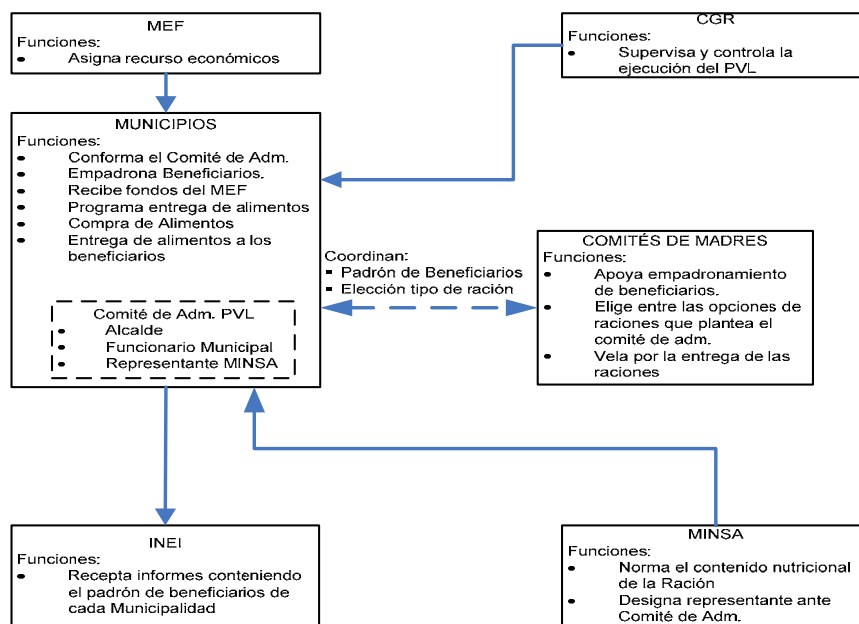
<sup>2</sup> Social Organisations of Base (OSB - Organizaciones Sociales de Base) possessing legal status enabling them to participate in Government as organised members of civil society.

the value of their contributions. But, on the other hand, in some cases the leaders of these committees have generated a negative segmentation in relation to the rest of the population<sup>3</sup>.

In the beginning, the Milk Glass Programme aimed at complementing the limited coverage of mother/child programmes of the Ministry of Health, to alleviate the cancellation of the school breakfast programme; and to incorporate the community's participation through the co-responsibility of the stakeholder committees (Suárez, 2003).

With 343 million new soles distributed in 2004<sup>4</sup>, the MGP is nowadays one of the most significant allocations to local governments, corresponding to the 43% of the total food programme allocations, and slightly greater than the total amount of allocations by FONCODES. (Fondo de Cooperación para el Desarrollo Social – Social Development Cooperation Fund) (Alcázar, 2004).

#### 4. Milk Glass Programme Operation Framework



Source: CGR  
Risk and Performance Control Management

#### 5. Comptrollership General's Role in the Programme

The Comptrollership General of Peru has to supervise and control the expenditures of the Milk Glass Programme in a provincial and distrital level (1834 municipalities on a national

<sup>3</sup> Negative segmentation, refers to the fact of selecting stakeholders not based on their needs, but instead on the proximity/support they provide the acting leader.

<sup>4</sup> In 2006 the figure reached 363 million nuevos soles.

level) according to Law 27470, which enacts supplementary standards to the Milk Glass Programme Law. These municipalities have to keep in turn, the original documentation evincing the implementation of the Milk Glass Programme, in order to render the executed expenditure and establish the origin of the food acquired, under responsibility, to the National Control System, as established by the guidelines issued by the aforementioned organism.

On this matter, the Comptrollership General issued a guideline regulating the information flow (MGP Templates and Ration) that must be sent by the different municipalities whether they are distrital or provincial.

On the other hand, the Comptrollership General has the authority to request documentation to the different State organs (Law 27785), and these have the obligation to facilitate them. The information sent to the Comptrollership General by the country's municipalities (distrital and provincial) is complemented from that perspective by cross-checking information with the Ministry of Economics and Finance, which provides information regarding monthly transferred resources allocated to the municipalities for MGP purposes (Guideline 010-2004-CG/EI). Moreover, the Comptrollership General foresees cross-checking the information later with the INEI (Instituto Nacional de Estadísticas e Información – Information and Statistics National Institute), once the information's systematisation gathered by the aforementioned Institute is finished.

The Comptrollership General's role in forestalling the appropriate use of MGP funds becomes clear with the attention rendered by the various state organisms involved in the programme. The CGR's continuous information request, especially to the municipalities, not only fulfils a post-control role, but also a preventive role in the fight against corruption within the programme. The presence of the Comptrollership General is also experienced by the municipalities through the control actions carried out as specified in the Institutional Control Body's (OCI – Organo de Control Institucional) programming.

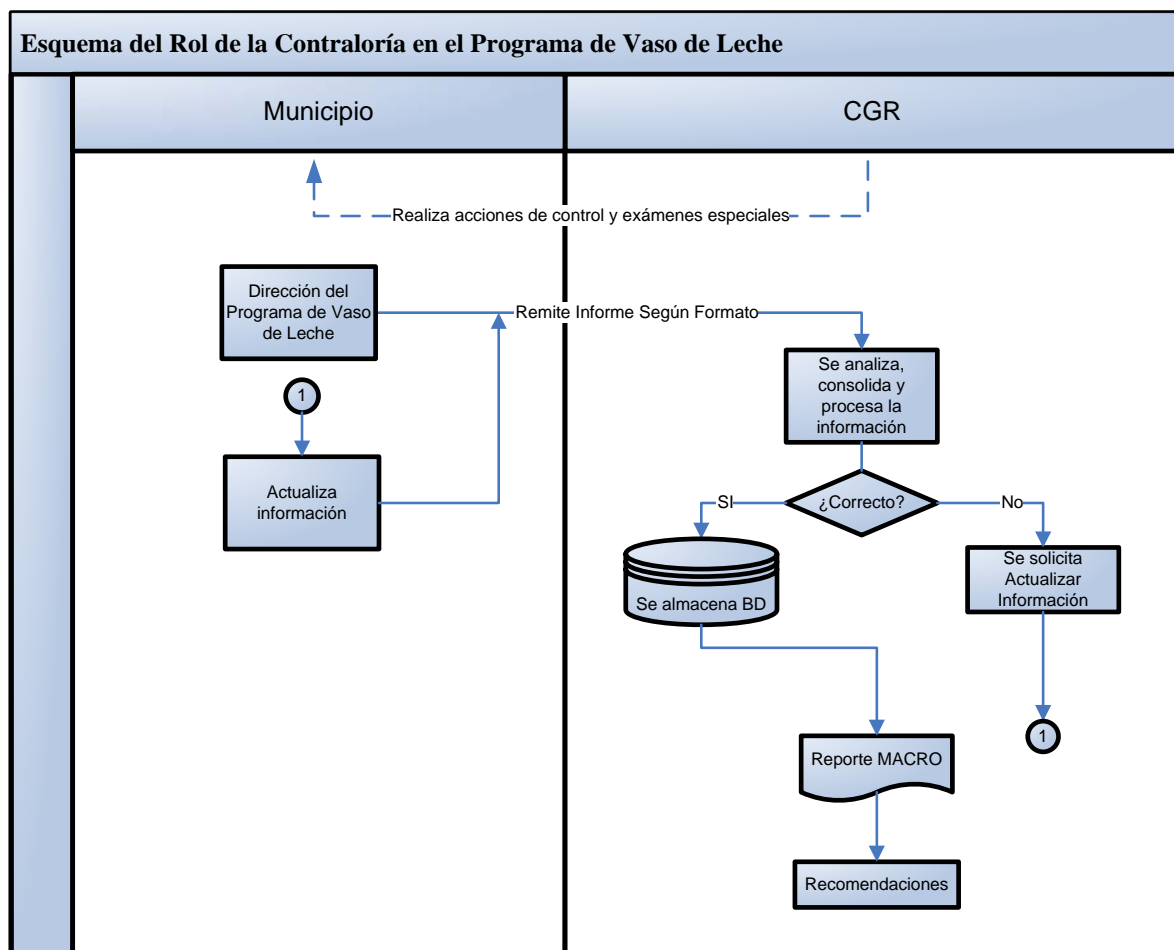
The CGR carried out 259 control actions to the MGP from 2001 to 2004, supervising the correct use of 300.3 million New Soles, which represent 21.5% of the total MGP budget for four years<sup>5</sup>. Most of this control actions identified administrative liability and in other cases,

---

<sup>5</sup> Milk Glass Programme's Macro Reports for 2001, 2002, 2003 y 2004; Comptrollership General of Peru.

internal control recommendations in order to improve the efficiency of product allocation and selection.

The following diagram outlines how the Comptrollership General participates in the Milk Glass Programme. Aside from the control work accomplished through special exams and control actions, the CGR, has a mechanism for permanent information gathering, to draft Macro reports through which suggestions and recommendations are proposed to the various agencies involved in the programme’s development.



## 6. Conclusions

Through control actions and activities the CGR identifies the mistakes, irregularities or corruption acts that are currently, or have been perpetrated per year, by local governments, thus playing an important role in the achievement of objectives drawn up by the MGP. The Comptrollership General seeks measuring the programme’s global impact and how this may be improved, underlining the individual responsibilities of each actor rather than providing details on the budget’s implementation.



Even though errors and faults in the programme's implementation are suitably indicated, State organisms involved in the social programme do not immediately incorporate the CGR's suggestions or recommended changes. This may be due to difficulties in making changes in already established social programmes, but also due to political leader's fear of change, or substantial change. We say fear inasmuch as the MGP is the only social programme where social organisations of base are organised and are aware of their strength in front of the government in charge.

Given the political rather than administrative position of personnel in the municipalities, employees responsible of sending annual information are inappropriately trained and there is high staff turnover; bringing to attention the great difference between the big municipalities and the small municipalities far from populated centres. Moreover, the stakeholders' selection process is not always carried out objectively and based on clear selection criteria. Furthermore, there is no geographical location adjustment, resulting in similar amounts - both in big cities and small districts - granted to stakeholders, but the ration that can be bought with this amount is different given the ration's transfer costs.

Accomplishing direct and permanent control over implementation is a titanic task given the size of the Milk Glass Programme, more in terms of scope than budget, leading the CGR to develop control over a representative sample of municipalities, those concentrating most of the budget (Bigger Municipalities). Nevertheless, it is in the smaller municipalities where there is no State control, that corruption and/or bad service provision evidence may be found, especially because the amount involved is small. Insofar the recommendations the CGR gives are adopted, this social uneasiness will be reduced and better instruments for the correct use of State resources will be created.

## ACRONYMS LIST

SAI	Supreme Audit Institution
PVL	Programa Vaso de Leche - MGP Milk Glass Programme
CGR	Contraloría General de la República – Comptrollership General of Peru
FONCODES	Fondo Nacional de Cooperación para el Desarrollo
MINSA	Ministerio de Salud
MEF	Ministerio de Economía y Finanzas
INEI	Instituto Nacional de Estadística e Informática
DGAES	Dirección General de Asuntos Económicos y Sociales
OCI	Oficina de Control Institucional
PCM	Presidencia del Consejo de Ministros
CENAM	Centro Nutricional de Alimentación
INS	Instituto Nacional de Salud
RM	Resolución Ministerial
MINAG	Ministerio de Agricultura
MIMDES	Ministerio de la Mujer y Desarrollo Social
PRONAA	Programa Nacional de Asistencia Alimentaria
CIAS	Comisión Interministerial de Asuntos Sociales
ENDES	Encuesta Demográfica y de Salud Familiar

## BIBLIOGRAPHY

Alcázar, L (2004), *Funcionamiento y filtraciones del programa del Vaso de Leche. El vaso no llega lleno*, en Revista Perú Económico, 1/10/2004.

CGR (2004), *Informe Macro del PVL 2004*, Contraloría General de la República, Lima.

\_\_\_\_ (2003), *Informe Macro del PVL 2003*, Contraloría General de la República, Lima.

\_\_\_\_ (2002), *Informe Macro del PVL 2002*, Contraloría General de la República, Lima.

\_\_\_\_ (2001), *Informe Macro del PVL 2001*, Contraloría General de la República, Lima.

Jorgensen, Steen Lau, and Julie Van Domelen (2000), *“Helping the Poor Manage Risk Better: The Role of Social Funds.”* In Nora Lustig, ed., *Shielding the Poor: Social Protection in the Developing World*. Washington, D.C.: Brookings Institution.

FAO (1996), *Declaración de Roma sobre la Seguridad Alimentaria Mundial*, Noviembre de 1996. Roma, FAO.

Rawlings, Sherburne-Benz and Van Domelen (2004), *Evaluating Social Funds*, World Bank Regional and Sectoral Studies, Washington D.C.

Suárez, M (2003), *Caracterización del Programa de Vaso de Leche*, Dirección General de Asuntos Económicos y Sociales, MEF, Lima.