

# STATEMENT OF THE ADVISORY COMMITTEE ON 2021 MONETARY POVERTY ESTIMATION

Lima, May 03, 2022

The Advisory Committee for the Estimation of Poverty<sup>1</sup> started its activities in April 2007 was officially recognize in the year 2010, institutionalizing its operation and regulating its functions, scope and composition. Since its creation, the Committee's work has focused on reviewing the most important methodological procedures associated with the measure of monetary poverty<sup>2</sup>.

In the current Statement addresses the following proceedings:

- ✓ First, analysis procedures aimed carry out in the 2021 measure of monetary poverty.
- ✓ Second, situation of the recommendations made by the Committee to the INEI.

## 1. Analysis procedures carry out in the 2021 measure of monetary poverty

During the stage of analysis and evaluation of the procedures and protocols used by the INEI for the calculation of the 2021 monetary poverty indicators and their consistency with respect to the recommendations made by the Committee, was performed through 5 working sessions (March 08 and 22, 05, April 12 and 26, 2022). It should also be noted that according to the recommendations given in face of the health emergency, the Committee meetings were carry out in virtual way, without any inconvenient limiting the development of activities of this Committee. During the development of working meetings, the Committee thoroughly examined the various methodological procedures applied, as well as the results of measure of monetary poverty. After concluded the evaluation, the Committee states as follows:

1. In the year 2021, having continued within the context of health emergency declared by the COVID-19 and the measures adopted by the government (mandatory social isolation declared in the month of February in different Provinces of the country, nationwide curfew at night, physical distance of 1.50 meters, use of double facial mask, among others) the INEI continued adopting exceptional measures in order to ensure security of interviewed households, field staff and the assurance of the coverage of the sample for the year 2021 for different studies that carries out.
2. Monetary poverty results of the year 2021 had being calculated using the same methodology that has been applied in a sustained and conscious way during the period 2004- 2020. This includes both the proceedings used for calculate household expense, and those used for calculate poverty lines. Therefore, it can be assure that estimated monetary poverty for 2021 and the variations compared the years 2020 and 2019, effectively correspond to changes in living conditions of the households according to the evolution of household expenses and not to changes in estimation methodology

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1 The Advisory Committee for Poverty Estimation was created by Supreme Resolution No. 097-2010-PCM. The functions of the Advisory Committee are: (1) to advise on poverty measure proceedings and other related indicators, as well as to supervise the proceedings that are adopted; (2) to evaluate and validate the results of the estimates that are periodically made; and (3) to propose, when appropriate, modifications to the methodologies based on the evaluation of their validity and international experience, as long as is ensured the comparability in the time of the indicators.

2 As a result of this work, the Committee made a set of methodological recommendations. The changes implemented are described in a technical report published on the INEI website Technical Report: Evolution of Poverty 2004-2010. New Methodology. Lima, March 2012. Available at: <http://inei.inei.gob.pe/inei/srienaho/Descarga/DocumentosMetodologicos/2010-55/Informe-Tecnico-Pobreza.pdf>

3. The estimation of the monetary poverty is performed based on information from the National Household Survey NHS (ENAH). This survey, with probabilistic selection of households, is carried out continuously, every year and throughout the year in the national territory to a sample that, in the year 2021, amounted to 36 856 households. For this reason, the results obtained from this survey should always be interpreted considering the sampling errors that complemented the publication of monetary poverty, which allow us to appreciate the statistical accuracy of the results.
4. The methodology of monetary poverty defines as poor monetary to *“those individuals that resides in households which monthly total expense per capita is under the value of the products and services basket (poor lines) that allows to satisfy a group of minimum needs of goods and services”*. Therefore, monetary poverty measures the possibility of acquire the mentioned products and services minimum basket, but not necessarily its effective consumption.

In the case of extreme poverty, in this situation are *“the individuals that live in households which monthly total expense per capita is under the value of the food basket that allows satisfying the minimum nutrient requirements (calories) of the household members”*. Likewise, it is worth noting that in the expense estimation and the consumption basket in order to calculate the poverty lines, the value of goods and public services received by households are underestimated (specifically education and health social programs), for which there is still not a satisfactory method of monetary valuation.

5. The review and evaluation process that annually carries out the Committee to the data collected by the National Household Survey, was developed in the following stages:

- **Report of the 2021 field operation**, where the INEI reported the adopted measures before the continuity of health emergency, such as the application of mixed interviews, it means, the one that mix two types of interviews, it starts with person-to-person interview and it is complemented by telephone interview.

Likewise, it was reported that during the month of February 2021 telephone interview was applied using the reduced questionnaire in 32 Provinces in a level of extreme alert, where the government adopted an isolation measure to stop the advancement of COVID-19 Second Wave. For this reason, of the total sample, 95.6% applied person-to-person interview and 4.4% telephone interview. In the supervision with emphasis to the observation and verification of person-to-person interviews, complemented with new quality control proceedings incorporated in the year 2020 (virtual monitoring through video conference and telephone verification).

- **Evaluation of the quality of the 2021 survey**, in this respect the INEI reported the results of the total non-response rate, partial non-response rate, indirect response rate (coping strategies of direct interviews by telephone, profile of absent persons, profile of indirect informer and interviewer profile), frame problems and correction methods of the non-response. Likewise, total and partial non-response rates were presented considering the interviewer and individuals interviewed profile.

In this stage of the evaluation at the request of the Committee, the INEI extend the executed concerning to:

- ✓ Profile of households with frame problems.
- ✓ Profile of panel households that rejected the survey (those that rejected the survey a year, but accepted the previous year).
- ✓ Profile of non- panel households that rejected the interview (analysis at deconglomerate level)
- ✓ Validation of expansion factor.

The results of the mentioned evaluations showed that the total and partial non-response remain in low level and without a profile defined and therefore there are no significant biases in the final sample after field operations.

- **Results of 2021 expenses and incomes**, on this particular issue the INEI reported the following:
  - ✓ The results were presented making comparisons between the years 2021/2020 and 2021/2019; it means, the results were compared with the pre-pandemic period considering that it is necessary to know how we are in comparison to the previous year of the beginning of the COVID-19.
  - ✓ Detailed evaluation of the expenses and incomes information of households in all relevant geographical levels, it means, strong groups, frequency distribution, by 12 groups of expenses (Classification of Individual Consumption by Purpose – CICP), type of expense and items; information that includes sampling errors, differences tests and variation of averages. In addition, it was also examined the consistency between the evolutions of total expenses according the different methods of acquisition. Regarding the incomes, there were reviewed aggregated values and different type of incomes.
  - ✓ In order to verify the robustness of the expense and income indicators it was used the comparisons of the panel component with the total sample of the survey.
  - ✓ The INEI continued with the practice initiated the year 2020, of the link of the administrative register of the bonus due to COVID-19 with the information of the survey, for which it was considered those bonus collected by the households during the year 2021. This procedure is performed in order to recover the unreported information and strengthen the quality of incomes from the monetary public transfers.
- ✓ At the request of the Committee, in this evaluation stage of quality and strength of monetary data, the INEI extended the executed referring to:
- ✓ Extension of the subject of the COVID-19 referred to the coverage between the survey and the administrative registers, it was informed regarding the variables included in the data base received, criteria of linking (deterministic and probabilistic), statistics of beneficiaries (households and persons), the results of the income with estimated bonus and statistics of households with more than one COVID-19 received in 2021.
- ✓ Coverage of enrolment in early, basic and high-school level education, according to administrative records (ESCALE) and the ENAHO. The same trend was observed through students of private to state education centers during the year 2020 and that still do not recover (the private education is under the levels of 2019 pre-pandemic year).
- ✓ Comparison of incomes by employment between the ENAHO and the EPE (Metropolitan Lima, includes Constitutional Province of Callao), where there was observed that there were no significant differences between the results of both surveys.
- ✓ Disaggregation of the expenses in Health before the health emergency due to COVID- 19 (acquisition of facemasks and alcohol).
- ✓ With regard to the information of Communal Dining Halls, it was made the link between the administrative records (Roll of MIDIS) with the survey, recovering unreported information by the households that acquire their foods through this modality.
- ✓ The INEI presented information about the household coverage that consume their food in “Common Pots” in Metropolitan Lima, based on the distance between its location and the location of households of the conglomerate. In view of the results about “Common Pots”, the Committee recommends to incorporate in the “Technical Report the evolution of 2021 monetary poverty”, a mention about the limitation that currently have the coverage of households that have their foods at “Common Pots”.
- ✓ The Committee asked the INEI to perform the link between the administrative records of the social programs: JUNTOS, CONTIGO and PENSIÓN 65, recovering unreported information. Nevertheless, for the purpose of comparability with previous years, will not be considered as part of the household income. This will be part of the works scheduled for the change of the base year for measure of monetary poverty.

- **Reference population and prices**, about this subject it was reported the evaluation of the robustness of the reference population and prices of foods basket used since the base year 2010. Likewise, the collected prices were evaluated through the survey comparing them with the prices collected by the CPI in the Districts where the CPI information is collected.
- **Poverty lines and results of monetary poverty**. About this subject, the INEI reported the analysis of the results of the evolution of the incidence, gap and severity of total monetary poverty and extreme monetary poverty. Likewise, the verification of the comparability of calculation methodologies of monetary poverty guaranteeing that the procedures used to estimate the expenses, incomes and poverty lines are conscious with the methodology applied in previous years.

At the request of the recommendation of the Committee, the INEI will incorporate the economic vulnerability indicator to poverty in the “Technical report of the 2021 evolution of monetary poverty” which will make available to public.

- **Complementary Indicators of 2021 poverty measurement**, regarding this issue it was reported the evaluation of the consistency of the results with complementary indicators to the measurement of monetary poverty, related to the macroeconomic environment, social environment and regional indicators.
6. After been analyzed the information and the data enhancement presented by the INEI, the Committee considers that the quality and robustness of data of the ENAHO survey used in 2021 poverty measurement meet a high quality standard, conditions that allows to provide reliable data.
  7. The Committee acknowledges the effort and constant improvement made by the INEI, in order to assure the quality of statistic information, in a complex scenario such as the health emergency due to Covid-19, which provide reliability to the data used to calculate the indicators of monetary poverty. Likewise, acknowledges its permanent disposition to facilitate public access, via its web page, to the complete original statistic information, the documentation and programming routines that allows replicating the published results.

## 2. Situation of the recommendations made by the Committee to the INEI

### Recommendations implemented regarding the ENAHO 2020<sup>3</sup>:

- (i) To prepare a detailed technical report of the innovations implemented in operation field of the year 2020 to assure the quality of the survey due to the health emergency. In that regard the INEI, was drawn up the working document “Report of the operation field ENAHO 2020 (innovations implemented)”, which has been made available to the Committee.
- (ii) To prepare the Report on the evaluation process performed about the presence of potential bias on the ENAHO and to evaluate the possibility to carry out some type of experiment ex post evaluation. In regarding to the requirement, the INEI has documented the evaluation carried out in the working document “Report of evaluation of potential bias in the survey due to COVID-19 health emergency”, which has been made available to the Committee.

<sup>3</sup> See the Statement of the Advisory Committee dated May 13, 2021 where recommendations were made:  
[https://www.inei.gob.pe/media/MenuRecursivo/publicaciones\\_digitales/Est/pobreza2020/Declaracion\\_Estimacion\\_Pobreza\\_Monetaria\\_2020.pdf](https://www.inei.gob.pe/media/MenuRecursivo/publicaciones_digitales/Est/pobreza2020/Declaracion_Estimacion_Pobreza_Monetaria_2020.pdf)

- (iii) To document the integration of the administrative records referred to monetary transfers granted the year 2020 means: COVID Bonus and ENAHO that includes the virtues, limitations of the process, among other relevant aspects. Regarding this issue the INEI, had prepared the working document "Report of the link between the registration of beneficiaries and the 2020 ENAHO", which has been made available to the Committee.

#### **Recommendations in process:**

- (i) *Regarding the subject of the "Multidimensional Poverty Measurement" as a complement of monetary poverty, after the presentation of 2020 monetary poverty, the Committee agreed to create a working group about multidimensional poverty in order to "discuss the pertinence, use and relevance of multidimensional poverty measurement in public policy" the group is comprised of the representatives of IRD-France, PNUD, PUCP, GRADE, MCLCP, MIDIS, BCRP and INEI. As a result of 2 meetings the working group, came to the following agreements:*

- *About the consensus on poverty multicausality that incorporates different dimensions, as well as the relevance and use of multidimensional poverty measurement in public policy.*
- *The measurement should be closed to a rights approach, for this intend the reference would be the national policy of development of social inclusion.*
- *The need to generate the database that will allow to calculate the indicators.*
- *Consensus to build up a matrix of indicators and dimensions.*
- *From common dimensions (between MIDIS, the National Agreement - CEPLAN, the SDG and MCLCP), start an identification process of indicators, as a first approximation.*
- *Regarding the data source, determine the opportunity of the availability of them (annual data, quarterly data, etc.), coverage and missing data among others.*

*The meetings within the Committee will continue during the current year in order to define the following steps to follow and continue working a technical agreement that guarantee a sustainable implementation of the multidimensional poverty measurement.*

- (ii) Regarding the need to define a new base year of monetary poverty measurement (the current corresponds to the year 2010) that incorporates the information the new statistical sources and reflects the new consumption patterns, relative prices, among others. In this regard, the Committee met in four opportunities where the following subjects were addressed:

- Working Plan of the methodological update of the inputs of the monetary poverty measurement.
- The goal of each one of the 17 activities was stated, that involves the methodological update of the monetary poverty measurement (change of base year of the basket), the working schedule and responsibilities.
- Situation of the main inputs of the methodological update.
- Progress of the activities of data base standardization; update of population projection; conversion table of foods in calories, proteins and other nutrients had been presented.

According to the approved working schedule, the meetings to discuss the progress will continue during the current year.

#### **Recommendations implemented regarding 2021:**

Likewise, during the current year the Committee had performed complementary recommendations detailed below:

- (i) *Regarding the INEI proposal to improve the information of the “Common Pots”, the Committee agree to “incorporate a specialized module of questions for Common Pots”. Also regarding the second proposal of “extend the simple in extreme poverty households”, the Committee recommends that an appropriate evaluation and analysis should be performed previously in order to guarantee that there will be no possible bias in the sample.*
- (ii) *The Committee considers that the consistency and correction process by sub-declaration of the COVID-19 bonus and social programs applied the years 2020 and 2021 (bonus: Yanapay, 600, Yo me quedo en casa, Independiente, Rural and Universal; and social programs: Juntos, Contigo and Pensión 65) should be extended to the rest of food and no-food social programs, as a complement to be sure that there are no significant differences between the registers and the survey. To that end it is necessary a close coordination with the respective institutions with the purpose to improve the administrative register, agreeing what variables should be incorporate in the register and control of the survey.*
- (iii) *During the last years, the INEI responsibility had been transformed in function to the great availability of information, therefore it is necessary to teach the public to understand the results, margins of error, methodologies, and definitions among others that contributes to generate statistic culture in the population.*
- (iv) *During the permanent process of improvement that INEI carries out it is relevant to deepen some subjects and in this context identify which are the methodological researches to perform, for example the ones referred to the non-respond rate or frame errors and its differences between the panel and no-panel or the evaluation of the expansion factors of the total sample and the panel sample.*
- (v) *The Committee recommends to draw the attention of the country authorities, in order to value the urgency to carry out an intercensal count, as a mechanism of verification of the changes generated after five years of the 2017 Population and Household Census, as well as the impacts over the living conditions, housing, family arrangements and distribution of the population in the territory caused by COVID-19 Pandemic during the years 2020 and 2021.*