

Statement of the Advisory Commission for the Estimation of Poverty

Lima, May 2, 2014

The Advisory Commission for the Estimation of Poverty¹ began its work in April 2007 and was officially created in 2010, institutionalizing its operation and regulating its functions, scope and composition². Since its creation, the Commission's work has focused on reviewing the most important methodological aspects associated with the measurement of monetary poverty. As a result of the exhaustive evaluation of this process, the Commission recommended changes in the calculation methodology that are described in greater detail in a technical report published on the INEI website³.

To analyze the procedures used by the INEI to calculate the poverty indicators for 2013 and their consistency with respect to the recommendations already adopted, the Commission met in 5 sessions (on October 15, 2013, March 20 and 27, the April 10 and 24, 2014). During these meetings, the Commission exhaustively examined the various methodological aspects of the measurement of monetary poverty. After evaluating the information, the Commission wishes to express the following:

1. The methodology used in the poverty measurement for 2013 is identical to that used for the years 2004-2012. In particular, the procedures used to calculate household spending and poverty lines have been rigorously the same as for previous years. Therefore, the variations in the poverty indicators observed in 2013 correspond to changes in the living conditions of households in accordance with the approximation of household expenditures.

¹ The following institutions are members of the Advisory Committee: World Bank (WB), Inter-American Development Bank (IDB), Institute for Development Research (IRD) of the French Government, United Nations Population Fund (UNFPA), Ministry of Economy and Finance (MEF), Ministry of Development and Social Integration (MIDIS), Ministry of Women and Vulnerable Populations (MIMP), National Center for Food and Nutrition (CENAN), Interministerial Commission for Social Affairs (CIAS), Central Bank Reserve of Peru (BCRP), Consortium for Economic and Social Research (CIES), Group of Analysis for Development (GRADE), Institute of Peruvian Studies (IEP), Roundtable for the Fight against Poverty (MCLCP), Pontifical Universidad Católica del Perú and Universidad del Pacífico. Finally, The Advisory Committee is made up of independent researchers, with recognized national and international trajectory. The Advisory Commission is chaired by the Head of the National Institute of Statistics and Informatics (INEI) and its Technical Secretariat is the Technical Directorate of Demography and Social Indicators.

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

³ Technical Report: Evolution of Poverty 2004-2010. New Methodology. Lima, March 2012. Available at: http://www.inei.gob.pe/DocumentosPublicos/Pobreza_InformeTecnico.pdf

2. The poverty indicators presented in the report refer only to monetary poverty. Monetary poor are defined as those individuals who reside in households whose per capita expenditures are below the value of a basket of products (poverty lines) that allow meeting the minimum needs. The expenditure estimate considers both monetary and non-monetary expenses (self-consumption, self-supply, donations and transfers in kind and in money, whether of private or public origin). It is important to underline that monetary poverty measures the possibility of acquiring the minimum basket, but not necessarily its effective acquisition.
3. The estimation of poverty is carried out with information from the National Household Survey on Living Conditions and Poverty (ENAH). This survey is carried out every year and throughout the year in the national territory. Following the Commission's recommendations in 2012, the number of households considered in 2013 amounted to 32,342, which represents a 20% increase in the sample size compared to 2012. The increase in the sample was necessary in order to ensure that poverty continues to be measured with acceptable precision in a context of sharp decline in poverty in recent years. However, the results obtained from said statistical survey must always be interpreted considering the sampling errors that accompany the publication of the poverty indicators. In this sense,
4. The Commission, after having examined various quality indicators (total and partial non-response rates, percentage of direct and indirect interviews, extreme values, among others) considers that the quality of the data of the ENAH survey used in the measurement of the monetary poverty 2013 responds to a high quality standard. The commission congratulates INEI for the seriousness, rigor and speed of the work carried out, which allows it to provide information on poverty in a timely and reliable manner.
5. Finally, the Commission reiterated the importance that the INEI continues its policy of making available to the public, via the website, the complete original databases and all the detailed documentation and programming routines, which allow replicating the published results.

To the extent that improvements in the quality of social indicators constitute a continuous process, the Commission has made some recommendations to the INEI in addition to including topics on the Commission's own work agenda:

1. Following the recommendations of the Commission in 2012, the INEI has carried out a statistical investigation on the consumption of food outside the home. An evaluation of the nutritional contribution of food consumption outside the home and its implications in estimating the caloric deficit of households is pending.

2. Social programs to combat poverty have become increasingly important. These programs involve amounts of public transfers to households, both in the form of conditional cash transfers and through goods and services provided by the State. On the other hand, social spending on health and education are also part of household welfare levels and as such should also be considered in estimating household spending. Thus, for example, in terms of health and education expenditures provided at a cost subsidized by the State, since information on the total unit cost is not available, the only amounts that are considered in the expenditure estimate are the monetary payments of the household pocket. This would imply an underestimation of total household spending and poverty lines at the same time. It is pending task of the Commission to propose methodological options that allow to correct this problem.
3. Rents are part of the aggregate of spending used to measure poverty. In the case of households that own their home, the amount of self-imputed rent for the households themselves is considered. To the extent that such spending represents a significant part of spending and the narrowness of real estate markets in rural areas and small cities, the Commission recommends examining in detail and systematically the robustness of household statements by comparing such statements with household information. that if they pay rents and with data from other sources.

Perspectives

- The last change in the base year of the poverty line dates from 2010. Considering the availability of new results on aspects related to poverty measurement (survey on food outside the home, better measurement of public transfers, etc.), it is done It is necessary to start a reflection on the opportunity or need to incorporate these methodological changes in the definition of a new base year. The frequency of such changes should also be the object of reflection by the members of the Commission.
- The Commission has learned of the importance of evaluating the quality of poverty maps and their relationship with the household targeting system. This is a task that the commission has started and hopes to conclude this year, with a view to suggesting pertinent methodological changes.
- On the other hand, it is important to systematically develop methodological research in view of improving procedures and field operations (examination of interviewer profiles and non-response rates in order to minimize these rates).
- The Commission also recommended systematizing the macroeconomic and sectoral information that could accompany the publication of the poverty report, providing the contextual elements that allow external validation of the evolution of the poverty indicators.
- Finally, the commission considers it important that a detailed evaluation be made of the differences between the panel and non-panel components of the survey in order to assess whether or not attrition is introducing some bias in the measurement of poverty.

Commission recommendations and their implementation by the INEI

- (i) The Commission recommended including supplementary indicators in the databases for public use (price, temporal and spatial deflators). Since 2012, spatial deflators, while temporary deflators (CPI) are part of the poverty syntax, also available since 2011 on the INEI website.
- (ii) Having verified a high turnover rate of the survey staff (52% in 2012), it was recommended to ensure a better standardization of field procedures. In particular, it was suggested that centralized training be carried out at least once a year and remunerations be improved in order to reduce the turnover rate of field staff. This was implemented by the INEI in 2013.
- (iii) It was recommended to improve the technical documents that define how some variables have been constructed (eg the distinction of current monetary values, at constant prices within the year and at constant prices throughout the years). In this regard, the INEI has achieved 60% progress and should be concluded in July when the 2004-2013 series is published.
- (iv) INEI proceeded in 2013 to improve the protocols for collecting information in the field to ensure the standardization of information on school attendance.
- (v) The Commission requested to make explicit in the databases for public use the distinction of transfers from the Juntos and Pensión 65 programs. As of 2012, the INEI has included the Juntos and Pensión 65 programs and as of this year it will include the Beca programs. 18 and Gas Bond (FISE).
- (vi) It was recommended to systematize existing practices and define a standard protocol for the detection and treatment of extreme values of income and expenses to be used in future quality evaluations of the ENAHO. INEI is working on a survey management system that will be implemented as of next year.
- (vii) It was recommended to improve the capture of non-purchased modalities of expenditure (self-consumption, self-supply, as part of payment to a member of the household, given away or paid for by a member of another household, given away or donated by a social program, others) that currently they are captured with little precision when the same non-purchased item has more than one form of acquisition. This being a complex issue, new field tests and methodological approaches are required that can be implemented as of next year.
- (viii) In order to establish geographic information systems, the INEI was asked to include the geo-referencing of the populated centers in the databases for public use. Geo-referencing has already been included in public databases since 2007.