

STATEMENT OF THE ADVISORY COMMITTEE ON 2019 MONETARY POVERTY ESTIMATION

Lima, May 20, 2020

The Advisory Committee for the Estimation of Poverty¹ began its activities in April 2007 and was officially recognized in 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 aspects associated with the measurement of monetary poverty².

This statement addresses the following aspects:

- ✓ First, the balance of what was done and obtained during the 2019 monetary poverty measurement.
- ✓ Second, the description of what INEI has done in response to the recommendations made by the Commission.

1. Analysis procedures carried out in the 2019 monetary poverty measure

During the stage of analysis and evaluation of the procedures and protocols used by INEI for the calculation of the 2019 monetary poverty indicators and their consistency with respect to the recommendations made, the Commission met in 4 sessions (March 03 and 10, May 05 and 12, 2020). It is worth to be mention that in April the Committee face-to-face meetings were interrupted due to the impact of the COVID-19 Pandemic, for this reason the institutions and people had to adapt themselves to the format of the virtual meetings. In the course of these meetings, the Committee thoroughly examined the various methodological aspects applied, as well as the results of the monetary poverty measure. After concluded the performed evaluation, the Committee would like to state the following:

1. The 2019 monetary poverty figures have been calculated using the same methodology that has been consistently applied in the 2004-2018 period. This methodology includes both procedures used for the calculation of household expenditure and procedures used for the calculation of poverty lines. As a consequence, it can be affirmed that the monetary poverty estimated for 2019 and the variations with respect to 2018, effectively correspond to changes in the living conditions of households according to the evolution of household expenditures and not to changes in the estimation methodology.
2. The poverty indicators presented refer only to monetary poverty. The monetary poor people are defined as those individuals residing in households whose monthly per capita expenditure is below the value of a basic basket of products and services (poverty lines) that allows to satisfy a set of minimum of goods and service needs. The expenditure estimate considers both monetary and non-monetary expenditures (self-consumption, self-supply, donations and transfers in kind and in cash, whether of private or public origin).

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 processes and other related indicators, as well as to supervise the processes 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, provided that the comparability of the indicators in the time is ensured.

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://www.inei.gob.pe/DocumentosPublicos/Pobreza_InformeTecnico.pdf

It should be noted that, the monetary poverty measures the possibility of acquiring that minimum basket, but not necessarily its actual consumption. Likewise, both the expenditure and the consumption basket for calculating poverty lines underestimate the value of public goods and services received by households (particularly social programs, education and health) for which a satisfactory method of monetary valuation is not yet available. The effect of the estimation of the poverty level is ambiguous because this underestimation affect indirectly the estimation of the poverty lines. The poverty evolution is however less sensitive to those difficulties for this reason they should be considered as more robust.

3. The estimation of monetary poverty is based on data from the National Household Survey on Living Conditions and Poverty (ENAH0). This survey is carried out continuously, every year and throughout the year in the national territory to a sample that, in 2019, amounted to 36 994 households. For this reason, the results obtained from this survey should always be interpreted considering the sampling errors that accompany the publication of monetary poverty indicators, which allow us to appreciate the statistical accuracy of the results.
4. The Committee has observed the continuous effort and improvement that INEI has been making every year, in order to ensure the quality of the statistical information, which provides reliability to the data used to calculate the monetary poverty indicators.
5. The review and evaluation process that the Committee carries out annually on the National Household Survey data consists of two stages:
 - ✓ Evaluation of the quality of the survey
 - ✓ Evaluation of the quality and robustness of the results of the monetary variables.
6. The Committee, in the quality evaluation stage of the survey, has received and analyzed the following information:
 - Field Operation Report (includes supervision and incidents in field).
 - Total and partial non-response rate.
 - Indirect response rate.
 - Framework problems.
 - Non-response correction methods.
 - Effects of the field incidents over the survey quality of the quality (non-response and indirect response rate)
 - Variation in the values of the responses, using the panel sample, when there are indirect responses in one of the panel years)
 - Use of electronic devices for information capture, monitoring mechanism to the field operations in real time and also means such as the telephonic calls in order to complement the missing information and/or validate information.
7. At the request of the commission, during the survey quality assessment stage, INEI has carried out the following exercises, among others
 - Analysis of the non-response to the opinion questionnaire (governability and perception).
 - Stratification of the 2019 sampling framework (cutting criteria).
 - Non-response rate and influence of the victimization levels by socio-economic stratum
 - Analysis of the variants that compose the field incidents in the non-response and indirect response rate.

- Evaluation of the framework problems in Madre de Dios Region.
8. After having analyzed the information and evaluations presented by INEI, the Committee considers that the quality of the ENAHO survey data used in the measurement of monetary poverty 2019 meets a high standard of quality, conditions that allows to provide reliable information.
 9. The second stage developed by the Commission corresponded to the evaluation of the quality and robustness of the 2018 monetary data, an activity that involves important aspects mentioned below:
 - ✓ Detailed evaluation of household expenditure and income information at all relevant geographic levels, i.e., by 12 expenditure groups (Classification of Individual Consumption by Purpose-CCIF), expenditure types and items; information including sampling errors, tests of differences and variation of averages. Likewise, it was analyzed the consistency between the evolution of total expenditures according to the different types of acquisition. With respect to income, the aggregate values and the various types of income were reviewed. In this sense, the robustness of the expenditure and income indicators was verified using comparisons of the panel component with the total survey sample.
 - ✓ Evaluation of the robustness of the reference population and prices of the food basic basket used since the base year 2010.
 - ✓ Evaluation of the prices collected by the survey in relation to the prices collected by the CPI in the districts where CPI information is collected.
 - ✓ Analysis of the results of the evolution of the incidence of monetary poverty, poverty gap and severity of poverty, both total poverty and extreme poverty.
 - ✓ Evaluation of the consistency of the results.
 - ✓ Verification of the comparability of the methodologies used to calculate monetary poverty, ensuring that the procedures used to estimate expenditures, income and poverty lines are consistent with the methodology applied in previous years.
 10. The Commission recognizes the effort made every year by INEI to make available to the public, via the web page, the complete original statistical information, documentation and programming routines that allow the replication of the published results.
 11. In the other hand, the Committee must point out that within the framework of the state of health emergency decreed by the Government due to the COVID-19 spread where it was also decreed the mandatory social distance since March 16 till to the current day, the initial approved meetings schedule had to be modified, in order to comply the programmed evaluation of the NHS 2019. Likewise, it has to be noted that the activities performed by the INEI like in other international institutions, had been focused to the technological restructuring with adjustments of its informatics platform in order to collect the basic information.
 12. It is important to mention that in the INEI the face to face household surveys and the other investigation activities had been replaced with telephone calls, social media, videoconferences and other virtual media, complemented through remote working. These activities and changes were been developed since April 2020 and had signified a remarkable effort from the INEI workers in order to achieved the goal of providing Peruvian country the results of 2019 monetary poverty.
 13. Regarding the household surveys that had been performing during the health emergency these had been modified to privilege the non-presence format so it would be important to evaluate what effects could have this data collecting format change over the ENAHO 2020. The Advisory Committee will watch out to support the INEI in the monitoring of this process.

2. Status of the recommendations made by the Committee to the INEI³

Recommendations implemented:

- (i) The Committee request to document all the measure processes of the monetary poverty indicators with the methodological update. In regard to this issue, the INEI published in 2019 the documents about “Methodological Update” – Monetary Poverty (May 2012) available in the following link <https://www.inei.gob.pe/pobrezas/>
- (ii) Educational guidance to the user about the inference limits that could be get from the total simple and from a panel simple. About this particular issue, the INEI will send to the Committee, after concluding the review of the 2019 monetary poverty estimation, the document for their observations and/or recommendations.
- (iii) Dissaregatte, just for the Committee analysis, the total incomes according to report type (direct report versus indirect report), in order to have an idea of the total income proportion, that represents the reported incomes in an indirect way. In this respect, the INEI gave this information to the Committee for its analysis.
- (iv) Evaluate the inclusion in the published data bae, the variables of the simple design, so that the users can calculate the standard errors taking in account this design, by this way include in the stratification document of the different simple between the stratum variant and the socioeconomic stratum and its use for the calculation of the standard errors. In this respect, the INEI will implement the recomendations the current year, making available to the Committee and the users the corresponding documents.
- (v) The Committee requested: the update of the sample framework of the permanent household surveys with the information of the 2017 National Census; evaluate the posible bias of the non-response in the high strata; and develop a proposal for the improvement in the precision of the poverty indicators at Departmental level. Regarding this issue, the INEI had performed the implementation of the requested recommendations, this work will be presented to the Committee for their commentaries and/or recommendations.

Recommendations in progress:

- (i) Within the framework of the SDG, the Committee recommended the INEI address the issue of “Multidimensional Poverty Measure” as a complement to monetary poverty. In response to the requested the INEI had resumed the coordination with the Oxford University in order to sign an Agreement of Technical Support Framework, likewise, the INEI had updated the work plan and the meetings schedule with the members of the Committee, which will be presented after concluded the review of the 2019 monetary poverty estimation.
- (ii) The Committee recommended to evaluate the consumption nutritional intake according to the Survey of Consumed Foods out of Home; and implications in the estimation of the calorie deficit of the households. Regarding this issue, the INEI performed new estimations of the calorie deficit which are under review jointly with the National Center for Food and Nutrition (CENAN) it is being reviewing the listed “table of foods consumed out of home” where there are been created new food codes which are in validation process.

³ See the Advisory Committee Statement of April 24, 2018 where recommendations were made:
https://www.inei.gob.pe/media/cifras_de_pobreza/declaracion-de-la-comision-consultiva-de-pobreza-monetaria-2018.pdf

- (iii) The Committee recommended to schedule the discussion about the development of a vulnerability indicator of poor homes and the profile of them, using for this purpose the data in panel that allows to report the poverty dynamic. It is very likely that the COVID-19 socioeconomic effects led to fall or relapse in the monetary poverty of a significant proportion of homes that are currently economically vulnerable. In response to this situation, the INEI began necessary coordinations for the development of a work plan and a proposal that will be submitted to discussion within the Advisory Committee of Poverty.

Likewise, in the current year the Committee had been performed complementary recommendations that are described below:

- (i) Given the time passed since the last update of the inputs for 2010 monetary poverty measure, is important to evaluate the need and opportunity of define a new base year, that includes new statistic information obtained from the National Census, the selection of a new reference population, prices among others.
- (ii) Document the review processes and /or changes in the collecting strategy that were performed in the survey.
- (iii) Elaborate a methodological sheet that explain the use of the factors of survey expansion.
- (iv) The publication of the poverty results must be focused in function to the current need, so the poor profile adapts better to an identification and diagnosis at the height of the pandemic.
- (v) Give more visibility to factor or variants collected by the ENAHO that had a higher relevance every time and analyze them in different combinations and crosses, for the different geographic domains, in order to get specific profiles for the total poverty, extreme poverty and economic vulnerability, among these:
 - Older adults-headed households; homes composed for just older adults; homes composed by one older adult that lives alone.
 - Female-headed households.
 - Dependency relations within the household.
 - Assets holding in the household.
 - Ethnic Auto identification in the household.
 - Type of work of the household members, among other variants already mentioned.
- (vi) From the Census information, consider to go on detail in the variant of population mobility and its possible contribution to the poverty and vulnerability profiles.
- (vii) Develop the methodological tests that assure the data comparability that will be collected through virtual media compared to those that were collected through face to face interviews.
- (viii) Finally, the Committee recommends the INEI to review the methodological procedures and consider the goods statistical practices that are been generated in the countries during the current context we live, in order to face the challenge of explore the “COVID-19 Impact in the Monetary Poverty” for 2020.