

**Statement of the Advisory Commission for the Estimation of Poverty on the INEI Report**  
**“Peru: Multidimensional Poverty Measurement: Dimensions and Indicators (2023 revision)”**

**Lima, November 10, 2023**

The PNDIS approved on December 31, 2022 defines a new strategy to fight poverty in its different dimensions (monetary and non-monetary) with a life cycle and territorial approach. Population deprivations are conceived as limitations on freedoms and opportunities to lead a life that guarantees minimum rights for all. Supreme Decree No. 002-2023-MIDIS entrusts the INEI with the task of preparing and approving the official multidimensional poverty measurement taking as reference the PNDIS and the policy goals set on the basis of indicators in different essential dimensions of well-being. This statement is an account of the work that this Commission has carried out in its role of accompanying the INEI in the process commissioned by the aforementioned DS. The report prepared by the INEI complies with the government mandate within the deadlines given by DS 002- 2023-MIDIS proposes a dashboard of relevant indicators, robust and reflecting deprivations in each of the dimensions considered.

The Report is the result of the joint work carried out by the INEI with the accompaniment of the Advisory Commission for the Measurement of Poverty. The Commission met on 8 occasions (August 15 and 29, September 05 and 19, October 03, 17, 24 and 31, 2023) in which they discussed: institutional processes that guarantee consensus on the proposal; the determination of the dimensions of non-monetary poverty and its alignment with the PNDIS and sectoral policies; the identification of the sources of information, the robustness and relevance of the proposed indicators. The MIDIS proposal was evaluated both in terms of its adequacy to the dimensions, the proposed indicators and the relevance of a dashboard with respect to the production of a synthetic index that combines all dimensions and all indicators into a single figure.

The official measurement of the multiple dimensions of poverty that the indicator dashboard presented in this report accounts for considers 8 essential dimensions of well-being and 29 indicators. The dimensions considered are: 1) Health (6 indicators), 2) Education (8 indicators), 3) Housing and Environment (3 indicators), 4) Basic Services (3 indicators), 5) Energy (2 indicators), 6) Employment and social security (4 indicators), 7) Security (2 indicators) in dimension 8) Connectivity (1 indicator).

For the definition of indicators in each of the dimensions, the INEI collected the opinion of the sectors, of the members of the Commission, the guidelines established in the PNDIS, the sectoral policies and the proposal of the MIDIS.

Consideration of the dimensions of housing, education, health, employment, citizen safety has required reviewing different statistical surveys executed by the INEI, several of which specialize in certain dimensions (ENDES for the dimension of health, ENAPRES for citizen safety and quality of public services, ENAHO for housing, education and employment, School Census for measurement of yields in reading and mathematical understanding). The synthetic indicator proposed by the MIDIS requires that all dimensions be observed for each of the individuals or households in the same database. To the extent that no existing survey in the country covers all dimensions of well-being; by adopting the synthetic approach, the MIDIS proposal excludes essential indicators such as anemia and child malnutrition. The estimate of the synthetic multidimensional poverty index proposed by the MIDIS imposes the need to consider a single source of information, which required ruling out some central dimensions of well-being and indicators that are part of the objectives and dimensions proposed in the PNDIS (in this case anemia and child malnutrition). For this reason, beyond other methodological weaknesses documented in international literature, the Advisory Committee recommended evaluating the synthetic indicator proposed by the MIDIS.

The report prepared by the INEI on the different criteria that have guided the selection of the indicators that make up the dashboard indicators, as well as an estimate of the values of mentioned values for the last year of available information, and a historical series. Operational definitions, sources, and levels of robustness for different levels of inference are also presented. There are no perfect indicators, which is why it is important to know the limitations of each indicator. There is a wide range for improvements that must be considered by the INEI based on the recommendations of the Commission and changes in the sources of information or in the way in which such sources are combined. The report prepared by the INEI already includes different elements of a roadmap that allows such improvements to be implemented in an ongoing process.

## **Roadmap**

The preparation of socio-economic indicators is an ongoing process and this for various reasons. First, they sign up for an ongoing reflection on the improvements that are possible to introduce in surveys and other sources so that would allow to reduce the gap between the concept being tries to measure (in this case people's well-being in terms of their effective abilities and achievements) and the empirically estimated indicator.

The Advisory Committee acknowledges that the report prepared by the INEI has advanced in this direction by privileged indicators of effective achievement rather than indicators of access to basic services, or rather than “by law” coverage it was preferred to consider “de facto” coverage, taking into account the quality of the services. For example, in terms of social protection, rather than considering health coverage in terms of membership, what should be considered is effective coverage, including the quality of coverage. Thus, for example, all people in Peru benefit from universal coverage through SIS or private insurance, but not everyone can be medical attention in case of need, not the entire population has the capacity to access due to distance, transportation costs, etc. Likewise, it is not enough to consider children’s access to school. In a context of almost total coverage of primary level and considering territorial and social inequalities, it is most important to measure effective achievements in terms of reading comprehension and math performance tests.

The indicators that are part of the indicator dashboard of the new official measurement of the multiple non-monetary dimensions of poverty are registered in that perspective, taking advantage of recent improvements in the different surveys carried out by the INEI and in the most recent surveys that focus attention on dimensions as important as citizen insecurity, the quality of services, among others. However, there is still plenty of room to continue to improve the proposed indicators and to introduce new indicators. The roadmap recommended by the Advisory Commission to INEI should address the possibilities of improving multidimensional poverty measurement. Here are some of them.

Institutional processes are very important in the definition of indicators of well-being, even more so in the case where regulatory decisions are central in the measurement of the indicators. The choice of the dimensions of well-being that must make up the set of indicators, the definition of deprivation thresholds, territorial specificities, among others, must be the result of a broad consultation process with the sectors of the State that design and implement the policies, with the MIDIS, the entity in charge of the coordination and articulation of said policies, the civil society organized through its representative organizations. Such choice of dimensions is not, and should not be, a decision of a purely technical nature. A deliberative, participatory and transparent process is critical to achieving consensus around decisions that rest on regulatory criteria. This consensus is also necessary for defining national priorities so that indicators respond to population concerns.

The deadlines agreed by DS 002-2023-MIDIS involved reducing the times provided for in the Work Plan that the INEI had proposed and that was approved by the Commission to comply with each of the stages in measuring the non-monetary dimensions of poverty. In the process of review and methodological improvements in the next stage of the INEI's work with the monitoring of the Advisory Commission, a work methodology must be defined that integrates representatives from the sectors and civil society in each of the stages that imply decisions based on regulatory criteria. Another clue that the Advisory Commission proposes to the INEI is the use of household surveys to obtain the opinion of households on which are the priority dimensions of well-being and the relative importance assigned to the households themselves. This proposal should also include a procedure for gathering and agreeing on different perspectives and approaches collected. The Advisory Commission has indicated to the INEI the importance of taking into account the environment of households and their impact on the living conditions of people and households in their different dimensions. Thus, for example, the dispersion and isolation of rural households makes it difficult and often prevents the population from accessing not only basic public services but also being able to exercise their citizen rights and duties, including the right to vote. The distances and times needed to access schools, hospitals, administrative records (RENIEC, SUNARP, etc.) are factors that should be examined in the construction of deprivation indicators that consider the characteristics of the home environment. Dispersion, isolation, road and digital connectivity are characteristics of the home environment that directly affect their opportunities and the freedom to choose the life they value.

Likewise, the Advisory Commission recommends that the INEI develops more detailed and broad analyses regarding the dimensions of health and employment. For example, healthy eating is an important factor in preventing chronic diseases. Healthy nutrition indicators such as fruit and vegetable consumption can be included and supplemented by other indicators that account for nutritional balance (intake of iron and other micronutrients, proteins from different sources). Caloric deficit coexists with unbalanced, calorie-rich diets with little or no-nutritional input. The Advisory Commission considers that indicators that account for these essential aspects in the health of people should be investigated as possible candidates for the indicator dashboard.

People's employment is not just a means of earning income that allows access to goods and services. Work is also a way to embed membership in a society by playing a role in the social division of work and fulfilling people's career aspirations. Prolonged deprivation of employment in the working age population affects self-esteem and impairs people's abilities. Unemployment indicators and underemployment are already part of the indicator dashboard.

However, the official indicators of underemployment do not yet consider professional underemployment, which occurs when the worker occupies a position that requires a lower level of qualification than that achieved or when he or she is employed in a different occupation or profession for which the person was trained. The new National Employment Survey should be the basis for digging deeper into these topics.

Another direction to be explored by INEI with the support of the Advisory Commission is the formulation of new specific indicators to certain population categories. In the current proposal, special attention has been devoted to children in the dimensions of health and education. The task is pending the preparation of indicators that fully respond to the strategy developed in the PNDIS, namely the territorial and life cycle approach, including specific indicators for older adults, people with disabilities, native Amazonian population, among others.

The Advisory Commission recommends that INEI go deeper into the analysis of the indicators of housing habitability deprivations that consider the material characteristics of housing referring to the type of roof, walls and floors. For each of these characteristics, unique country-wide standards are currently defined, without considering regional specificities. Thus, for example, homes with calamine roofs (and not concrete building material) are considered to be deprived. However, such roofing material may be suitable in regions such as the jungle where heavy rains prevail. Starting from the principle according to which the standards must be absolute in the space of well-being, but relative in the space of goods and services, the INEI, with the support of the Commission, must specify the regional standards that correspond to households that had the capacity to choose the material of their homes, distinguishing them from those that due to their poverty situation have no other alternatives.

Another aspect of improvement suggested to the INEI, both by the Energy and Mines sector and by the members of the Advisory Commission, is to refine the deprivation indicator in the energy dimension. On the one hand, it is necessary to consider the quality of the service (interruptions due to outages) and, on the other hand, to consider the specificities of energy needs according to the regions, as well as the different energy sources, which do not necessarily rest on the fossil energy.

Finally, the Advisory Commission draws attention to the fact that the proposed indicators consist of almost all objective indicators referring to material deprivations. The recommendations of the Stiglitz, Sen, Fitoussi (2009) commission report on the dimensions of well-being, the testimonials collected by Narayan (2000) in *The Voice of the Poor* and the works of Martha Nussbaum (2007) on core human capabilities, consider immaterial dimensions, which are out of the market. Examples include freedom of opinion, respect for the fundamental rights of democracy, political voice and governance, feelings of insecurity, affiliation, psychological well-being, among others.

The surveys carried out by the INEI are pioneers in the inclusion of such dimensions (see module on Governance, Democracy and Transparency in the ENAHO, the ENARES social relations survey, the module on gender violence and mental health in the ENDES, among others).

The Advisory Commission therefore recognizes that the dimensions and indicators proposed in the indicator dashboard prepared by the INEI will allow monitoring of the achievements in each of them. However, also recognizes that public policy design requires not only monitoring the evolution of indicators over time, identify the deprived population in each dimension, but also understand the interactions between the different dimensions in order to propose packages or “combos” of policies that take advantage of the synergies between, for example, nutrition, sanitation and child health or between anemia and school performances, just for mentioning a few of them. These types of multi-sector policies, articulated around multiple objectives, are more cost-effective. In this context, it is important to “map” those most common deprivation combinations for the whole population and for the different vulnerable groups prioritized by public policies, and not restrict them to those that accumulate more than one deprivation (in most empirical applications the threshold is set at one third of the total dimensions, excluding those that present fewer deprivations). This will also allow to identify the profile of those households/people with deprivation combinations with particularly severe consequences.

Although there is broad consensus on the path to pursue to establish continuous improvements in a dashboard, which accounts for the multidimensional nature of poverty, the need and usefulness of a synthetic index is a topic on which consensus has not been achieved. Some Commission members believe that it is possible to sacrifice relevant dimensions or indicators in exchange for producing a synthetic indicator, which may then be improved. Other Commission members consider that the dimensions that would be omitted are so important that they question the validity and usefulness of such a synthetic indicator. In this context, the Advisory Commission will have the future task of continuing this discussion and in parallel developing activities that contribute to the INEI continuing to improve the quality and suitability of any synthetic indicators that could be prepared in the future. These activities include (1) linking administrative records to surveys that account for deprivations not currently included in such surveys; (2) the need to include in existing surveys indicators that allow estimating joint deprivations that cannot currently be calculated; (3) expanding sample sizes and adjusting sample designs to have reliable estimators on a subnational scale for population group deprivations explicitly prioritized in the PNDIS; (4) the identification of the properties and limitations of synthetic indices, in light of their relevance to public poverty reduction policies in all their forms.