MULTIMENSIONAL POVERTY MEASUREMENT

PERU

September 2009
Indicators were chosen based on:

– The guidelines that are included in the National Development Plan (NDP).

– Indicators that are correlated with higher levels of human well being.

– Indicators that have an intrinsic value.
# Poverty lines and equal weights

<table>
<thead>
<tr>
<th>DIMENSIONS</th>
<th>CUTOFFS</th>
<th>JUSTIFICATION</th>
<th>WEIGHTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td>350 soles</td>
<td>Valuation of basic food basket</td>
<td>5/4</td>
</tr>
<tr>
<td>ELECTRICITY</td>
<td>Electricity, generator</td>
<td>Access to public services</td>
<td>5/4</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>Completed primary</td>
<td>International agreements (MDG)</td>
<td>5/4</td>
</tr>
<tr>
<td>WATER</td>
<td>Public network</td>
<td>Access to public services</td>
<td>5/8</td>
</tr>
<tr>
<td>SANITATION</td>
<td>Public network</td>
<td>Access to public services</td>
<td>5/8</td>
</tr>
</tbody>
</table>

Based on NDP (Political decision) + intrinsic value
H: Multidimensional > Unidimensional for K<4

Percentage of population deprived on k dimensions

- Number of Ks
- Number of Ds
- Cutoffs
- Weights
Mo: Electricity and education are important dimensions

Share of each dimension in Mo

Caution note:

Electricity, education, water and sanitation are dichotomous variable.
H: Rural poverty > urban poverty

Headcounts by area

Population (%)

Unidimensional poverty

H rural  H urbano
Policy implications

• Needed investment in electricity and education, particularly in rural areas.
• But, more research (different variables) is needed to determine the impact of these variables on poverty.
• And we also need to consider cost-effectiveness of the different policy alternatives.