

## **Multidimensional Poverty Measures in the targeting system of the Ministry of Development and Social Inclusion of Peru (MIDIS)**

Official poverty measurement in Peru is currently based on per capita expenditure using poverty lines: households below this threshold are considered poor. A second, less demanding threshold is used to determine which households are considered as living in extreme poverty. These criteria are one of the inputs used to determine whether a household can be part of a social program or not. The Household Targeting System uses a proxy means test (PMT) method to predict whether a given household is poor or not.

While poverty using the monetary approach could be seen as useful, it has several limitations. Measuring income or expenditure is particularly difficult in Peru, given the large size of the informal economy. Even if it were properly measured, most rural communities are isolated and have little access to market, making money a poor measure of welfare. Households in these communities often live in inadequate conditions and without access to services as basic as proper water and sewage infrastructure.

Given this situation, the Ministry of Development and Social Inclusion (MIDIS or Ministerio de Desarrollo e Inclusión Social) is taking steps in order to design a new targeting mechanism using a multidimensional approach to poverty. This would allow us to adequately target our social programs to those in need and include those not considered poor by the monetary approach, but with a subpar standard of living.

With this in mind, we are designing a multidimensional poverty index to identify the multidimensionally poor. Counting the poor using this method allows us to calculate several measures of poverty not available with other indices. A technical team is developing the index with the support of a board of advisors consisting on specialists in poverty and development topics.

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