A closer look at Sri Lanka's poverty figures: are we reading them right?

By The Centre for Poverty Analysis

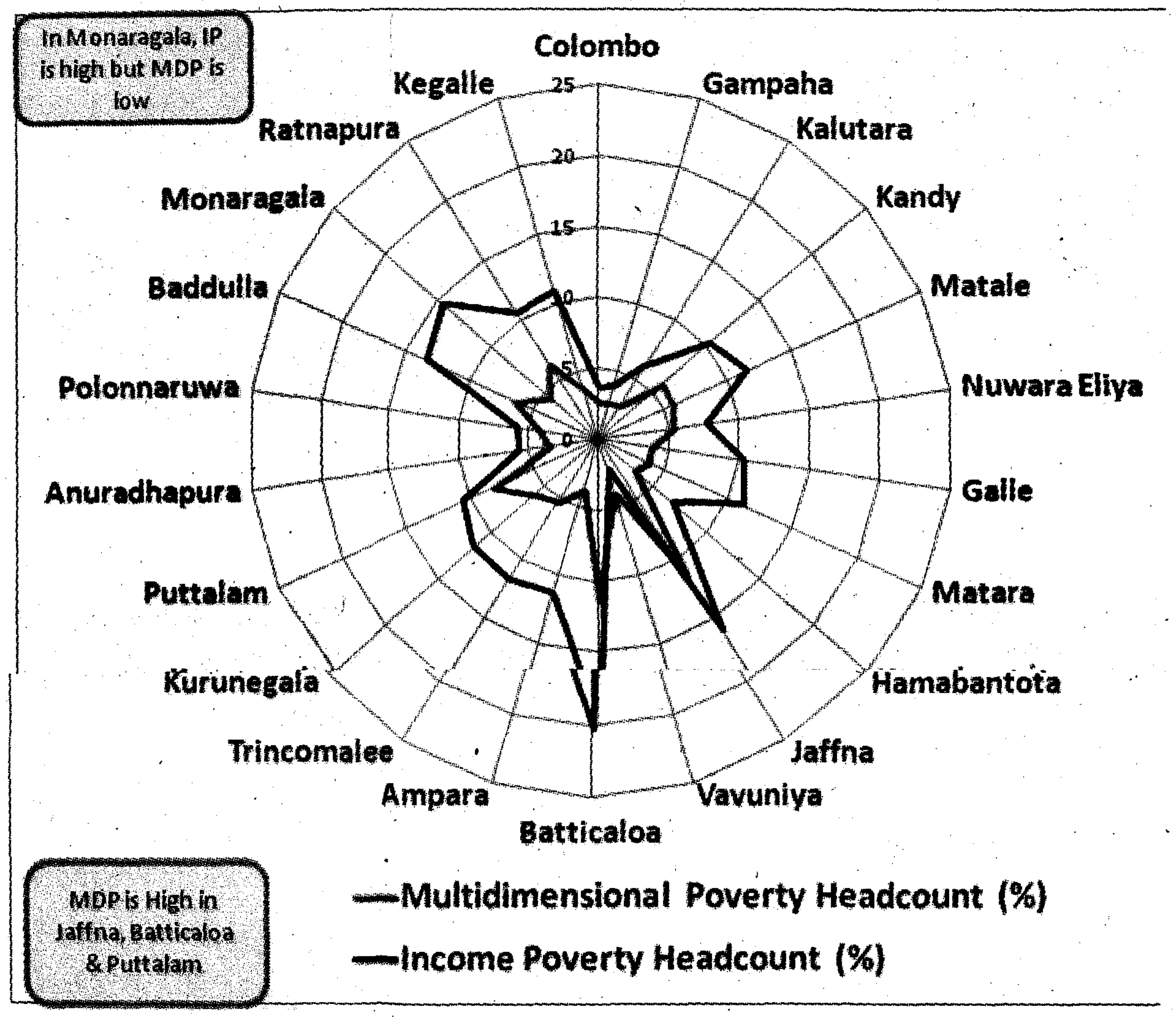
According to the Department of Census and Statistics (DCS), in 2009/10 approximately 8.9% of the population in Sri Lanka, or 1.8 million individuals, are poor. This is a significant improvement compared to 2000, when approximately 22.7 % of the population was identified as poor, and shows that Sri Lanka has already achieved the Millennium Development Goal of halving poverty by 2015. However, there is substantial dispute about how closely these numbers reflect the real poverty situation in the country. In a recent presentation held at the Centre for Poverty Analysis in Colombo, former Director General of DCS and Senior Visiting Fellow of the Institute of Policy Studies, Mr. Wimal Nanayakkara, analysed the available DCS data about poverty in Sri Lanka, in terms of who is poor and where they are located. The presentation was followed by a lively debate about what exactly these numbers are saying and whether in fact they are adequate measures of poverty in the country.

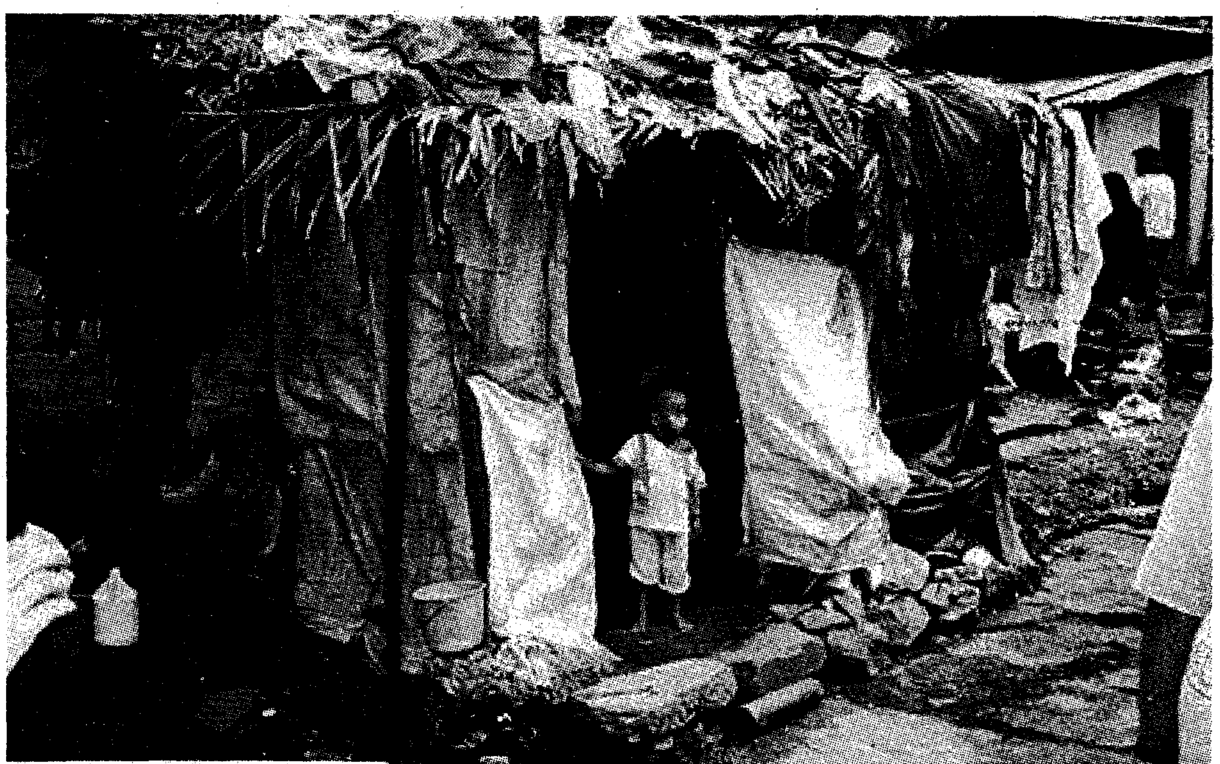
When we focus on poverty statistics, Sri Lanka performs extremely well. With poverty incidence under 10% of the population, Sri Lanka compares well against neighbouring countries such as Bangladesh, Nepal and India, where approximately 40%, 30% and 28% respectively of the population are identified as poor. Sri Lanka's poverty statistics are drawn on the basis of an 'absolute poverty line' which is derived by calculating the cost of a basket of basic needs. This so called basket consists of food items needed to meet the minimum nutritional requirement of 2030 kilo calories per day per person and other non food basic needs. In 2009, this translated to Rs. 3,028/- per person per month, and households whose per capita expenditure fell below this amount were identified as poor.

Of the 1.8 million identified as poor, the large majority, or 84.7%, live in rural areas. The proportion of people living below the poverty line has more than halved in urban and rural areas; in urban areas it has reduced from 16.3% in 1990 to 5.3% in 2009, while it has reduced from 29.4% to 9.4% in rural areas over the same period. In the estate sector too, poverty has reduced, but not at the same rapid pace, going from 20.5% in 1990 to 11.4% in 2009 (though there is a dramatic reduction from 32% in 2006 to 11.4% in 2009). These numbers suggest that as many as 2.6 million people have moved out of poverty over the past 20 years.

Income and expenditure however have long been criticised as being unsatisfactory measures of quality of life, and the new Multidimensional Poverty Index (MPI) championed by the UNDP aims to address this shortcoming in money metric measures by directly measuring outcomes in health, education and living conditions. The index is equally weighted across the three dimensions, and reflects indicators for the health dimension (such as calorie intake less than 80% of the requirement, the head of the household being chronically ill or disabled); for the education dimension (households where no one has completed 5 years of schooling, primary age children who are not enrolled in school), and for the living conditions dimension (houses without electricity, no access to clean water, sanitation and so on). In terms of the MPI, Sri Lanka performs even better than the absolute poverty line, and only 4.7% of the population are identified as poor.

In Sri Lanka, poverty has a spatial characteristic and this becomes clear when we look at the incidence of poverty by district. Batticaloa shows the highest incidence of poverty with an estimated 20.3% of the population below the poverty line. Districts such as Jaffna, Moneragala and Badulla are close behind. In contrast, Colombo, Gampaha and Vavuniya districts have a poverty incidence of less than 5%.





Comparing Income Poverty and Multi-dimensional Poverty by District

This snapshot of poverty may, however, hide a number of troubling characteristics. For example, while 2.6 million people are estimated to have escaped poverty in the last 20 years, they may still be dangerously close to the poverty line and vulnerable to fall below due to any number of shocks such as illness, inflation, natural disasters etc. A small adjustment to the poverty line, to increase it by just 10% results in an additional 800,000 people being identified as poor. Similarly with the MPI, adjusting the deprivation cut off from 30% to 20% results in an additional 1.9 million people being identified as poor.

This is further illustrated by looking at the income distribution among households. The mean incomes of the lowest 4 deciles of households are very close together, all falling below Rs. 17,833/- per month. Further, more than 30% of households have a monthly income which is less than half the national average. In contrast, at the other end of the income distribution, the highest decile of households have a mean income of over Rs. 140,000/- per month. While the lowest 4 deciles of households together account for just 13% of total household income, the highest decile of households, alone accounts for a staggering 39.5% of total household income.

What does this mean for understanding poverty and deprivation in Sri Lanka? Clearly, relying entirely on a point measure of poverty, such as the poverty line, will give us at best, only a partial picture. It raises questions about the adequacy of Rs. 3,028/- per person per month, which translates as just Rs. 100/- per day, to meet a person's minimum requirements of food, clothing and shelter, not to mention energy and health needs. Point measures of poverty should be supplemented by data on distribution across the population, as small changes in the poverty line substantially changes the poverty situation in the country.

Further, poverty data should be triangulated with other methods and sources of data collection to ensure that we approximate the true picture. For example, the MPI shows low incidence of deprivation in terms of the health dimension in the estate sector, which is borne out by several smaller studies in recent years . On the other hand, the sharp reduction in money metric poverty in the estate sector from 32% in 2006 to 11.4% in 2009 is not substantiated by other empirical data, which undermines the credibility of these numbers. Overall, while we should celebrate the reducing poverty trend in the country over the past 20 years, the concentration of population in the lower income groups suggests that more work is required to ensure that sustainable poverty alleviation is achieved in the country.

(The Centre for Poverty Analysis (CEPA) is an independent, Sri Lankan think-tank promoting a better understanding of poverty related development issues. We encourage you to visit our website www.cepa.lk or contact us via info@cepa.lk)

FINANCIAL Review
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Economy grows 6.8% in 2013 June quarter

The economy grew 6.8 percent in the June 2013 quarter from a year earlier, the state statistics office said.

The agriculture sector shrank 1.1 percent; industry grew 10.1 percent and services 6.6 percent.

In agriculture tea had contracted 0.5 percent, rubber had grown 2.0 percent, coconut had shrunk 25.4 percent and paddy was up 2.1 percent.

Fishing contracted 5.3 percent.

In industry manufacturing was up 5.3 percent with textile and apparel up 6.2 percent. Mining was up 12.6 percent.

In services wholesale and retail trade was up 6.6 percent, transport 10 percent, hotels and restaurants up 21.1 percent.

Telecoms was up 8.9 percent, banking and finance was up 6.3 percent.

Government services grew 3.9 percent. *(LBO)*