

# Poverty Indicators

Department of Census and Statistics  
Household Income and Expenditure Survey - 2016

Ministry of National Policies and Economic Affairs  
Sri Lanka



ISSN 1391 - 4693  
October 2017

## Introduction

The Household Income and Expenditure Survey (HIES) is the main data source used to calculate poverty indices for Sri Lanka. This survey is conducted by the Department of Census and Statistics once in three years and the latest survey was conducted in 2016.

This bulletin provides information on poverty in Sri Lanka for 2016. The changes of poverty status over the survey periods based on the official poverty line which was established in 2004 and updated to allow for price changes using the Colombo Consumer Price Index (CCPI) over the survey periods from 2002 to 2016. The method used to calculate the official poverty line is called the Cost of Basic Need (CBN) method. This poverty line is considered as an absolute poverty line and does not vary geographically. The Official Poverty Line (OPL) for 2016 is Rs.4,166. That is the real per capita expenditure per month for a person fixed at a specific welfare level with the consumption expenditure of food and non-food items.

## Determination of poverty

Poverty status is determined by comparing the monthly real per capita expenditure to the official poverty line. If the per capita monthly real expenditure is less than the value of the official poverty line, then that individual is considered to be in poverty.

The poverty headcount index for 2016 was 4.1 and it has decreased from 6.7 in 2012/13. From 2002 to 2016, the long term overall poverty index has shown a downward trend. In 2016 approximately 843,913 individuals were in poverty. For the previous survey year 2012/13 it was 1.3 million. This represents a 0.5 million decline from 2012/13 to 2016. The total poor households were 3.1 percent of the total households and it was approximately 169,392 households in 2016.

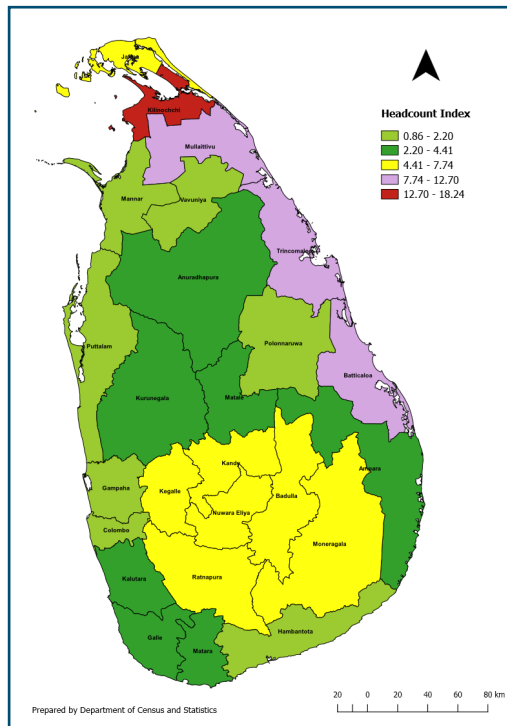


Figure 1 : Distribution of poverty headcount index by district -2016

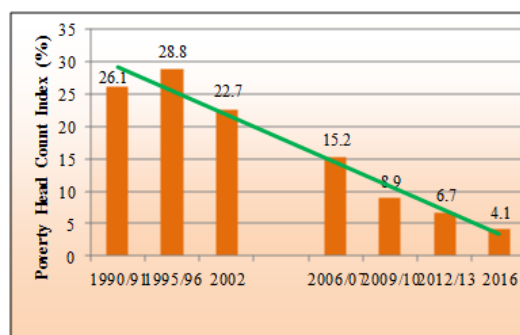


Figure 2 : Poverty headcount index by survey period

The Figure 2 shows how poverty is changing over the survey periods in percentage points with respect to the total population.

## Special points of interest

- In 2016 poverty headcount index was 4.1 percent and it was declined from 6.7 percent in 2012/13
- The highest Headcount Index reported for Kilinochchi district and the lowest from Colombo district.
- The highest number of poor people who were below the poverty line were reported in Kandy district and the lowest reported in Mannar district.
- In 2016, 843,913 people were in poverty
- The highest inequality of real per capita expenditure has been reported from Kurunegala district and the lowest reported from Ampara district
- Average shortfall is Rs.620 in real term per month per poor person

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**Real per capita expenditure** – Adjusted per capita expenditure for the price differences using spatial price indices which were calculated for each district is defined as real per capita expenditure.

## Poverty disparities

Even though poverty has declined to a greater extent at national level in the last few decades, poverty disparities still exists across the provinces and districts. Table 1 summarizes the relevant information. Poverty headcount index in the estate sector is generally higher than those of urban and rural sectors. At province level, the lowest poverty headcount index is 1.7 percent which represents 101,342 poor people in the Western province and the highest is 7.7 percent which represents 83,834 poor people in Northern province. Meanwhile at district level, the lowest poverty headcount index was reported in Colombo while the highest reported from Kilinochchi district.

The geographical areas which have been reported the highest headcount indices do not necessarily contain large number of poor people. For instance, as shown in Table 01, Gampaha (HCI 2.0) and Kandy (HCI 5.5) shows low poverty rate but the number of poor people are high in those areas.

In contrast, Mullaitivu where estimated poverty rates is high (12.7 percent), collectively account for only 1.4 percent of poor people nationwide due to their small population sizes.

Should the policies and programs be targeted to areas with high poverty rates or with a large number of poor people? If the benefit is largely a private benefit for households, then the number of beneficiaries is a key factor determining the total cost of the program. In these cases, a fixed budget is targeted to the poor more efficiently in areas where a large share of the population is poor. But for other types of interventions, such as improved roads or expanding access to electricity, the intervention creates public goods that can be shared by all residents of an area at little or no additional cost. For these types of programs, where the majority of the cost is fixed, targeting areas with large numbers will benefit more poor people.

## Inequality

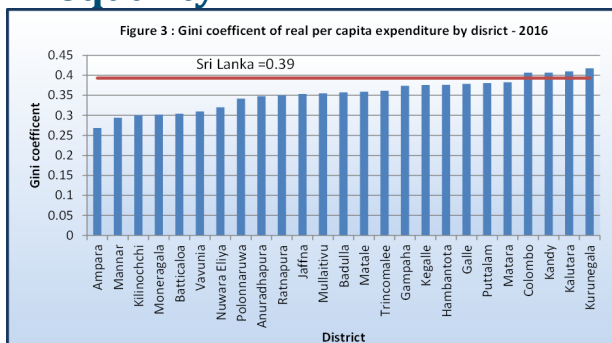


Figure 3 shows the Gini coefficient for real per capita expenditure by districts and the highest reported for 2016. It indicates that the lowest inequality reported from Ampara district and the highest reported from Kurunegala district.

Table 1 : Poverty head count index, number of poor population and contribution to total poverty by sector, province and district—2016

Sector/ Province/District	Poverty head count index (%)	Number of poor population (number)	Contribution to total poverty (%)
<b>Sri Lanka</b>	<b>4.1</b>	<b>843,913</b>	<b>100.0</b>
Urban	1.9	67,649	8.0
Rural	4.3	693,956	82.2
Estate	8.8	82,308	9.8
Western	1.7	101,342	12.0
Central	5.4	142,044	16.8
Southern	3.0	74,769	8.9
Northern	7.7	83,834	9.9
Eastern	7.3	118,061	14.0
North Western	2.7	64,638	7.7
North Central	3.3	42,191	5.0
Uva	6.5	83,885	9.9
Sabaragamuwa	6.7	133,149	15.8
Colombo	0.9	19,796	2.3
Gampaha	2.0	45,827	5.4
Kalutara	2.9	35,719	4.2
Kandy	5.5	76,429	9.1
Matale	3.9	19,357	2.3
Nuwara Eliya	6.3	46,257	5.5
Galle	2.9	30,775	3.6
Matara	4.4	36,544	4.3
Hambantota	1.2	7,450	0.9
Jaffna	7.7	46,052	5.5
Mannar	1.0	1,005	0.1
Vavunia	2.0	3,526	0.4
Mullaitivu	12.7	12,003	1.4
Kilinochchi	18.2	21,249	2.5
Batticaloa	11.3	60,912	7.2
Ampara	2.6	17,431	2.1
Trincomalee	10.0	39,718	4.7
Kurunegala	2.9	47,930	5.7
Puttalam	2.1	16,708	2.0
Anuradhapura	3.8	33,140	3.9
Polonnaruwa	2.2	9,051	1.1
Badulla	6.8	56,698	6.7
Moneragala	5.8	27,187	3.2
Ratnapura	6.5	72,715	8.6
Kegalle	7.1	60,435	7.2

## Spatial Price Index (SPI)

Spatial price index is calculated to compensate inter-district price differences on food consumption expenditure. District poverty lines published by DCS are obtained by multiplying the Official Poverty Lines by district SPIs.

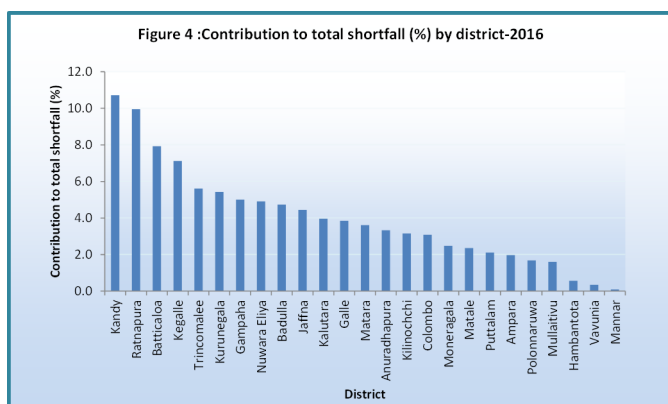
District	Spatial price index
Colombo	1.086
Gampaha	1.052
Kalutara	1.047
Kandy	1.036
Matale	1.017
Nuwara Eliya	1.064
Galle	0.987
Matara	0.956
Hambantota	0.959
Jaffna	0.977
Mannar	0.999
Vavunia	0.980
Mullaitivu	0.970
Kilinochchi	0.960
Batticaloa	1.019
Ampara	1.000
Trincomalee	0.990
Kurunegala	0.985
Puttalam	0.976
Anuradhapura	0.965
Polonnaruwa	1.004
Badulla	0.980
Moneragala	0.942
Ratnapura	0.992
Kegalle	1.040

*“Empty pockets never held anyone back. Only empty heads and empty hearts can do that.” ~Norman Vin-*

## Poverty shortfall

Poverty shortfall is the amount of expenditure need for those who are poor to bring their expenditure up to the value of poverty line to get rid of poverty. Poverty gap is the mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed relative to the poverty line. This measure reflects the depth of poverty as well as its incidence. This information is more precious to target the transfers to poor for poverty reduction.

As shown in Table 2 the survey reveals that the average shortfall is Rs.620 in real term per month per poor person and overall Rs.523.3 million per month is required for 843,913 poor people to bring them out of poverty. The highest contribution to total shortfall has been reported from Central province. Among the districts Kandy was the highest. The lowest contribution to total shortfall reported from Mannar district.



## Severity of the poverty

Poverty headcount index is the common indicator used to measure poverty. But it does not take into account the depth and the severity of poverty among the poor. But for better targeting for reduction of poverty, it is important to consider the depth and the inequality among the poor. Squared Poverty Gap Index (SPGI) measures poverty taking into account the degree of inequality among the poor themselves where keeping more weight to the poorer individual falls well below the poverty line. In other words, when calculating SPGI by squaring the Poverty Gap and then gives a greater weight to the poorest individuals since there Poverty Gap is larger than the others.

Sixth column of Table 2 presents the distribution of SPGI by district in 2016.

*“The real tragedy of the poor is the poverty of their aspirations”*

*~Adam Smith*

Table 2: Poverty gap index (PGI), monthly shortfall and contribution to total shortfall and Square poverty Gap Index (SPGI) by sector, province and district - 2016

Sector/ Province/District	Poverty gap index (%)	Monthly shortfall		Contribution to total shortfall (%)	Squared Poverty Gap index (SPGI) (%)
		Total (Rs. Million)	Average (Rs.)		
<b>Sri Lanka</b>	<b>0.6</b>	<b>523.3</b>	<b>620</b>	<b>100.0</b>	<b>0.1</b>
<b>Sector</b>					
Urban	0.3	39.1	578	7.5	0.1
Rural	0.6	436.6	629	83.4	0.2
Estate	1.2	47.7	579	9.1	0.3
<b>Province</b>					
Western	0.3	63.1	622	12.1	0.1
Central	0.9	94.1	662	18.0	0.2
Southern	0.4	41.9	561	8.0	0.1
Northern	1.1	50.4	601	9.6	0.3
Eastern	1.2	81.2	688	15.5	0.3
North Western	0.4	39.4	609	7.5	0.1
North Central	0.5	26.2	621	5.0	0.1
Uva	0.7	37.7	449	7.2	0.1
Sabaragamuwa	1.1	89.4	671	17.1	0.3
<b>District</b>					
Colombo	0.2	16.2	816	3.1	0.1
Gampaha	0.3	26.2	571	5.0	0.1
Kalutara	0.4	20.7	581	4.0	0.1
Kandy	1.0	56.1	734	10.7	0.2
Matale	0.6	12.3	636	2.4	0.1
Nuwara Eliya	0.8	25.7	556	4.9	0.2
Galle	0.4	20.1	653	3.8	0.1
Matara	0.5	18.9	516	3.6	0.1
Hambantota	0.1	3.0	396	0.6	0.0
Jaffna	0.9	23.3	505	4.4	0.2
Mannar	0.1	0.5	460	0.1	0.0
Vavunia	0.2	1.8	517	0.3	0.1
Mullaitivu	2.1	8.4	697	1.6	0.5
Kilinochchi	3.4	16.5	776	3.2	1.0
Batticaloa	1.8	41.5	681	7.9	0.5
Ampara	0.4	10.3	593	2.0	0.1
Trincomalee	1.8	29.4	740	5.6	0.5
Kurunegala	0.4	28.4	592	5.4	0.1
Puttalam	0.3	11.0	660	2.1	0.1
Anuradhapura	0.5	17.4	526	3.3	0.1
Polonnaruwa	0.5	8.8	970	1.7	0.2
Badulla	0.7	24.7	436	4.7	0.1
Moneragala	0.7	12.9	476	2.5	0.1
Ratnapura	1.1	52.1	717	10.0	0.3
Kegalle	1.1	37.2	616	7.1	0.3

## Impact of social protection programs on poverty

Household Income and Expenditure Survey in 2016 collected the social protection information of 13 social protection programs launched by the government mainly under the social assistance and social insurance. The areas of the social protection covered by HIES in 2016 are given in Table 3.

Table 3 shows the simulation points of the poverty if social protection transfers were eliminated. The table indicates that the total social protection transfer (sum of total social insurance and social assistance transfers) reduced the poverty from 6.7 percent to 4.1 percent. That is the social protection transfer

lifted 2.6 percent poor people above the poverty line. The most contributory significant factor for this change was the pension scheme. In the absence of pension, poverty headcount index would increase to 5.7 percent and Poverty Gap index would be increased to 1.6. Poverty Severity index might be increased to 1.0. This result evidence that the social protection programs in Sri Lanka are progressing however, those programs should be rigorously focused to reduce poverty in the country.

## Simulation of poverty

The Figure 5 depicts the distribution of consumption growth of individuals by facilitating to cross the poverty line from 2016, 2012/13 and 2009/10

by moving the distribution toward to the right by reducing the height of the peak of the graph.

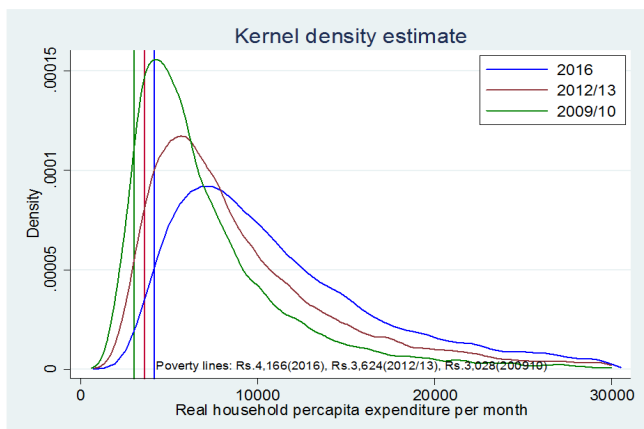


Figure 5 : Distribution of population by monthly household real per capita expenditure –2016,2012/13 and 2009/10

Table 3: Impact of selected social protection programs on poverty measures - (simulating the absence of the program – 2016)

Selected Social protection program	Poverty Head-count Index (HCI)	Poverty Gap Index (PGI)	Squared Poverty Gap Index (SPGI)
	(%)	(%)	(%)
<b>Indicator with listed transfer</b>	<b>4.1</b>	<b>0.6</b>	<b>0.1</b>
<b>Indicators without listed transfer</b>			
<b>All social protection</b>	<b>6.7</b>	<b>2.1</b>	<b>1.3</b>
<b>A. All social insurance</b>	<b>5.9</b>	<b>1.8</b>	<b>1.1</b>
i. Pension	5.7	1.6	1.0
ii. Compensation	4.2	0.7	0.3
<b>B. All social assistance</b>	<b>4.8</b>	<b>0.9</b>	<b>0.4</b>
i. Disability	4.1	0.6	0.2
ii. Adult	4.3	0.7	0.2
iii. Tuberculosis	4.1	0.6	0.2
iv. Scholarships	4.1	0.6	0.2
v. School food	4.1	0.6	0.2
vi. Triposha_food	4.1	0.6	0.2
vii. Samurdhi	4.3	0.7	0.2
viii. Medical aids	4.1	0.6	0.2
ix. Other commendations	4.2	0.7	0.2
x. Disaster relief	4.1	0.6	0.2
xi. Fertilizer subsidies	4.1	0.6	0.1

According to the Survey data of 2016, the estimated total poor population in Sri Lanka was 843,913 (4.1%). However, as shown in Figure 5, there is a high concentration of non-poor population just beyond the poverty lines and this group stays in a highly vulnerable situation. Even if there is a small negative impact on their consumption can cause many of them to fall back in poverty that results increasing the poverty incidence. For example, if the value of poverty line is increased by 10 percent (from Rs. 4,166 to Rs.4,582.6) then the poverty head count index increases up to 6.1 percent. That means number of people who are in poverty increases from 843,913 to 1,255,702. Further, if real per capita monthly expenditure is decreased by Rs.100 then poverty headcount index will be increased up to 4.5 percent (933,087 individuals).