Poverty line is an important tool to report the level of poverty statistically which leads to plan the policies and programs to reduce poverty effectively. Living standard of people have been increased and poverty has been decreased. Sri Lanka has made a marked progress in reducing poverty, regardless of the poverty lines used.

Highlights

- In 2019, an estimated 3.2 percent of the population in Sri Lanka live below old poverty line of Rs.4,830 per person per month and amounts to 689,800 individuals live in poverty.
- In 2019, an estimated 14.3 percent of the population in Sri Lanka live below updated poverty line of Rs.6,966 per person per month and amounts to 3,042,300 individuals live in poverty
- The highest Headcount Index reported from Mullaitivu district (14.3% based on OldPL and 44.5% based on UPL) and the lowest from Colombo district (0.3% based on OldPL and 2.3% based on UPL)
- In 2019, an estimated 2.5 percent of households in Sri Lanka are in poverty on OldPL and 11.9% households are in UPL.

  Poverty rates by ages and gender were:
- 3.9% on OldPL and 16.8% on UPL under age 18
- 3.0% on OldPL and 13.8% on UPL age 60 and above
- 3.2% of male and 3.3% of female on OldPL and 14.5% of men and 14.2% of female on UPL

Note: OldPL – Old Poverty Line
       UPL – Updated Poverty Line

A person in poverty – A person whose real per capita expenditure per month is less than the value of official poverty line. (Unable to afford minimum calorie intake (2030kcal per day) and basic food and non-food requirement)

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Introduction

Official poverty line (OPL) is the most important tool which allows statistically to report the changes of economic well-being of people in Sri Lanka over the time. The Department of Census and Statistics (DCS) introduced the Official Poverty Line for the first time in 2004 using Household Income and Expenditure Survey (HIES) data conducted in 2002. The DCS applies an internationally recognized method "Cost of Basic Need (CBN) Approach" to calculate the Official Poverty Line on consumption based in absolute term. The DCS provides the official poverty statistics based on OPL indicating; how many people are being in poverty, poverty rate or percentage of people who are below the OPL (Poverty Headcount Index), depth and severity of poverty, poverty short-fall and how poverty is distributed by sectors, provinces and districts. The poverty statistics provides an important and valuable guidance to target the poor.
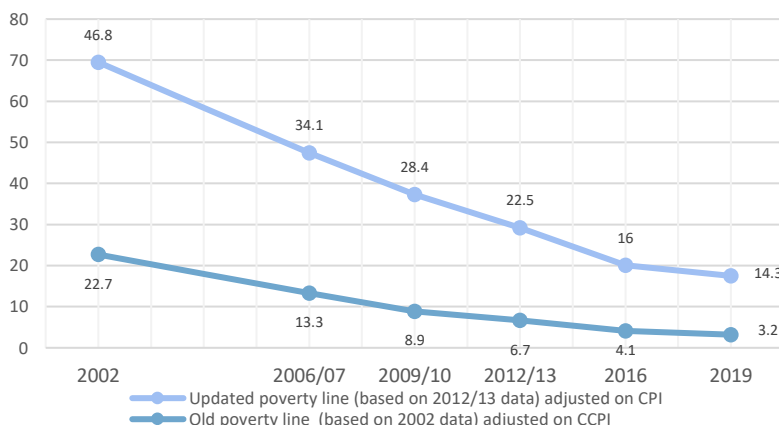
The DCS provides the official poverty statistics by the HIES survey years using Colombo Consumer Price Index (CCPI). This reflects the living standard and consumption pattern existed in 2002 in Sri Lanka. However, due to the dynamic economic changes the nature of spending and consumption pattern have been changed over the time. This means the goods and services which had been used on existing poverty line had to be changed according to the current social conditions to ensure the OPL remains timely relevant and accurate. As a measure of response, the DCS revised the OPL in 2016 in accordance to the international best practices   using 2012/13 HIES data precisely after the ten years of establishing OPL in 2002. Existing 2002 and revised 2012/13 poverty lines were inflated using CCPI and National Consumer Price Index (NCPI) to update the OPL for 2016 and 2019. Revised the official poverty line adopting the current living standard does not affect to the living pattern of people. But it can improve the designing of policies to alleviate the poverty more preciously.

> The new poverty line based on 2012/13 updated   using NCPI is a better measure of poverty and could be instrumental to generate policies targeting to eradicate poverty more effectively

Poverty rates: historical reflection

Figure 01 depicts the poverty trend by survey period with respect to the existing (Based on 2002 living standard) and the revised poverty line. (Based on 2012/13 living standard). Both poverty lines were inflated using CCPI from 2002 to 2019. Both existing and the revised Official Poverty Lines depict the decline in poverty in Sri Lanka. With respect to the currently used Official Poverty Line, the poverty has been reduced from 22.7 % to 3.2 % from year 2002 to year 2019. This is represented in the re-based new Official Poverty Line as a decline from 46.8% to 14.3% during the same period showing a similar progress over the time. Poverty rate for 2019 adjusted by NCPI for old and new OPL are 3.3% and 14.3 % respectively. There is no difference of poverty rate for updated poverty line by CCPI or NCPI.

Figure 01

Poverty trend by survey period with respect to the current and new poverty lines

Updated poverty line (based on 2012/13 data) adjusted on CPI
Old poverty line (based on 2002 data) adjusted on CCPI

Source: Household Income and Expenditure Survey-2019
Department of Census and Statistics, Sri Lanka

Table 01: Values of old and updated poverty lines adjusted by CCPI and NCPI

	2002	2006/07	2009/10	2012/13	2016	2019
Adjusted by CCPI						
Old poverty line (based on 2002 data)	1,423	2,142	3,028	3,624	4,166	4,830
Updated poverty line (based on 2012/13)	2,051	3,087	4,364	5,223	6,004	6,961
Adjusted by NCPI						
Old poverty line (based on 2002 data)					4,244	4,834
Updated poverty line (based on 2012/13)					6,117	6,966

Official Poverty Line

The persons living in the households whose real per capita monthly total consumption expenditure is below the OPL in Sri Lanka are considered as poor. The official poverty line was fixed at the welfare level of a person who could meet their basic needs in 2002. More precisely, the official poverty line of 2002 is defined at the per-capita expenditure at which a person was able to meet the nutritional anchor of 2030 kilocalories, while also consuming a minimum non-food allowance. The Official Poverty line can be interpreted as the Minimum Expenditure per person per month to fulfil his/her basic needs.

DCS

Re-Estimating the official poverty line
Methodology remains the same, while deference is only the change of basic needs

Changes in welfare (or utility) level of a person is measured by the changes in the person's per-capita expenditure adjusted for inflation, to capture how much more it costs to purchase the same bundle of goods over time. As long as preferences and tastes of consumers do not change over time, the poverty line will continue to represent the minimum amount of expenditure need to meet the nutritional requirement. However, to accommodate changes in people's preferences and tastes, it is recommended that the poverty line be re-estimated every 10 –15 years. Therefore, most countries update their poverty line every 10 –15 years. This allows countries to measure their progress in reducing poverty against a fixed benchmark for several years, while periodically refreshing the benchmark to reflect more recent economic conditions.

Economic growth in Sri Lanka has led to major shifts in lifestyle and consumption patterns since 2002, signposting to a demand of re-estimating the poverty line. For an example mobile phones, were rare in 2002. Nevertheless, they have now become extremely popular and are available even among the poor. In addition, Sri Lankan households now spend a large share of their income on transportation, education, clothing, electronics, and other non-food items. These changes fundamentally affect the minimum amount required to satisfy people's basic needs. When the poverty line is re-estimated to take these new lifestyle and consumption patterns into account, the re-estimated poverty line shows that poverty is much more widespread in Sri Lanka. The poverty line will rise from Rs 3,624 to Rs 5,223 rupees per person per month in 2012/13.

According to the new poverty line people living in the households whose real per capita monthly total consumption expenditure is below Rs.6,966 in the year 2019 in Sri Lanka are considered as live-in poverty. Accordingly, poverty headcount index is 14.3.% for 2019.

Construction of the official poverty Line
Choice of a nutrition-based anchor

The nutritional anchor for the official poverty line is expressed in terms of calories intake. Nutritional requirements vary from person to person depending on age, gender and also the activity level of the person. These are also varied from country to country depending on factors such as race, climatic condition etc. The Medical Research Institute of Sri Lanka (2007) has published a document based on a study that lists the daily dietary allowances of calories for Sri Lankans by age and sex. Based on that Table and country's population by age and sex, extracting from HIES surveys and Census of population and housing 2011, the per-capita calorie requirement is calculated. The average per capita calorie allowance thus obtained is the nutritional anchor for the poverty line – 2030 kcal per capita per day for 2012/13.

Table 02: Recommended Dietary allowances -2007

Age group	Dietary allowance(kcal)	
	Male	Female
0-6 Months	560	560
7-9 Months	650	650
10-12 Months	720	720
1-2 years	875	875
2-4 years	1075	1075
4-6 years	1300	1300
6-10 years	1775	1725
10-12 years	2250	2100
12-16 years	2875	2400
16-18 years	3375	2500
18-30 years	2425	2000
30-60 years	2375	1950
60 years & above	1950	1825

Defining the Official Poverty Line

The next step is to define the poverty line corresponding to the nutritional anchor – 2030 kcal per capita per day. This is done using the Cost of Basic Needs (CBN) approach. The cost-of-basic-needs (CBN) method addresses this objective through defining a consumption bundle – incorporating food and non-food items – that is adequate to meet the nutritional requirements, and estimates the cost of purchasing that consumption bundle.

Table 03: Updated poverty lines on 2012/13

Poverty Line	Rs. /Month
1. Food poverty line	3,139
2. Lower poverty line	4,204
3. Upper poverty line	6,241
4. Official poverty line	5,223

Update of poverty line using CCPI & NCPI

Official poverty line is generally updated using Colombo Consumer Price Index (CCPI). The Department of Census and Statistics (DCS) has been releasing Colombo Consumer Price Index since 1953 changing the base year as 1952 ,2002, 2006/07 and 2013. The existing official poverty line which was established in 2002 was updated taking into account all these base years changes of CCPI. The latest Consumer Price Index (CPI) released by the DCS is National Consumer Price Index (NCPI). National Consumer Price Index for Sri Lanka will be compiled using prices collected for all nine provinces. NCPI (Base 2013=100), is based on data from the HIES in 2012/13. As the NCPI reflects the price changes of consumption items for the entire country, it is more effective to use the NCPI to update the official poverty line than using the CCPI. Table 1 shows the updated and old official poverty lines from 2002 to 2019 using CCPI and NCPI.

DCS

Poverty incidence and number of poor individuals

Table 04: Poverty headcount index, number of poor population and contribution to total poverty by sector, province and district—2019

	Old poverty line (based 2002 on CCPI)			Updated poverty line (based 2012/13 on NCPI)		
	Headcount (%)	Number of poor people	Contribution to total poverty (%)	Headcount (%)	Number of poor people	Contribution to total poverty (%)
Sri Lanka	3.2	689,800	100.0	14.3	3,042,300	100.0
Sector						
Urban	1.1	41,800	6.1	6.0	217,500	7.1
Rural	3.3	548,400	79.5	15.0	2,500,600	82.2
Estate	10.4	99,600	14.4	33.8	324,200	10.7
Province						
Western	1.1	65,900	9.6	5.7	342,200	11.2
Central	4.7	126,400	18.3	18.7	503,500	16.5
Southern	2.3	59,600	8.6	12.6	327,100	10.8
Northern	8.0	89,200	12.9	23.8	267,200	8.8
Eastern	3.7	63,000	9.1	18.6	316,300	10.4
North Western	1.8	45,000	6.5	11.8	294,400	9.7
North Central	2.0	27,100	3.9	11.0	144,900	4.8
Uva	6.6	87,800	12.7	28.3	378,500	12.4
Sabaragamuwa	6.2	125,800	18.2	23.1	468,100	15.4
District						
Colombo	0.3	8,100	1.2	2.3	54,800	1.8
Gampaha	1.0	23,700	3.4	5.7	133,600	4.4
Kalutara	2.7	34,100	4.9	12.2	153,800	5.1
Kandy	3.0	42,700	6.2	14.3	204,700	6.7
Matale	3.9	19,600	2.8	19.6	99,700	3.3
Nuwara Eliya	8.5	64,000	9.3	26.3	199,100	6.5
Galle	3.0	33,300	4.8	13.2	145,700	4.8
Matara	2.3	19,300	2.8	11.1	93,700	3.1
Hambantota	1.1	7,000	1.0	13.6	87,700	2.9
Jaffna	9.1	55,400	8.0	25.8	157,800	5.2
Mannar	1.3	1,400	0.2	8.0	8,700	0.3
Vavunia	5.5	10,100	1.5	13.9	25,300	0.8
Mullaitivu	14.3	13,700	2.0	44.5	42,900	1.4
Kilinochchi	7.0	8,600	1.2	26.4	32,400	1.1
Batticaloa	5.0	28,000	4.1	20.8	117,500	3.9
Ampara	2.8	20,000	2.9	17.2	122,400	4.0
Trincomalee	3.6	15,000	2.2	18.3	76,300	2.5
Kurunegala	2.0	33,600	4.9	12.5	209,200	6.9
Puttalam	1.4	11,400	1.7	10.5	85,200	2.8
Anuradhapura	0.9	7,700	1.1	8.1	72,700	2.4
Polonnaruwa	4.6	19,400	2.8	17.0	72,200	2.4
Badulla	7.1	60,900	8.8	32.3	276,900	9.1
Moneragala	5.6	26,900	3.9	21.0	101,600	3.3
Ratnapura	6.9	80,000	11.6	24.9	287,300	9.4
Kegalle	5.3	45,900	6.7	20.8	180,700	5.9

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Poverty gap and monthly shortfall

Table 05: Poverty gap index (PGI), monthly shortfall and contribution to total shortfall and Squared Poverty Gap Index (SPGI) by sector, province and district - 2019

Sector/ Province/District	PGI		SPGI		OldPL Monthly shortfall			UPL Monthly shortfall		
	OldPL	UPL	OPL	UPL	Total (Rs. Million)	Average (Rs.)	Contribution to total shortfall	Total (Rs. Million)	Average (Rs.)	Contribution to total shortfall
Sri Lanka	0.5	2.8	0.1	0.9	503	729	100.0	4181	1,374	100.0
Sector										
Urban	0.2	1.0	0.0	0.3	31	731	6.1	264	1,216	6.3
Rural	0.5	3.0	0.1	0.9	417	761	82.9	3431	1,372	82.1
Estate	1.2	7.3	0.2	2.2	55	556	11.0	486	1,499	11.6
Province										
Western	0.2	1.1	0.1	0.3	61	928	12.1	450	1,314	10.8
Central	0.6	3.9	0.1	1.2	80	630	15.8	740	1,470	17.7
Southern	0.3	2.3	0.1	0.6	40	662	7.9	409	1,249	9.8
Northern	1.4	5.6	0.4	1.9	73	822	14.6	440	1,647	10.5
Eastern	0.5	3.4	0.1	1.0	41	653	8.2	396	1,252	9.5
North Western	0.2	2.0	0.0	0.5	27	604	5.4	344	1,168	8.2
North Central	0.4	2.0	0.1	0.6	24	877	4.7	183	1,261	4.4
Uva	0.9	5.7	0.2	1.7	58	660	11.5	534	1,411	12.8
Sabaragamuwa	1.0	4.9	0.3	1.5	99	790	19.8	686	1,465	16.4
District										
Colombo	0.1	0.4	0.0	0.1	7	813	1.3	64	1,167	1.5
Gampaha	0.2	1.0	0.0	0.3	19	817	3.9	167	1,250	4.0
Kalutara	0.6	2.5	0.2	0.8	35	1,033	7.0	219	1,423	5.2
Kandy	0.3	2.9	0.1	0.8	21	499	4.2	285	1,393	6.8
Matale	0.8	4.1	0.2	1.3	19	943	3.7	145	1,452	3.5
Nuwara Eliya	1.1	5.9	0.2	1.9	40	622	7.9	311	1,559	7.4
Galle	0.4	2.6	0.1	0.8	23	699	4.6	200	1,375	4.8
Matara	0.3	2.2	0.1	0.6	12	622	2.4	128	1,369	3.1
Hambantota	0.1	1.8	0.0	0.4	4	598	0.8	80	911	1.9
Jaffna	1.6	6.3	0.4	2.2	46	830	9.1	267	1,690	6.4
Mannar	0.2	1.1	0.0	0.3	1	555	0.2	8	918	0.2
Vavunia	1.0	3.5	0.4	1.4	9	912	1.8	45	1,781	1.1
Mullaitivu	2.1	10.9	0.5	3.6	10	714	1.9	73	1,712	1.8
Kilinochchi	1.3	5.5	0.4	1.8	8	880	1.5	47	1,444	1.1
Batticaloa	0.6	4.0	0.1	1.2	17	611	3.4	159	1,356	3.8
Ampara	0.3	2.8	0.1	0.8	12	577	2.3	141	1,155	3.4
Trincomalee	0.6	3.3	0.2	1.0	13	835	2.5	95	1,248	2.3
Kurunegala	0.3	2.2	0.1	0.6	24	699	4.7	257	1,226	6.1
Puttalam	0.1	1.5	0.0	0.4	4	325	0.7	87	1,024	2.1
Anuradhapura	0.1	1.3	0.0	0.3	6	724	1.1	83	1,147	2.0
Polonnaruwa	0.9	3.4	0.3	1.2	18	938	3.6	99	1,376	2.4
Badulla	0.9	6.6	0.2	1.9	39	632	7.7	391	1,412	9.3
Moneragala	0.8	4.2	0.2	1.3	20	723	3.9	143	1,408	3.4
Ratnapura	1.1	5.2	0.3	1.6	59	743	11.8	419	1,459	10.0
Kegalle	1.0	4.4	0.2	1.4	40	872	8.0	267	1,475	6.4

Note:

OldPL: Old Poverty Line

UPL: Updated Poverty Line

PGI: Poverty Gap Index

SPGI: Squared Poverty Gap Index

DCS

Spatial Distribution of poverty

Figure 02:
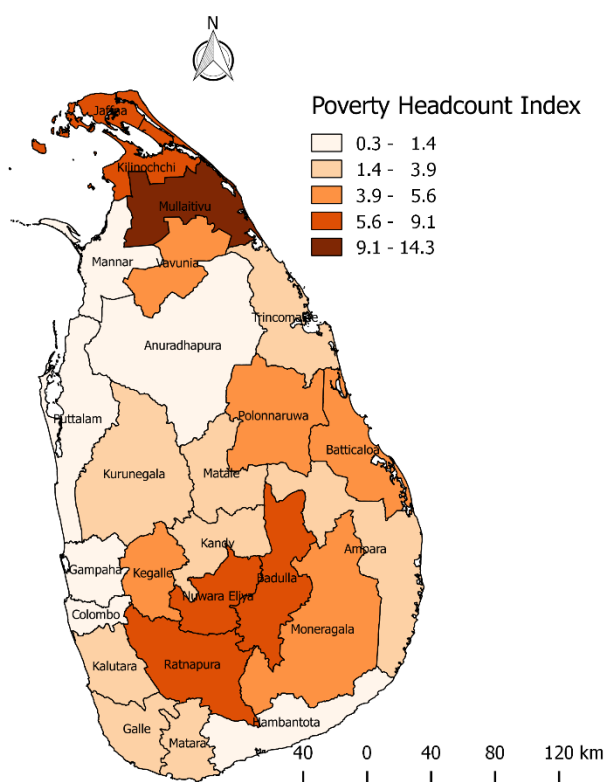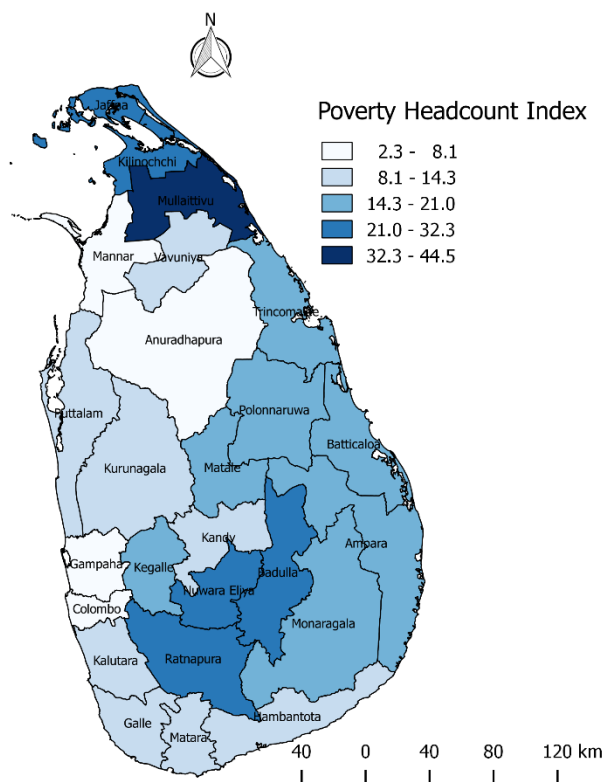**Spatial distribution of poverty on old poverty line by district**

Figure 03:
Spatial distribution of poverty on updated poverty line by district

Source: Household Income and Expenditure Survey-2019
Department of Census and Statistics, Sri Lanka

Table 06: Percentage and number of households in poverty by district-2019

District	OldPL (%)	Number of households in poverty	UPL (%)	number of households in poverty
Sri Lanka	2.5	145,300	11.9	681,800
Colombo	0.2	1,400	1.8	11,300
Gampaha	0.7	4,600	4.2	26,800
Kalutara	2.0	6,400	9.5	30,400
Kandy	2.4	9,000	11.5	43,800
Matale	2.8	3,900	15.6	21,400
Nuwara Eliya	7.0	13,600	23.9	46,400
Galle	2.5	7,500	10.8	32,900
Matara	1.8	4,100	9.5	21,800
Hambantota	1.0	1,600	12.0	20,700
Jaffna	6.9	10,500	20.8	31,600
Mannar	1.1	300	6.3	1,700
Vavunia	4.3	2,100	12.1	5,900
Mullaitivu	10.8	2,800	39.5	10,300
Kilinochchi	6.4	2,000	23.0	7,300
Batticaloa	3.3	5,300	16.2	25,800
Ampara	2.1	4,000	14.2	26,500
Trincomalee	3.2	3,500	15.0	16,900
Kurunegala	1.8	8,400	10.7	50,700
Puttalam	1.0	2,100	8.1	18,100
Anuradhapura	0.7	1,900	7.2	18,500
Polonnaruwa	3.2	3,600	13.8	15,700
Badulla	6.0	14,100	28.0	66,000
Moneragala	4.1	5,500	18.4	24,500
Ratnapura	5.4	16,700	20.7	64,400
Kegalle	4.5	10,600	18.0	42,100

DCS

Impact of social protection programs on poverty

Household Income and Expenditure Survey in 2019 collected the social protection information of 13 social protection programs launched by the government mainly under the social assistance and social insurance. The social protection programs which are covered by HIES in 2019 are given in Table 7.

Table 7 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 7.9 percent to 3.2 percent with respect to the old poverty line. That is the social protection transfer lifted 4.7 percent poor people above the poverty line. The most contributory significant factor for this was the pension scheme. In the absence of pension, poverty headcount index would increase to 5.2 percent and Poverty Gap index would be increased to 1.5. Poverty Severity index might be increased to 0.9. 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.

Risk of becoming poverty

The Figure 04 depicts the consumption growth of individuals by facilitating to cross the poverty line from 2019, 2016 and 2012/13. The distribution has moved toward to the right by reducing the height of the peak of the graphs.
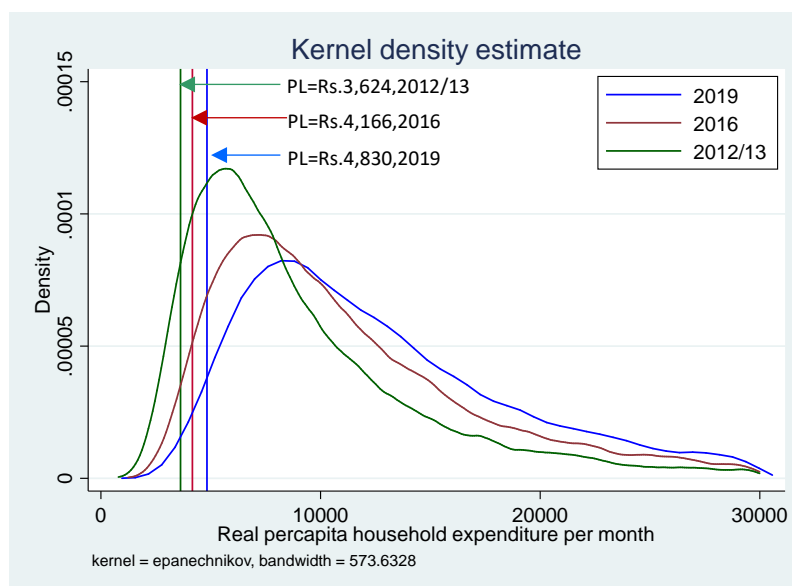
According to the Survey data of 2019, the estimated total poor population in Sri Lanka according to the old poverty line was 689,800 (3.2%). However, as shown in Figure 4, there is a high concentration of non-poor population

Table 07: Impact of selected social protection programs on poverty measures - simulating the absence of the program – 2019

Social protection program	Old Poverty Line			New Poverty Line		
	PHI	PGI	SPGI	PHI	PGI	SPGI
Indicator with listed transfer	3.2	0.5	0.1	14.3	2.8	0.9
Indicators without listed transfer						
All social protection	**7.9**	**3.2**	**2.3**	**20.5**	**6.5**	**3.6**
All social insurance	**5.2**	**1.7**	**1.1**	**16.9**	**4.3**	**2.0**
Pension	5.0	1.5	0.9	16.7	4.2	1.9
Compensation	3.4	0.6	0.2	14.5	3.0	1.0
All social assistance	**6.0**	**2.0**	**1.3**	**18.0**	**4.9**	**2.3**
Disability and Relief	3.3	0.5	0.1	14.4	2.9	0.9
Elderly Payment	3.4	0.6	0.2	14.7	2.9	0.9
Tuberculosis	3.3	0.5	0.1	14.3	2.8	0.9
Scholarship	3.3	0.5	0.1	14.3	2.8	0.9
School food program	3.3	0.5	0.1	14.4	2.8	0.9
Thriposha Program	3.3	0.5	0.1	14.4	2.8	0.9
Samurdhi	4.3	0.9	0.4	15.9	3.6	1.3
Food and other material subsidies	3.8	0.9	0.5	14.9	3.3	1.3
Disaster relief	3.4	0.6	0.2	14.4	2.9	1.0
Fertilizer subsides	3.8	0.7	0.3	15.1	3.2	1.1
Medical aids	3.3	0.5	0.2	14.4	2.9	0.9

Note:
PHI-Poverty Headcount Index, PGI-Poverty Gap Index, SPGI- Squared Poverty Gap Index

Figure 04: Distribution of population by real per capita household expenditure by survey years
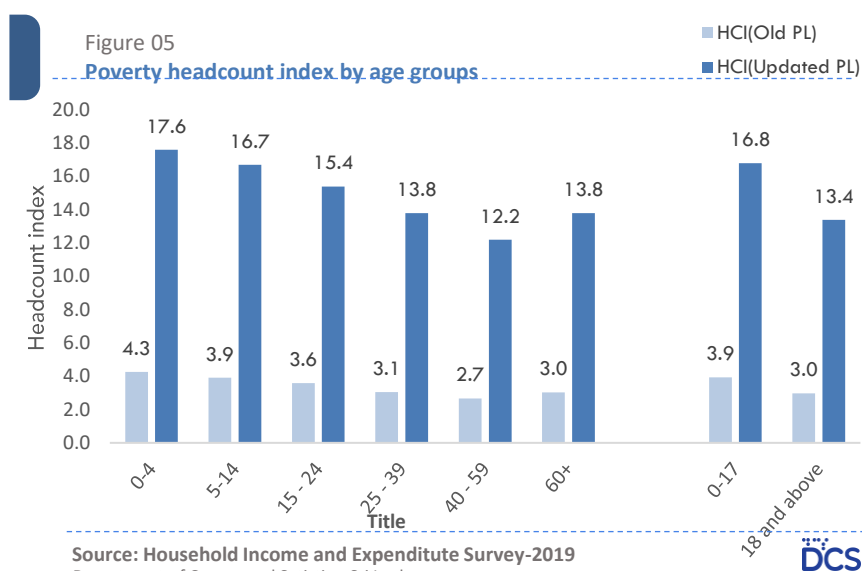

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Source: Household Income and Expenditure Survey-2019
Department of Census and Statistics, Sri Lanka

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 old poverty line is increased by 10 percent (from Rs. 4,830 to Rs.5,313) then the poverty head count index increases up to 4.9 percent. That means number of people who are in poverty increases from 689,800 to 1,036,500. If real per capita expenditure increases by Rs.100 per month then poverty headcount will be decreased to 2.9 and the number of poor will be reduced to 615,400.

Poverty status by age and gender

Figure 05 shows the percentage of individuals live in households in poverty by age groups based on currently use old poverty line and updated poverty line. The poverty rates by age groups ranged from 4.3% to 2.7% based on old poverty line and from 12.2% to 17.6% based on updated poverty line.

Figure 05
Poverty headcount index by age groups

Source: Household Income and Expenditure Survey-2019
Department of Census and Satistics, Sri Lanka

It depicts that the children who are age 0-4 had the highest poverty rate (4.3 % on old PL and 17.6% on updated PL) among the all-age groups and gradually decrease the poverty rate up to 40-59 age group and again increases the poverty in the population above 60 years of old. When consider the children who below 18 years 3.9 percent are living in household below poverty line. Among the aged population (persons aged 60 and above) 115,600 of individuals according to the old poverty Line and 524,600 of individuals according to the updated poverty line are living in poverty. Table 8 presented that among the individuals who live in households in poverty, approximately one third are children who are below 18 years. Incidence of poverty is higher in female population than male based on old poverty line and updated poverty line at national level.

Table 08: Number of people living in poverty by age group-2019

Age group	Number of people in poverty	
	Old PL	Updated PL
Sri Lanka	689,800	3,042,300
0-4	59,700	246,700
5-14	134,700	574,800
15 - 24	109,500	471,100
25 - 39	124,900	562,700
40 - 59	145,500	662,300
60+	115,600	524,600
0 - 17	232,600	990,600
18 and above	457,300	2,051,600

Table 09: Poverty rate and number of individuals living in poverty by age groups-2019

Age group	Old poverty line				Updated poverty Line			
	Male		Female		Male		Female	
	PHI	Number of individuals	PHI	Number of individuals	PHI	Number of individuals	PHI	Number of individuals
Total	3.2	324,500	3.3	365,400	14.5	1,451,000	14.2	1,591,300
0 - 4	4.6	33,100	3.9	26,600	17.3	125,300	17.8	121,400
5-14	3.8	64,700	4.0	69,800	17.1	293,700	16.3	281,200
15 - 24	3.6	53,200	3.6	56,600	15.4	230,100	15.5	241,100
25 - 39	3.1	56,200	3.1	68,700	13.7	251,200	13.9	311,500
40 - 59	2.8	70,200	2.6	75,200	12.6	319,800	11.7	342,500
60 +	2.7	47,000	3.3	68,600	13.5	230,900	14.0	293,700