

Poverty Indicators

Household Income and Expenditure Survey - 2012/13

Ministry of Policy Planning Economic Affairs, Child Youth and Cultural Affairs
Sri Lanka



ISSN 1391 - 4693
June, 2015

Introduction

This publication provides the information on poverty in Sri Lanka for 2012/13 and the changes of poverty status over the survey periods based on the official poverty line which was established in 2004 and updated to allow the price changes using Colombo Consumer Price Index (CCPI) over the survey periods from 1990/91 to 2012/13. Hence, this poverty line is considered as an absolute poverty line and does not vary geographically. Official Poverty Line (OPL) for 2012/13 is Rs.3, 624 that is real per capita expenditure per month for a person fixed at a specific welfare level with the expenditure of consumption of food and non-food items. The main data source used to calculate poverty line is Household Income and Expenditure Survey which is conducted by Department of Census and Statistics once in three years and latest survey was conducted in 2012/13. The method used to calculate official poverty line is called Cost of Basic Need (CBN) method.

Determination of poverty

Poverty status is determined by comparing the monthly real per capita expenditure to set 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 2012/13 was 6.7 and was decreased from 8.9 in 2009/10. From 1990/91 to 2012/13 the long term overall poverty index has shown a downward trend. In 2012/13 approximately 1.3 million individuals were in poverty, For the previous survey year 2009/10 it was 1.8 million. This represents a 0.5 million decline from 2009/10 to 2012/13. The total poor households were 5.3 percent from total and it was approximately 0.3 million households in 2012/13.

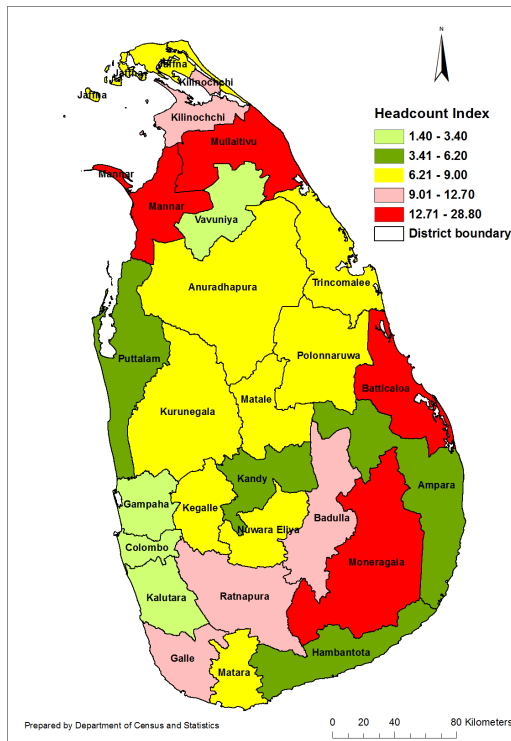


Figure 1 : Distribution of poverty headcount index by district -2012/13

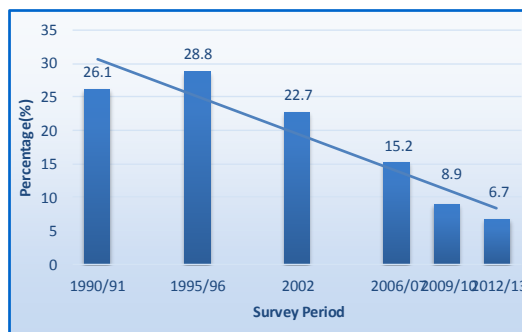


Figure 2 : Poverty headcount index by survey period

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

Special points of interest

- In 2012/13 poverty headcount index was 6.7 percent and it was declined from 8.9 in 2009/10
- The number of poor people who were under the poverty line were higher in Ratnapura, Kurunegala, Galle and Batticaloa districts.
- The highest inequality of real per capita expenditure has been reported from Matale district and lowest from Ampara district
- Average short fall is Rs.638 in real term per month per poor person
- The highest Squared Poverty Gap Index has been reported from Mullaitivu district and lowest from Ampara district.
- social protection transfer lifted 2.9 percent poor people above poverty line
- In 2012/ 13, 1.3 million people were in poverty

Inside this issue

Poverty disparities.....	2
Inequality	2
Poverty shortfall	3
Severity of the poverty.....	3
Impact of social protection programs on poverty.....	4
Simulation of poverty.....	4

Real expenditure – Per capita expenditure has been adjusted for the price differences by spatial price index computed for each district.

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 estate sector is generally higher than those of urban and rural . At province level the lowest poverty headcount index is 2.0 percent which represents 116,000 poor people in the Western province and the highest is 15.4 percent which represents 190,000 poor people in Uva province. Meanwhile at district level the lowest poverty headcount index has been reported in Colombo while the highest has been reported from Mullaitivu district.

As shown in Table 1 the poverty in the districts in Northern and Eastern provinces are comparatively higher than in the other provinces. These two provinces were fully covered for the first time by HIES survey in 2012 /13 since its incep-

tion in 1990/91 because of the civil conflict which prevailed over 30 years (till 2009) in those areas. As usual poverty incidence was higher in the areas like Northern and Eastern provinces just after ceased a long conflict. The field work of the survey had been carried out during July 2012 and June 2013 . In that period rehabilitation , land clearance and the development process were in progress . Hence , the poverty incidence in those areas may have changed by now. But when considering the rest of the country (excluding Northern and Eastern provinces) Uva province and Moneragala district respectively where the poverty was highest.

The number of poor people who were under the poverty line were higher in Ratnapura, Kurunegala, Galle and Batticaloa districts. Hence contribution to total poverty is higher in those districts while it was lower in Vavunia, Killinochchi, Mannar and Mullaitivu districts.

Inequality

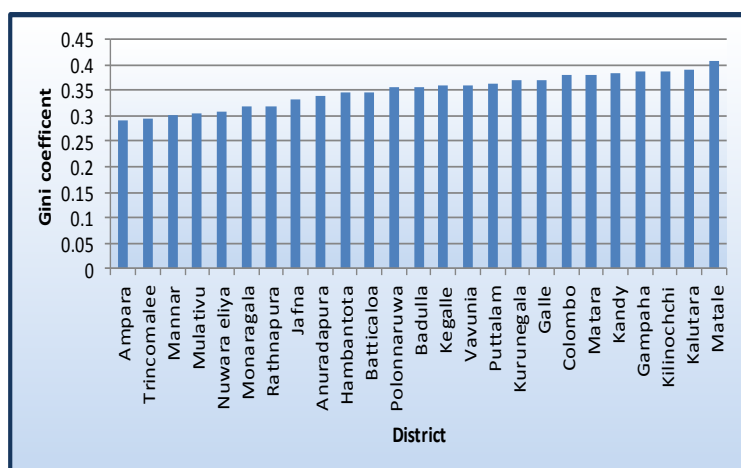


Figure 3 : Gini coefficient of real per capita expenditure by district –2012/13

Figure 3 shows the Gini coefficient for real per capita expenditure by districts for 2012/13. It indicates that the lowest inequality reported from Ampara district and the highest reported from Matala district.

Table 1 : Poverty head count index ,number of poor population and contribution to total poverty by sector, province and district—2012/13

Sector/ Province/ District	Poverty head count index (%)	Number of poor population (thousands)	Contribution to total poverty (%)
Sri Lanka	6.7	1,339	100.0
Sector			
Urban	2.1	75	5.6
Rural	7.6	1,163	86.8
Estate	10.9	101	7.6
Province			
Western	2.0	116	8.6
Central	6.6	166	12.4
Southern	7.7	188	14.0
Northern	10.9	114	8.5
Eastern	11.0	169	12.6
North Western	6.0	140	10.5
North Central	7.3	89	6.7
Uva	15.4	190	14.2
Sabaragamuwa	8.8	167	12.5
District			
Colombo	1.4	31	2.3
Gampaha	2.1	47	3.5
Kalutara	3.1	37	2.8
Kandy	6.2	83	6.2
Matala	7.8	37	2.8
Nuwara Eliya	6.6	46	3.4
Galle	9.9	102	7.6
Matarara	7.1	57	4.2
Hambantota	4.9	29	2.1
Jaffna	8.3	48	3.6
Mannar	20.1	19	1.5
Vavunia	3.4	6	0.4
Mullaitivu	28.8	26	1.9
Kilinochchi	12.7	14	1.1
Batticaloa	19.4	101	7.5
Ampara	5.4	35	2.6
Trincomalee	9.0	34	2.5
Kurunegala	6.5	102	7.6
Puttalam	5.1	38	2.8
Anuradhapura	7.6	63	4.7
Polonnaruwa	6.7	26	2.0
Badulla	12.3	98	7.3
Moneragala	20.8	92	6.8
Ratnapura	10.4	112	8.4
Kegalle	6.7	55	4.1

“Empty pockets never held anyone back. Only empty heads and empty hearts can do that.” ~Norman Vincent Peale

Poverty shortfall

Poverty shortfall is the amount of expenditure or income need for those who are poor to bring their expenditure or income 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.638 in real term per month per poor person and overall Rs.854 million per month is required for 1.3 million poor to bring them out of poverty. The highest contribution to total shortfall has been reported from Southern province. Among the districts Batticaloa was the high-

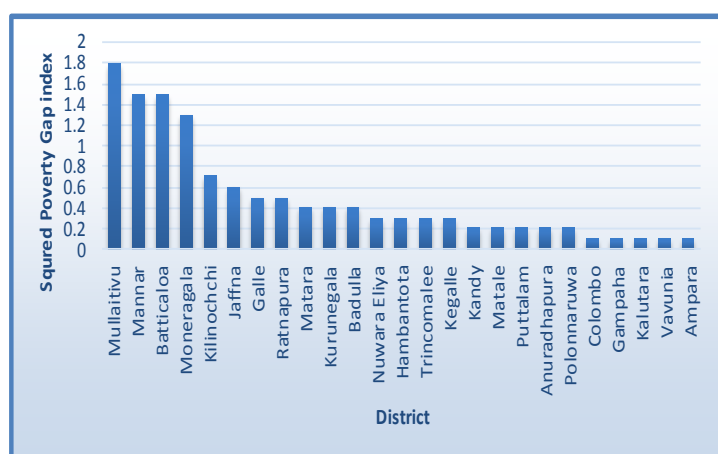


Figure 4: Squared Poverty Gap index by district –2012/13

Severity of the poverty

Poverty headcount index is a 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 individual since there Poverty Gap will be large.

Figure 4 presents the distribution of SPGI by district in 2012/13. The highest SPGI has been reported from Mullaitivu district and lowest from Ampara district.

Table 2: Poverty gap index (PGI), monthly shortfall, contribution to total shortfall by sector, province and district - 2012/13

Sector/ Province/ District	Poverty gap index (%)	Monthly shortfall		Contribution to total shortfall (%)
		Total (Rs. Million)	Average (Rs.)	
Sri Lanka	1.2	854	638	100
Sector				
Urban	0.3	44	590	5.2
Rural	1.4	757	651	88.5
Estate	1.6	54	529	6.3
Province				
Western	0.4	80	688	9.3
Central	1	90	540	10.5
Southern	1.4	122	648	14.2
Northern	2.3	86	753	10
Eastern	2.1	117	691	13.7
North Western	1.1	96	684	11.2
North Central	1	46	512	5.4
Uva	2.6	118	623	13.9
Sabaragamuwa	1.5	101	603	11.8
District				
Colombo	0.3	24	747	2.8
Gampaha	0.4	34	717	4
Kalutara	0.5	22	601	2.6
Kandy	1	46	557	5.4
Matale	1.1	18	490	2.1
Nuwara Eliya	1	25	548	3
Galle	1.8	67	653	7.8
Matara	1.2	36	629	4.2
Hambantota	0.9	19	668	2.2
Jaffna	1.7	36	751	4.2
Mannar	4.6	16	825	1.9
Vavunia	0.5	3	577	0.4
Mullaitivu	6.2	20	779	2.4
Kilinochchi	2.4	10	686	1.1
Batticaloa	4.5	85	844	10
Ampara	0.6	13	388	1.6
Trincomalee	1.4	18	544	2.2
Kurunegala	1.3	73	711	8.5
Puttalam	0.9	23	612	2.7
Anuradhapura	1.1	33	522	3.9
Polonnaruwa	0.9	13	488	1.5
Badulla	1.8	52	526	6
Moneragala	4.2	67	728	7.8
Ratnapura	1.8	68	608	8
Kegalle	1.1	33	594	3.8

“The real tragedy of the poor is the poverty of their aspirations” ~Adam Smith

Impact of social protection programs on poverty

Household Income and Expenditure Survey collects the social protection information of 12 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 2012/13 are given in Table 3.

The 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 9.6 percent to 6.7 percent. That is the social protection transfer lifted 2.9 percent poor people above poverty line. The most contributory significant factor was the pension scheme. In the absence of pension, poverty headcount index would increase to 8.3 percent and Poverty Gap index would be increased to 2.1. Poverty Severity index might be increased to 1.0. However, this result evidence that the social protection programs in Sri Lanka are progressing however, those programs should be more focus to poor to reduce poverty .

Simulation of poverty

The Figure 5 depicts the consumption growth of individuals by facilitating to cross the poverty line from 2009/10 to 2012/13 by moving the graph toward to the right by reducing the height of the peak of the graph.

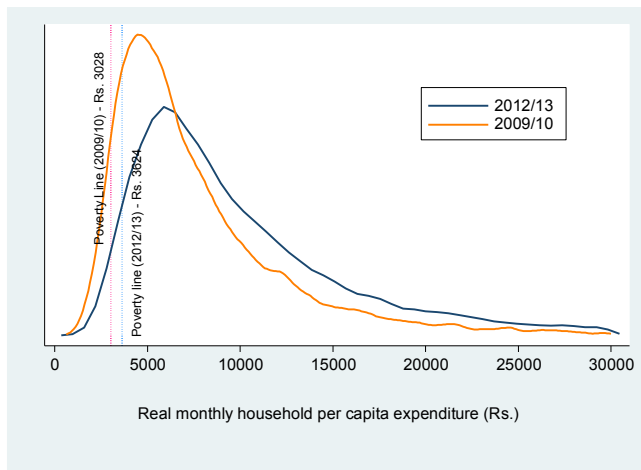


Figure 5 : Distribution of population by monthly household real per capita expenditure –2009/10 and 2012/13

Table 3: Impact of selected social protection programs on poverty measures - (simulating the absence of the program – 2012/13)

Selected Social protection program	Poverty Headcount Index(HCI) (%)	Poverty Gap Index (PGI) (%)	Squared Poverty Gap Index (SPGI) (%)
Indicator with listed transfer	6.7	1.2	0.3
Indicator without listed transfer			
All Social protection program	9.6	2.6	1.4
Social insurance	8.4	2.1	1.1
Pension	8.3	2.1	1.0
Compensation and Insurance	6.9	1.3	0.4
Social assistance program	7.8	1.7	0.6
Samurdhi	7.3	1.3	0.4
Disability and Relief	6.8	1.2	0.3
Elderly payment	6.8	1.2	0.3
Scholarship	6.8	1.2	0.3
School food program	6.8	1.2	0.4
Thripasha program	6.8	1.2	0.3
Health and medical aids	6.9	1.3	0.4
Food and other commendation	6.9	1.3	0.4
Disaster relief assistance	6.8	1.2	0.4
Fertilizer subsidies	6.7	1.2	0.3

According to the Survey data, the estimated total poor population in Sri Lanka was 1.3 million (6.7%). However, as shown in Figure 5, there is a high concentration of non-poor population just beyond the poverty line 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 in increasing the poverty inci-

dence. For example, if the value of poverty line is increased by 10 percent (from Rs. 3,624 to Rs.3986) then the poverty head count index increases up to 9.9 percent. That means number of people who are in poverty increases from 1.3 million to 2.0 million. Further, if real per capita monthly expenditure is decreased by Rs.100 then poverty headcount index will be increased up to 7.5 percent.