

## **District Official Poverty lines have been revised based on Household Income and Expenditure Survey (HIES) 2012/13 and inflated using National Consumer Price Index (NCPI)**

The household income and expenditure survey (HIES) which is a yearlong national survey has been conducted by the Department of Census and Statistics (DCS) once in three years and the latest survey was conducted in 2019. HIES is the main source of data used to calculate poverty indices in Sri Lanka. The DCS applies an internationally recognized method “Cost of Basic Need (CBN) Approach” to calculate the Official Poverty Line (OPL) on consumption based in absolute term.

The OPL which was established on HIES-2002 data by the DCS has been used since 2004 to measure poverty. The OPL is an absolute poverty line which is fixed at a specific welfare level that is; a person who meets a recommended minimal nutritional intake (2030 Kcal per day) to compare over time with household food and non-food consumption and expenditure data. For the other survey years, the poverty lines are obtained by adjusting the official poverty line of 2002 with Colombo Consumer Price Index (CCPI) for the price differences.

According to the international best practices, it is recommended that the poverty line be re-estimated every 10-15 years to capture changes in a person’s welfare (or utility) level by measuring the changes in the per-capita expenditure. It captures currently how much it costs to purchase the basic needs of goods and services and compares over time adjusting for inflation. This allows to measuring the progress in reducing poverty against a fixed benchmark for several years, while periodically refreshing the benchmark to reflect more recent economic conditions.

Accordingly, the DCS revised the OPL in 2016 in accordance to the international best practices using 2012/13 HIES data precisely after ten years of establishing the OPL in 2002. Existing 2002 and revised 2012/13 poverty lines were inflated using the National Consumer Price Index (NCPI) to update the OPL for 2016 and 2019 and onwards at national level and 2022 onwards at district levels. The revised official poverty line adopting the current living standard does not affect to the current living pattern of people. But it can improve the designing of policies to alleviate poverty more preciously.

Price differences exist not only over time, but also across districts. The spatial price indices are constructed at district levels for the survey periods and computes the district poverty lines adjusting national poverty line for price differences. For the inter survey periods the National Official Poverty Line and the district poverty lines are being adjusted monthly for the price differences using the NCPI to obtain monthly national and district poverty lines at the current prices. Accordingly, after adjusting the price differences across districts, the DCS releases district poverty lines for each month.

The value of the district poverty line itself does not imply that the poverty status by districts. The value of district poverty lines can be used for policy making, targeting the poor by the district as it can be interpreted as the minimum expenditure per person per month to fulfil the basic needs. To understand the poverty status by district levels, it is necessary to obtain the consumption values by household levels. The DCS collects this information through HIES once every three years and publishes the poverty statistics by district level. The latest information of poverty status by district levels can be obtained through the link: <http://www.statistics.gov.lk/Poverty/StaticInformation/PovertyIndicators-2019>.

District Official Poverty Lines have been revised based on 2012/13 HIES and spatial price indices of HIES 2019.