

Poverty & Equity Brief

South Asia

Sri Lanka

April 2021

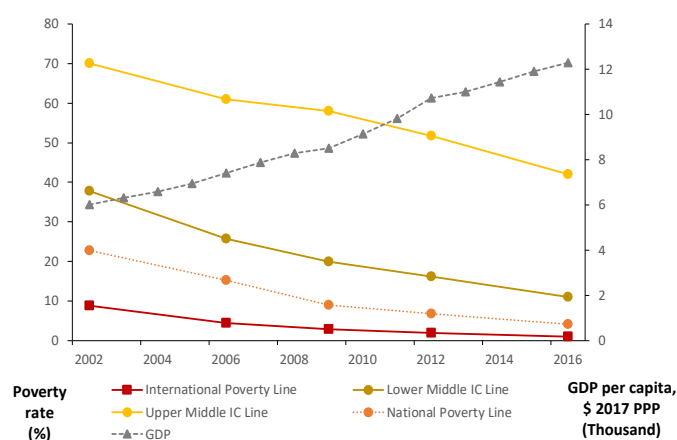
The proportion of the population living on less than \$3.20 per day (in 2011 PPP) fell from 16.2 percent in 2012/13 to 11 percent in 2016. Projections indicate that poverty further decreased to 9.2 percent by 2019. Poverty reduction over this period was primarily led by strong improvements in nonfarm labor incomes, supported by the movement of labor out of agriculture toward industry and services sectors. The latter benefited from a booming tourism sector as the number of visitors quadrupled between 2009 and 2017. Despite progress, regional disparities remain high: poverty rates in most districts in the Northern and Eastern Province are significantly higher than in the Western Province. Shared prosperity, measured as the per capita consumption growth of the bottom 40 percent, recorded 4.12 between 2012 and 2016. This was slightly lower than the average per capita consumption growth rate, implying that growth was inclusive but less pro-poor.

The COVID-19 crisis is estimated to have resulted in higher poverty and inequality amid widespread jobs and earnings losses. While poverty was relatively low in Sri Lanka prior to the pandemic, preexisting vulnerabilities were high owing to high levels of informality that lead to little job-related social protection and low earnings. Projections suggest that the crisis increased the \$3.20 poverty rate to 11.7 percent in 2020; this change translates into over 500,000 new poor people. Inequality is also expected to increase in the short run because of the unequal distribution of the labor market **shock—this** is worrying considering that Sri Lanka had relatively high levels of inequality before the pandemic. Policy measures will need to strike a balance between those that support a resilient recovery and those that aim to include the most vulnerable in the recovery process. Shifting toward a more adaptive social protection system would allow much needed support to be scaled up quickly and effectively in times of crisis.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	847.1	4.1	2016
International Poverty Line 104.5 in Sri Lanka rupee (2016) or US\$1.90 (2011 PPP) per day per capita	200.4	0.9	2016
Lower Middle Income Class Poverty Line 176 in Sri Lanka rupee (2016) or US\$3.20 (2011 PPP) per day per capita	2,332.3	11.0	2016
Upper Middle Income Class Poverty Line 302.6 in Sri Lanka rupee (2016) or US\$5.50 (2011 PPP) per day per capita	8,897.9	42.0	2016
Multidimensional Poverty Measure		1.4	2016
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		3.65	2012-2016
INEQUALITY			
Gini Index		39.3	2016
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.47	2012-2016
GROWTH			
Annualized GDP per capita growth		3.49	2012-2016
Annualized Consumption Growth per capita from Household Survey		4.12	2012-2016
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.08	2012-2016

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

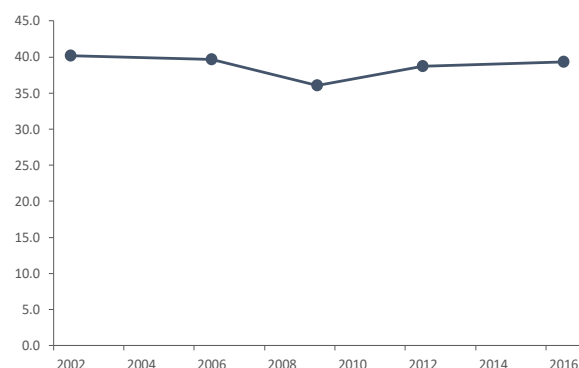
POVERTY HEADCOUNT RATE, 2002-2016



Source: World Bank using HIES/SARMD/GMD

INEQUALITY TRENDS, 2002-2016

Gini Index



Source: World Bank using HIES/SARMD/GMD

KEY INDICATORS

Distribution among groups: 2016	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2016	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	72	28	26	74	Monetary poverty (Consumption)	
Rural population	55	45	43	57	Daily consumption less than US\$1.90 per person	0.9
Males	58	42	40	60	Education	
Females	58	42	40	60	At least one school-aged child is not enrolled in school	4.0
0 to 14 years old	52	48	46	54	No adult has completed primary education	3.8
15 to 64 years old	60	40	38	62	Access to basic infrastructure	
65 and older	60	40	38	62	No access to limited-standard drinking water	12.5
Without education (16+)	34	66	64	36	No access to limited-standard sanitation	0.8
Primary education (16+)	44	56	54	46	No access to electricity	2.5
Secondary education (16+)	64	36	34	66		
Tertiary/post-secondary education (16+)	93	7	6	94		

Source: World Bank using HIES/SARMD/GMD

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Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

Poverty estimates are derived from comparing the international welfare aggregate to the international poverty lines of \$1.90, \$3.20 and \$5.50 per day in 2011 US dollars, converted to Sri Lankan rupees using the 2011 Purchasing Power Parity conversion factor. The international poverty rate is appropriate for cross-country comparisons, while the national poverty line is appropriate for comparisons of different groups within Sri Lanka, or for tracking changes over time in the ability of households to afford a subsistence level of goods. The national poverty line is based on 2002 data and therefore reflects a basket of goods required to achieve a minimum number of calories based on the prevailing expenditure patterns at that time. Both the international and national poverty lines are inflated using the Colombo Consumer Price Index. The welfare aggregate used to calculate international poverty does not deflate the welfare aggregate to account for spatial variation in prices, whereas the welfare aggregate used to calculate national poverty is deflated with a district-level food price index constructed from unit values of the household survey. The 2012/13 and 2016 surveys are representative of the entire country, including the former conflict districts in the North and East.

HARMONIZATION

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 managed by SARTSD. It includes 40 surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.