

Poverty & Equity Brief

South Asia

Sri Lanka

October 2020

Sri Lanka's international poverty rate measured at \$3.20 per person per day (in 2011 PPP terms) for lower middle-income countries declined from 16.9 percent in 2012/13 to 10.8 percent in 2016. Poverty reduction over this period was led by sustained GDP growth which contributed to higher employment and wages which were the main drivers of progress. Employment continued to shift away from agriculture and particularly towards services which were boosted in recent years by an emerging tourism sector. Extreme poverty at \$1.90 per day is rare, at under 1 percent in 2016. Shared prosperity, measured as the per capita consumption growth of the bottom 40 percent, recorded 4.24 between 2012 and 2016, which was slightly lower than the average per capita consumption growth rate.

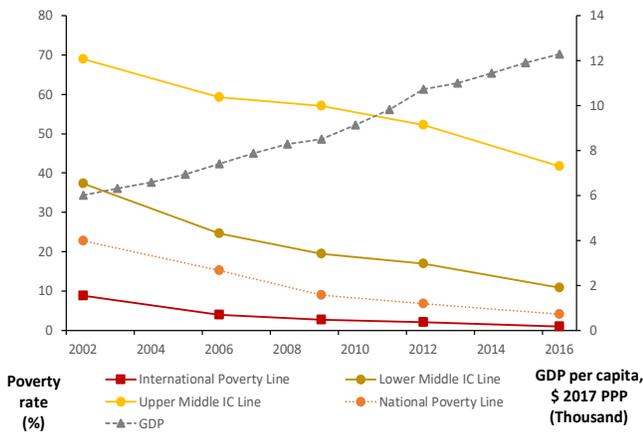
COVID-19 is expected to lead to a significant increase in poverty due to widespread jobs and earnings losses. The \$3.20 poverty headcount is projected to increase to 13 percent in 2020, after further falling to an estimated 8.9 percent in 2019. Informal workers, about 70 percent of the workforce, are particularly vulnerable as they lack employment protection. Government mitigation measures are expected to be largely inadequate. With many migrant workers returning home, remittances will likely fall which could adversely impact some poor households that rely on them as an important source of income.

There is wide variation in poverty across districts, but the national poverty line is outdated and too low to capture vulnerabilities in the population that are near-poor, especially in the Northern, Eastern and Uva provinces. In fact, Sri Lanka's poverty line is now the oldest poverty line in the South Asia region, having been established in 2002. Poverty lines serve as a benchmark for a basic standard of living and international best practice is to update this about once every decade to reflect rising living standards and changes in consumption patterns. The upcoming 2019 Household Income and Expenditure Survey could provide an opportunity to revise this benchmark upwards.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	847.1	4.1	2016
International Poverty Line 102.7 in Sri Lanka rupee (2016) or US\$1.90 (2011 PPP) per day per capita	197.8	0.9	2016
Lower Middle Income Class Poverty Line 172.9 in Sri Lanka rupee (2016) or US\$3.20 (2011 PPP) per day per capita	2,288.3	10.8	2016
Upper Middle Income Class Poverty Line 297.2 in Sri Lanka rupee (2016) or US\$5.50 (2011 PPP) per day per capita	8,833.2	41.7	2016
Multidimensional Poverty Measure		1.3	2016
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		4.24	2012-2016
INEQUALITY			
Gini Index		39.8	2016
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.48	2012-2016
GROWTH			
Annualized GDP per capita growth		3.49	2012-2016
Annualized Consumption Growth per capita from Household Survey		4.72	2012-2016
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.60	2012-2016

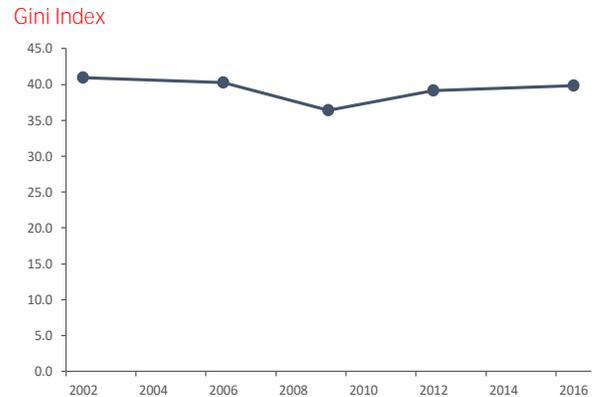
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2002-2016



Source: World Bank using HIES/SARMD/GMD

INEQUALITY TRENDS, 2002-2016



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	74	26	25	75	Monetary poverty (Consumption) Daily consumption less than US\$1.90 per person 0.9
Rural population	55	45	43	57	
Males	58	42	40	60	Education At least one school-aged child is not enrolled in school 4.0 No adult has completed primary education 3.8
Females	58	42	40	60	
0 to 14 years old	52	48	46	54	Access to basic infrastructure No access to limited-standard drinking water 11.0 No access to limited-standard sanitation 1.2 No access to electricity 2.5
15 to 64 years old	60	40	38	62	
65 and older	60	40	38	62	
Without education (16+)	35	65	64	36	
Primary education (16+)	44	56	54	46	
Secondary education (16+)	64	36	34	66	
Tertiary/post-secondary education (16+)	93	7	7	93	

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.