Poverty, Household Income/Expenditure & Inequality in Sri Lanka: Trends, Issues and Options

A. G. Wimal Nanayakkara
Structure of the Presentation

• Income Poverty
• Household Income / Expenditure Distributions
• Income Inequality
• Multidimensional Poverty
• Summary/Conclusions/Broad Recommendations
Methodology Used to Measure Income Poverty in Sri Lanka
Official Poverty Line (OPL) – Definitions and Methodology Used

• **Absolute Poverty Line** approach is chosen so that **changes in poverty over time or across regions** can be easily checked with reference to explicitly fixed Poverty Line at a specific welfare level

• **OPL** is fixed at a welfare level of a person who meets a certain minimal nutritional intake (2030 Kcal) in 2002
OPL – Cost of Basic Needs (CBN) Method

• The objective of a poverty line is to capture the basic needs to meet minimum living standards.

• 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.
OPL – Cost of Basic Needs Method

• The non-food component could be estimated from the expenditure composition of the households whose food expenditures are close to what is required to achieve the nutritional anchor

• The standard approach in CBN method is to first find a food consumption bundle of the population likely to be poor and then estimate the cost of consuming this bundle using the prices faced by the reference group

• The food expenditure thus derived constitutes the food poverty line
How the Food Poverty Line is derived

- The households in the 2nd to 4th Deciles ranked by real per-capita total consumption expenditure, are chosen as the reference group.

- All food items for which both expenditure and quantity information are available are selected.

- The aggregates of food expenditures and calorie intakes in the reference group are calculated.

- The cost per calorie is derived by dividing the former by the latter.

- The food poverty line (for 2002) is defined at Rs.973 per capita per month by multiplying the per calorie cost by 30*2030 (Nutritional Anchor).
How the Non-Food component of the Poverty Line is derived (LOWER BOUND)

*H/H whose real per capita total expenditure is 10% above the Food PL

_____Food Poverty Line[Rs.973]
(MEDIAN per cap/month - non-food exp. of this ref.group is taken as the Lower Bound(LB))

*H/H whose real per capita total expenditure is 10% below the Food PL
The logic behind the use of Lower Bound is as follows:

- Non-Food Expenditure of such households should be considered as absolutely essential for sustaining the minimum living standards, simply because any amount of spending on non-food items for such households necessarily reduces their food expenditure below what is required to attain the minimum calorie requirement.
How the Non-Food component of the Poverty Line is derived (UPPER BOUND)

*H/H whose real per capita Food expenditure is 10% above the Food PL

_____Food Poverty Line [Rs.973]
(MEDIAN per cap/month - non-food exp. of this ref.group is taken as the Upper Bound (UB))

*H/H whose real per capita Food expenditure is 10% below the Food PL
The rational for such an UPPER BOUND is as follows:

• The average nonfood expenditures among households whose food expenditure is around the food poverty line is applicable to households that no longer need to sacrifice food expenditure necessary to meet the minimum caloric requirement in order to consume non-food items.
THE NATIONAL POVERTY LINE

• Lower PL=Food PL+LB Non-food PL
• Upper PL=Food PL+UB Non-food PL
• The National Official Poverty Line (NOPL)
  (NOPL) for Sri Lanka is an arithmetic mean of the Lower and Upper Poverty Lines
  That is,
  \[ NOPL = \frac{(\text{Lower PL} + \text{Upper PL})}{2} \]
**Summary of Poverty Lines at 2002 National Prices**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. FOOD Poverty Line</td>
<td>Rs. 973 per cap/month</td>
</tr>
<tr>
<td>2. LOWER Poverty Line</td>
<td>Rs. 1267 per cap/month</td>
</tr>
<tr>
<td>3. UPPER Poverty Line</td>
<td>Rs. 1579 per cap/month</td>
</tr>
<tr>
<td>4. OFFICIAL POVERTY LINE</td>
<td>Rs. 1423 per cap/month (Now this has increased to more than Rs.1650)</td>
</tr>
</tbody>
</table>
Poverty line (PL) in the year 2002 ➔ Rs. 1423 per person per month

Those who are just above the poverty line can slip back to poverty easily, and therefore need to be protected.

NPL for 2016 ➔ Rs. 4116 per person per month

Poverty Headcount (or Incidence of Poverty) is the % of population below the poverty line.

Note: Those people who are below the PL, but closer to it, can be pushed out of poverty much easily, than those who are far below the poverty line.
Steps involved in estimating poverty using HIES2016 data file

• To compute the “District Poverty Line” ➔ Multiply the Official Poverty line by “District Spatial Price Index”

• Compute the “Per capita expenditure per month” ➔ Total Household Expenditure per month/ Household side size

• Compare the Per capita expenditure per month (PCEPM) with the District Poverty line (DPL)

• If (PCEPM < DPL) ➔ HH is poor (assign “1”) & If (PCEPM >= DPL) ➔ HH is non-poor (assign “0”) such households
Steps involved in estimating poverty using HIES2016 data file

• Once you identify the poor households (those households with the variable “Poor HHs” =1)

• Multiply the variable Poor HHs by Household size to get the Poor Persons. The sum of the persons living in poor households will be the total number of poor Persons

• To compute the Poverty Head Count: Divide the Total number of poor persons by the total number of persons, under any desired geographical area/category you are interested (district, sector, socio-economic group, age group, etc.)

- Sri Lanka managed bring **income poverty** down from 26.1% in 1990/91 to 4.1% in 2016
- However, persistent inequality is a major concern which needs urgent attention

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban</th>
<th>Rural</th>
<th>Estate</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990/91</td>
<td>16.3</td>
<td>29.5</td>
<td>20.5</td>
<td>26.1</td>
</tr>
<tr>
<td>1995/96</td>
<td>14.0</td>
<td>30.9</td>
<td>38.4</td>
<td>28.8</td>
</tr>
<tr>
<td>2002</td>
<td>7.9</td>
<td>24.7</td>
<td>30.0</td>
<td>22.7</td>
</tr>
<tr>
<td>2006/07</td>
<td>6.7</td>
<td>15.7</td>
<td>32.0</td>
<td>15.2</td>
</tr>
<tr>
<td>2009/10</td>
<td>5.3</td>
<td>9.4</td>
<td>11.4</td>
<td>8.9</td>
</tr>
<tr>
<td>2012/13</td>
<td>2.1</td>
<td>10.9</td>
<td>10.9</td>
<td>6.7</td>
</tr>
<tr>
<td>2016</td>
<td>1.9</td>
<td>4.3</td>
<td>8.8</td>
<td>4.1</td>
</tr>
</tbody>
</table>

**Percentage of persons in Poverty (%)**

0 5 10 15 20 25 30 35 40 45

**Poverty Trends**
What are Global Poverty Lines\[1.90 a day; $3.20 a day (2011 PPP)\]?

• There seems to be a misconception that the GPLs could be used to estimate poverty in Sri Lanka, by simply multiplying the GPLs by the exchange rate during the period in which HIESs have been conducted, to compute its value in local currency. This is totally false.

• For example, if extreme poverty is to be estimated, it is necessary to first convert $1.90 to local currency using 2011 Purchasing Power Parity (PPP).

• The PPP conversion factor for private consumption (including consumption from own production), is the number of units of a country’s currency required to buy the same amount of goods and services in domestic market as one US$ would buy in United States.

• After the GPL $1.90 a day is converted to local currency at 2011 prices, it needs to be inflated using the Consumer Price Index (CPI), to determine the value of the $1.90 a day in local currency, pertaining to the periods in which HIESs have been conducted, which amounts to only Rs. 3,065 per month per person in 2016, while the corresponding NPL was Rs. 4,166 \([($2.60) 2011 PPP]\).

• As such, if the GPL of $1.90 a day is to be used to measure extreme poverty in Sri Lanka, in 2016, only 0.73 percent of the population are in extreme poverty (Table below), which could be checked, if necessary using “PovcalNet”. 

Table below
GPL for Middle Income Countries

• The World Bank also uses $3.20 a day, poverty line to compare poverty in Lower Middle Income Countries (LMICs) and $5.50 a day in Upper Middle Income Countries.

• The main aim of GPLs is to compare the incidences of poverty at national level, among countries. These international poverty lines are generally not suitable for the analysis of poverty within a country. For that purpose, country specific poverty lines are needed, reflecting the country’s economic and social situations.
Incidence of Poverty based on National Poverty Line and Global Poverty Lines (Extreme Poverty-$1.90 a day and Poverty Line for Lower Middle Income Countries-$3.20 ➔ Both 2011PPP) – 1990/91 to 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Income Poverty based on NPL</th>
<th>Extreme Poverty based GPL $1.90 (2011 PPP)</th>
<th>Poverty Based on GPL for LMIC $3.20 (2011 PPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990/91</td>
<td>26.1</td>
<td>13.27</td>
<td>43.14</td>
</tr>
<tr>
<td>1995/96</td>
<td>28.8</td>
<td>8.85</td>
<td>41.50</td>
</tr>
<tr>
<td>2002</td>
<td>22.7</td>
<td>8.25</td>
<td>36.00</td>
</tr>
<tr>
<td>2006/07</td>
<td>15.2</td>
<td>3.75</td>
<td>23.55</td>
</tr>
<tr>
<td>2009/10</td>
<td>8.9</td>
<td>2.41</td>
<td>18.32</td>
</tr>
<tr>
<td>2012/13</td>
<td>6.7</td>
<td>1.92</td>
<td>16.07</td>
</tr>
<tr>
<td>2016</td>
<td>4.1</td>
<td>0.73</td>
<td>9.50</td>
</tr>
<tr>
<td>Poverty Measure</td>
<td>Value in Rs. in 2016 at National Level/[ Rs. Equivalent of GPL (2011PPP)] per month</td>
<td>[Equivalent in US$ (2011PPP), for specified NPLs] per day</td>
<td>% of Population below specified line (or Poverty Headcount)</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>1 National Poverty Line (NPL)</td>
<td>Rs.4166.00</td>
<td>[US$2.60]</td>
<td>4.1</td>
</tr>
<tr>
<td>2 NPL increased by 10%</td>
<td>Rs.4582.60</td>
<td>[US$2.86]</td>
<td>6.1</td>
</tr>
<tr>
<td>3 NPL increased by 20%</td>
<td>Rs.4999.20</td>
<td>[US$3.12]</td>
<td>8.7</td>
</tr>
<tr>
<td>4 Global Poverty Line (GPL) for Extreme Poverty [$1.90 a day per person (2011PPP)]</td>
<td>[Rs.3065.00]</td>
<td>US$1.90</td>
<td>0.7</td>
</tr>
<tr>
<td>5 Global Poverty Line (PPP) [$3.20 a day per person (2011 PPP)]</td>
<td>[Rs.5127.00]</td>
<td>US$3.20</td>
<td>9.5</td>
</tr>
<tr>
<td>6 NPL increased by 23%</td>
<td>Rs.5124.18</td>
<td>[US$3.19]</td>
<td>9.5</td>
</tr>
<tr>
<td>7 Relative Poverty(RP)*</td>
<td></td>
<td></td>
<td>10.3</td>
</tr>
<tr>
<td>8 Multidimensional Poverty (MDP)#</td>
<td></td>
<td></td>
<td>1.9</td>
</tr>
<tr>
<td>9 Near Multidimensional Poverty (NMDP)</td>
<td></td>
<td></td>
<td>9.6</td>
</tr>
<tr>
<td>10 MDP + NMDP</td>
<td></td>
<td></td>
<td>11.5</td>
</tr>
</tbody>
</table>

Note: *Based on 40% of the Median per capita expenditure. [RP is usually used in developed countries];#The incidence of MDP and NMDP may vary slightly depending on the indicators used to compute them.

Source: Author’s estimates based on HIES-2016, of the DCS
Number of Persons in Income Poverty, Poverty Headcount and Number of Persons in Poverty if NPL increased by 10% & 23% by Districts
Number of Persons in Poverty based on National and Global Poverty Lines (2016) by District
Poverty Headcount based on National and Global Poverty Lines (2016) by District

Poverty Headcount or % in Poverty within each District

- Income Poverty based on National Poverty Line (NPL) - %
- Income poverty Headcount if National Poverty Line PL_Increased by 23%
- Extreme Poverty Headcount based Global PL $1.90 a day
- Poverty Headcount based on Global Poverty Line $3.20 a day
# Poverty by Age Group - 2016

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Incidence of poverty based on NPL</th>
<th>Incidence of poverty when NPL increased by 10%</th>
<th>Incidence of poverty in extreme poverty (based on Global poverty line $1.90 day 2011 PPP)</th>
<th>Incidence of poverty when NPL is increased by 23%</th>
<th>Incidence of poverty based on Global Poverty Line for &quot;Lower middle income countries [below $3.20 a day (2011 PPP)]&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 5 yrs</td>
<td>12.00%</td>
<td>10.00%</td>
<td>8.00%</td>
<td>6.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>5-9 yrs</td>
<td>10.00%</td>
<td>8.00%</td>
<td>6.00%</td>
<td>4.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>10-14 yrs</td>
<td>8.00%</td>
<td>6.00%</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>15-19 yrs</td>
<td>6.00%</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>20-24 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>25-29 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>30-34 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>35-39 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>40-44 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>45-49 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>50-54 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>55-59 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>60-64 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>65-69 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>70-74 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>75-79 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>80-84 yrs</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
<tr>
<td>85 yrs +</td>
<td>4.00%</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.25%</td>
</tr>
</tbody>
</table>
Inequality

Although there is a considerable reduction in incidences of poverty, inequality is still a major concern: Gini Coefficient of per capita Expenditure ➔ Sri Lanka=0.40; Urban=0.43;
Rural=0.38 & Estate=0.26
## Average Household Income by Household Income Deciles -1990 to 2016

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>D1-Poorest</td>
<td>661</td>
<td>1139</td>
<td>2123</td>
<td>4412</td>
<td>5723</td>
<td>6700</td>
<td>10419</td>
</tr>
<tr>
<td>D2</td>
<td>1165</td>
<td>1938</td>
<td>3971</td>
<td>7789</td>
<td>10691</td>
<td>13790</td>
<td>19914</td>
</tr>
<tr>
<td>D3</td>
<td>1540</td>
<td>2614</td>
<td>5251</td>
<td>10207</td>
<td>14285</td>
<td>18962</td>
<td>26810</td>
</tr>
<tr>
<td>D4</td>
<td>1900</td>
<td>3210</td>
<td>6441</td>
<td>12472</td>
<td>17833</td>
<td>23589</td>
<td>33204</td>
</tr>
<tr>
<td>D5</td>
<td>2256</td>
<td>3830</td>
<td>7733</td>
<td>14999</td>
<td>21712</td>
<td>28291</td>
<td>39855</td>
</tr>
<tr>
<td>D6</td>
<td>2646</td>
<td>4515</td>
<td>9295</td>
<td>18107</td>
<td>26047</td>
<td>33597</td>
<td>47462</td>
</tr>
<tr>
<td>D7</td>
<td>3176</td>
<td>5535</td>
<td>11319</td>
<td>21898</td>
<td>31656</td>
<td>40582</td>
<td>57288</td>
</tr>
<tr>
<td>D8</td>
<td>3935</td>
<td>7092</td>
<td>14328</td>
<td>27654</td>
<td>39448</td>
<td>50640</td>
<td>71399</td>
</tr>
<tr>
<td>D9</td>
<td>5309</td>
<td>9750</td>
<td>19666</td>
<td>38213</td>
<td>53192</td>
<td>68362</td>
<td>95000</td>
</tr>
<tr>
<td>D10-Richest</td>
<td>12963</td>
<td>26187</td>
<td>47569</td>
<td>98500</td>
<td>143969</td>
<td>174376</td>
<td>162460</td>
</tr>
<tr>
<td>All Groups</td>
<td>3549</td>
<td>6579</td>
<td>12804</td>
<td>25414</td>
<td>36451</td>
<td>45878</td>
<td>62237</td>
</tr>
</tbody>
</table>
Rich in Sri Lanka are getting richer at a rapid rate, while the poor are struggling to exist. This could lead to social unrest unless appropriate action is taken to reduce the gap between rich and poor.
### Share of Household Income by Household Income Deciles 1990/91 to 2016

<table>
<thead>
<tr>
<th>Household Income Decile (Households divided into 10 equal groups, arranged from Poorest to Richest)</th>
<th>Share of Household Income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[Share ➔”Total of Household Incomes” under each decile, as a percentage of “Total Household Incomes of All Households in the Country”]</td>
</tr>
<tr>
<td>D1-Poorest</td>
<td>1.9</td>
</tr>
<tr>
<td>D2</td>
<td>3.3</td>
</tr>
<tr>
<td>D3</td>
<td>4.3</td>
</tr>
<tr>
<td>D4</td>
<td>5.3</td>
</tr>
<tr>
<td>D5</td>
<td>6.4</td>
</tr>
<tr>
<td>D6</td>
<td>7.5</td>
</tr>
<tr>
<td>D7</td>
<td>9.2</td>
</tr>
<tr>
<td>D8</td>
<td>10.8</td>
</tr>
<tr>
<td>D9</td>
<td>14.8</td>
</tr>
<tr>
<td>D10-Richest</td>
<td>36.5</td>
</tr>
<tr>
<td>All Groups</td>
<td>100.0</td>
</tr>
</tbody>
</table>
While the share of the total Household Income of the Richest 10 percent had been fluctuating between 36 to 40 percent, share of the poorest 10 percent remained at less than 2 percent throughout period from 1990/91 to 2016.

The income share of the Richest Decile is more than twice even the share of those households in the ninth decile.
Inequality in Household Income within each District*: Percentage Share of Poorest 40% of Households and Richest 20% of the Households by Districts - 2016
Actual Picture on Regional Variation in the Distribution of Household Income and Overall Patterns in Inequality

• Using Household Income Deciles of each district separately is appropriate to measure inequality within districts.

• To get the total picture on actual regional variation in the distribution of household incomes and overall patterns in inequality, it is more appropriate to consider National Household Income Deciles. Figure in the next slide shows the household shares and household income shares, when poorest 40 percent and richest 20 percent of the “National Household Income Deciles (NHHIDs)” (i.e. by dividing the households at national level to 10 equal groups, based on the household incomes) and applying these NHHID values to each district.

• This allows comparing the household incomes of poor and rich in each district, relative to the corresponding household incomes at national level. Therefore Figure in the next slide provides a clearer picture on district variations in household incomes as all comparisons are done based on the NHHIDs, which puts the household income distributions in all districts to a common scale.
Shares of the Household Incomes and Percentages of Households falling into Richest 20 percent and Poorest 40 percent (based on the NHHIDs) in each District

- % share of Households with HH Income greater than Rs. 81,372 (lower limit for richest 20% in National HH Income Deciles)
- % share of the Household Income (based on the Richest 20% of National HHIncome Deciles)
- % of Households in each district out of the total
- % of Households with HH Income less than Rs. 30,000 (upper limit for poorest 40% in National HH Income Deciles)
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</thead>
<tbody>
<tr>
<td><strong>Mean Household Income</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(at prices prevailed during the survey periods or Nominal Mean Household Income) - Rs.</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>No. of times</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean Income of Richest 10% compared that of Poorest 10%</td>
<td>7.8</td>
<td>23.0</td>
<td>22.4</td>
<td>22.3</td>
<td>25.2</td>
<td>26.0</td>
<td>15.6</td>
</tr>
<tr>
<td><strong>Median Household Income per Month</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2,547</td>
<td>3,793</td>
<td>8,482</td>
<td>16,735</td>
<td>23,746</td>
<td>30,814</td>
<td>43,511</td>
<td></td>
</tr>
<tr>
<td><strong>Gini Coefficient of Household Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.43</td>
<td>0.46</td>
<td>0.47</td>
<td>0.49</td>
<td>0.49</td>
<td>0.48</td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td><strong>Gini coefficient of household expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>0.36</td>
<td>0.41</td>
<td>0.41</td>
<td>0.37</td>
<td>0.40</td>
<td>0.41</td>
<td></td>
</tr>
<tr>
<td><strong>Income Poverty Headcount (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.1</td>
<td>28.8</td>
<td>22.7</td>
<td>15.2</td>
<td>8.9</td>
<td>6.7</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td><strong>Poverty Gap Index (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.6</td>
<td>6.6</td>
<td>5.1</td>
<td>3.1</td>
<td>1.7</td>
<td>1.2</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td><strong>Poverty severity</strong></td>
<td>1.8</td>
<td>2.2</td>
<td>1.6</td>
<td>0.9</td>
<td>0.5</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Household Size</strong></td>
<td>3.8</td>
<td>3.9</td>
<td>4.2</td>
<td>4.1</td>
<td>4.0</td>
<td>3.9</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Food Ratio (%)</strong></td>
<td>60.9</td>
<td>54.4</td>
<td>44.5</td>
<td>37.6</td>
<td>42.3</td>
<td>37.8</td>
<td>34.8</td>
</tr>
</tbody>
</table>
Multidimensional Poverty & Near Multidimensional Poverty
Multidimensional Poverty (MDP)

- Multidimensional Poverty (MDP) is an effective measure that captures the many different deprivations faced by the poor.
- Unlike income poverty, MDP takes into consideration the different types of deprivations that individuals experience simultaneously.
- The Alkire-Foster Method (AFM), used to measure MDP, involves three dimensions: health, education, and living standards, which are measured through ten indicators (See technical notes of Human Development Report 2016 for details).
- Table in the next slide give the indicators (or deprivations) under each dimension and the relevant weights used in this analysis.
- The MDP reveals the types of deprivations faced by the poor, poverty levels in different regions of the country, and the different sub groups suffering from poverty. It also identifies different types of deprivations, and can help determine region-specific strategies to combat poverty and inequality.
<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Weight assigned to each Indicator (out of 10)</th>
<th>Indicator No.</th>
<th>HIES-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td></td>
<td>1.67</td>
<td>1  Calorie (energy) consumption of the household is less than 80% of the requirement &amp; Food Ratio more than 60%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.67</td>
<td>2  Head of the Household chronically ill or disabled or too old to work</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td>1.67</td>
<td>3  No one in household has completed six years of schooling (as recommendation in HDR2014; earlier considered only 5 years of schooling)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.67</td>
<td>4  At least one school-age child not enrolled in school</td>
</tr>
<tr>
<td>Living Conditions</td>
<td></td>
<td>0.56</td>
<td>5  Household has no Electricity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.56</td>
<td>6  Household has no access to clean drinking water</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.56</td>
<td>7  Household has no access to improved sanitation or even if improved, it is shared</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.56</td>
<td>8  Household has dirty (mud/dung) floor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.56</td>
<td>9  Household using firewood for cooking</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.56</td>
<td>10 Assets: not having at least one asset related to access to information (radio, TV, Telephone) and not having at least one asset related to mobility (bike, motorbike, three-wheeler, car, van, truck, animal cart, boat) or a refrigerator</td>
</tr>
</tbody>
</table>
Multidimensional Poverty (MDP)

- MDP is a measure of acute poverty, which reveals the combination of deprivations that batter a household at the same time.
- Multidimensional Poverty Index offers a valuable complement to the traditional “Income Poverty”
- Three (3) dimensions of MDP: Health (H), Education (E) and Standard of Living (SL).
- These are measured using 10 indicators.
- Each “dimension” is equally weighted (10/3=3.33) and each “indicator” is equally weighted within each dimension (H-10/6=1.67, E-10/6=1.67 & SL-10/18=0.56).
- If a household (HH) is deprived of any of the 10 indicators (given in the previous slide), the corresponding weight is added for that particular HH.
- If the “Sum of the Weights (SoW)” exceeds “33.3%” (i.e. 33.3% of the weighted deprivations), such HHs are considered to be in “Multidimensional Poverty”; if [(SoW>=20.0%) and (SoW<33.3%)] Such HHs are “Near Multidimensionally Poor” and therefore could slip into Multidimensional Poverty easily.
- All the Members (including children) in such households are considered to be “Multidimensionally Poor”.

A simple example of a Household Facing Multiple Deprivations Simultaneously

• Sunil is a labourer who lives in a small hut with his wife, and their two children, aged seven and four years.

• Both Sunil and his wife have had schooling only up to grade five. Their hut has no electricity or proper sanitation facilities. The elder child is not in school yet.

• It is clear that Sunil and his family are facing many deprivations simultaneously, and low income is just one dimension of poverty.
MDP & NMDP

- The “weighted sum of deprivations” for a household is determined by adding the weights for the deprivations the household is facing simultaneously.

- Multidimensionally poor are those living in households facing a weighted sum of 33.3% or more of the deprivations and

- Near Multidimensionally Poor are those living in households facing a weighted sum of more than 20.0% and less than 33.3% of deprivations.

- The Near Multidimensionally Poor are those considered to be vulnerable to Multidimensional Poverty.

- As the weighted sum of deprivations of Sunil’s household in the above example, is 44.6% and therefore exceeds 33.3%, Sunil’s family is Multidimensionally poor. If the deprivation score was 50% or higher his family would be “Severely Multidimensionally Poor”
Percentage Contributions of Deprivations Faced by Persons in Multidimensional Poverty / Near Multidimensional Poverty by Type of Deprivation

<table>
<thead>
<tr>
<th>Deprivation</th>
<th>Contribution to MD Poverty</th>
<th>Contribution to Near MD Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Education: No one in the HH completed 6 yrs of School Education [16.7]</td>
<td>24%</td>
<td>13%</td>
</tr>
<tr>
<td>2-Education: Compulsory age child not attending school [16.7]</td>
<td>16%</td>
<td>1%</td>
</tr>
<tr>
<td>3-Health: HHs not receiving at least 80% of calorie (energy) requirement although expenditure on food is 60% or more [16.7]</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>4-Health: Head of Household not working (Chronically ill/ disabled/ too old) [16.7]</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>5-Living Conditions: HH has no Electricity [16.7]</td>
<td>4%</td>
<td>23%</td>
</tr>
<tr>
<td>6-Living Conditions: No safe drinking Water [5.6]</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>7-Living Conditions: HH not having access to improved sanitation [5.6]</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>8-Living Conditions: Using wood, dung or coal for cooking [5.6]</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>9-Living Conditions: Having a dirty floor (mud, sand / dung) [5.6]</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>10-Living Conditions: Assets inadequate [5.6]</td>
<td>4%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Contributions of Deprivations to Multidimensional Poverty and Near Multidimensional Poverty

• The first pie chart in the figure in earlier slide show the magnitude of the contributions of deprivations to MDP. The second show the corresponding contributions to NMDP.

• It is clear from these two charts that the highest contributions are from deprivations 1, 3, 4 and 7, for both MDP and NMDP, although the magnitudes are different.

• In the case of MDP the highest contribution is from Deprivation 1: ‘No one in the household has 6 years of education’ (24.5%). This is followed by the two health deprivations[4 and 3] and ‘not having access to improved sanitation’ [7]. These four accounts for almost 75% of the total contributions of deprivations to MDP.

• In the case of NMDP, the main contribution is from the Deprivation 4: ‘Head of the household is not working due to a chronical illness, disability or old age’, which amounts to 33.9%. Other high contributors are deprivations 7, 3, and 1. These four deprivations accounts for 86.1% of the total contributions of deprivations to NMDP.
## Incidence of Poverty in Sri Lanka in 2016 based on Different Measures of Poverty

<table>
<thead>
<tr>
<th>Poverty Measure</th>
<th>Value in Rs. in 2016 at National Level/[ Rs. Equivalent of GPL (2011PPP)] per month</th>
<th>[Equivalent in US$ (2011PPP), for specified NPLs] per day</th>
<th>% of Population below specified line (or Poverty Headcount)</th>
<th>Number of Persons below the specified line</th>
<th>Difference compared to National Poverty Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 NPL</td>
<td>Rs.4166.00 [US$2.60]</td>
<td></td>
<td>4.1</td>
<td>843,300</td>
<td></td>
</tr>
<tr>
<td>2 NPL increased by 10%</td>
<td>Rs.4582.60 [US$2.86]</td>
<td></td>
<td>6.1</td>
<td>1,255,702</td>
<td>412,402</td>
</tr>
<tr>
<td>3 NPL increased by 20%</td>
<td>Rs.4999.20 [US$3.12]</td>
<td></td>
<td>8.7</td>
<td>1,801,048</td>
<td>957,748</td>
</tr>
<tr>
<td>4 Global Poverty Line (GPL) for Extreme Poverty  [$1.90 a day per person (2011PPP)]</td>
<td>[Rs.3065.00] [US$1.90]</td>
<td></td>
<td>0.7</td>
<td>150,624</td>
<td>-692,676</td>
</tr>
<tr>
<td>5 Global Poverty Line (PPP) [$3.20 a day per person (2011 PPP)]</td>
<td>[Rs.5127.00] [US$3.20]</td>
<td></td>
<td>9.5</td>
<td>1,961,915</td>
<td>1,118,615</td>
</tr>
<tr>
<td>6 NPL increased by 23%</td>
<td>Rs.5124.18 [US$3.19]</td>
<td></td>
<td>9.5</td>
<td>1,959,823</td>
<td>1,116,523</td>
</tr>
<tr>
<td>7 Relative Poverty(RP)*</td>
<td></td>
<td></td>
<td>10.3</td>
<td>2,120,886</td>
<td>1,277,586</td>
</tr>
<tr>
<td>8 Multidimensional Poverty (MDP)#</td>
<td>1.9</td>
<td></td>
<td></td>
<td>397,123</td>
<td></td>
</tr>
<tr>
<td>9 Near Multidimensional Poverty (NMDP)</td>
<td></td>
<td></td>
<td>9.6</td>
<td>1,988,487</td>
<td></td>
</tr>
<tr>
<td>10 MDP + NMDP</td>
<td>11.5</td>
<td></td>
<td></td>
<td>2,385,610</td>
<td>1,542,610</td>
</tr>
</tbody>
</table>

Note: *Based on 40% of the Median per capita expenditure. [RP is usually used in developed countries];#The incidence of MDP and NMDP may vary slightly depending on the indicators used to compute them.

Source: Author’s estimates based on HIES-2016, of the DCS
What do the poverty figures mean for Sri Lanka?

- The above table compares incidence of poverty based on NPLs, GPLs, RP and MDP & NMDP.
- These estimates of the “poor and near poor” based on different measures show that at least 11.5 percent of the population in Sri Lanka, are either poor or near poor in some form.
- The near poor could easily slip back to poverty due any economic shocks, natural disasters, etc.
- All these estimates could be made by Sectors, Districts, as well as by different socio-economic groups, which would be useful in developing poverty reduction strategies, as there are huge variations in the incidence of poverty between regions and socio-economic groups.
Child Poverty in Sri Lanka
Background Information on the Analysis

• The analysis is based on Household Income and Expenditure Survey-2012/13
• All Children under 19 years of age were covered in the analysis
• Analysis looks at children who are “Income Poor” and/or “Multidimensionally Poor” (i.e. children living in Income Poor households, Multidimensionally Poor Households and households which are both Income Poor and Multidimensionally Poor) ➔ All such children are considered “Poor Children” in this analysis

• Why is it important to look at children who are “Income Poor (IP)” and/or “Multidimentionally Poor (MDP)”?
  ➔ SDG 1 aims at eradicating extreme poverty for all people everywhere (< $1.25 a day 2005 PPP or < $1.90 a day 2011 PPP) AND reducing at least by half, the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions (Targets 1.1 and 1.2 under SDG 1)
• As such it is necessary to look at all dimensions of poverty and not just Income Poverty
Why is it necessary to look at Child Poverty?

• Impact of poverty during childhood can have adverse effects on children which are irreversible ➔ They are more likely to have: Nutrition & Health problems; low academic achievements; drop out of schools earlier than others, etc.

• Child poverty can last more than a lifetime, first becoming an adult in poverty and then passing poverty again to the next generation of children

• Sustainable eradication of extreme poverty requires breaking this intergenerational poverty cycle, which can only be achieved through priority attention to poor children

• Helping children to avoid poverty and overcome its most damaging effects will make a huge difference to their lives, as well as those of their families and communities

• It is heartening to note that, for the first time in global goals, child poverty has been specifically recognized and targeted

• Although the series of HIESs conducted by the DCS, provide comprehensive information on poverty, adequate research on “Child Poverty” has not been carried out in Sri Lanka, thus far

• This analysis is therefore, is an attempt to fill this gap, to a certain extent

• Much deeper analysis could be done, using available data

• Similar analysis could be done, using data files of HIES-2016
The UN General Assembly has adopted the following definition for child poverty in 2007 –

“Children living in poverty are deprived of nutrition, water and sanitation, access to basic health care services, shelter, education, participation and protection, and that while a severe lack of goods and services hurts every human being, it is most threatening and harmful to children, leaving them unable to enjoy their rights to reach their full potential and to participate as full members of the society”

(www.unicef.org/media/media_38003.html).
Need to consider children in both Income Poverty and Multidimensional Poverty

• Based on the new UN definition, measuring child poverty can no longer be lumped together with general poverty assessments, which often focus solely on income levels

• As such, it is necessary to take into consideration, the access to basic services, such as education, health care facilities, safe drinking water and improved sanitation, proper housing, etc., as well, when measuring child poverty

• Multidimensional Poverty covers all these aspects

• As such, when children living in income poor households and/or multidimensionally poor households are considered, all poor children who are facing any type of deprivation or combination of deprivations are covered and they are treated as “Poor Children” in the analysis

• Analysis also examines the extent to which the poor children are affected due to inadequate access to safe water and sanitation, as well as access to education/children not attending school etc.
Children (under 19 years): Income Poor and/or Multidimensionally Poor, and Non-poor – 2012/13

All Children (under 19 years): 6,449,339

Income Poor Children: 555,883 (8.6%)

A: Multidimensionally Not Poor: 431,208 (or 77.5% out of Income Poor Children)

B: Multidimensionally Poor: 124,675 (or 22.5% out of Income Poor Children)

Children Not Income Poor: 5,893,456 (91.4%)

C: Multidimensionally Not Poor: 5,742,435 (or 97.4% out of children not income poor) [This group of children are neither Income Poor nor Multidimensionally Poor]

D: Multidimensionally Poor: 151,021 (or 2.6% of the children who are not Income Poor)

A+B+D ➔ 706,904 Poor Children
Poor Children (under 19 years): Income Poor and/or Multidimensional Poor Children

**Poor Children**: Income Poor and/or Multidimensionally Poor Children (under 19 years):

706,904

(11.0% of the total number of children (under 19 years))

[Any strategy to eradicate child poverty in Sri Lanka, need to consider not only the Income Poor, but also the Multidimensionally Poor]

**Income Poor only**: 431,208 (6.7% of the total number of children) are only Income Poor

**Multidimensionally Poor only**: 151,020 (2.3% of the total number of children) are only Multidimensionally poor

**Both Income Poor & Multidimensionally Poor**: 124,676 (1.9% of the total number of children) are both Income poor and Multidimensionally poor
Out of the 707,000 “Poor Children”, 81.5% are in the lowest per capita Expenditure Decile, which drops to 7.5% in the second decile.

There are more children in low income households (12.4%) than in richer households (7.7%).

<table>
<thead>
<tr>
<th>Percentage</th>
<th>D1</th>
<th>D2</th>
<th>D3</th>
<th>D4</th>
<th>D5</th>
<th>D6</th>
<th>D7</th>
<th>D8</th>
<th>D9</th>
<th>D10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of poor Children* (0-18 years)</td>
<td>81.5</td>
<td>7.5</td>
<td>3.5</td>
<td>3.1</td>
<td>1.6</td>
<td>1.3</td>
<td>0.8</td>
<td>0.3</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Share of children (0-18 years)</td>
<td>12.4</td>
<td>11.4</td>
<td>10.9</td>
<td>10.6</td>
<td>10.1</td>
<td>10.1</td>
<td>9.3</td>
<td>8.9</td>
<td>8.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Poverty Headcount (%)</td>
<td>71.9</td>
<td>7.3</td>
<td>3.5</td>
<td>3.2</td>
<td>1.7</td>
<td>1.4</td>
<td>0.9</td>
<td>0.4</td>
<td>0.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>
Who are the Poorest Children?: Percentage of “Poor Children” (under 19 years) within each Group and Share of Poor Children by Occupation or Activity of the Head of Household – 2012/13

More than 80% of the “Poor Children” are living in HHs headed by Agri. or Non-Agri. Labourers; skilled Agri./Forestry/Fishery workers; Persons unable/too old to work and Craft & related trade workers...

Headcount: Income and/or Multidimensionally Poor Children (0-18 Years)  Share of Poor Children (0-18 years)
Poorest Children (under 19 years) in Sri Lanka

- It is important to identify the poorest children who are most vulnerable
- The Poorest Children are mainly from four Socio-economic Groups (based on the employment / activity of the head of the household)
  1. Agricultural, Forestry and Fishery Labourer (Headcount 25.9 & Share 23.1%)
  2. Non-agricultural Labourers and Similar Workers (Headcount 19.0% & Share 16.4%)
  3. Persons unable to or too old to work (Headcount 15.7% & Share 13.4%)
  4. Skilled Agricultural, Forestry and Fishery Workers (Headcount 12.3% & Share 16.1%)

- Almost 69% of the poor children (under 19 years) are from the above four Household Groups. If “Craft & related trade workers, Plant & machinery operators” Group is also included the total share of poor children increases to 81.7%
Where are the Poorest Children? : Share of Poor Children (under 19 years) by Districts and Percentage of Poor Children within each District (or Headcount)-2012/13

It is necessary to consider both the incidence of poverty (or Headcount) and the share of poor when developing strategies to reduce poverty.
21.8% of 706,904 Poor Children in Sri Lanka do not have access to Safe Drinking Water; there are many districts with high proportions of poor children without access to safe drinking water; 9.3% of 5.7 million non-poor children also do not have access to safe drinking water.
30.4% of 706,904 Poor Children in Sri Lanka do not have access to safe sanitation facilities; there are many districts with high proportions of poor children without access to safe sanitation including Colombo.

10.2% of 5.7 million non-poor children also do not have access to safe sanitation.
School Attendance of Children in the Compulsory Age Group (5-14 years) for Schooling: Attending/Not Attending School – 2012/13

Children in the compulsory age group (5-14 years) for Schooling
3,467,261

Non-Poor Children
3,075,800 (88.7%)

- Attending School
  3,050,072 (or 99.2%)

- Not attending school
  25,728 (or 0.8%)

Poor Children
391,461 (11.3%)

- Attending School
  367,185 (or 92.8%)

- Not attending School
  24,276 (or 6.2%)
School Attendance of Children in the Age Group (15-16 years): Attending /Not Attending School – 2012/13

Children aged 15-16 years: 656,598

- Non-Poor Children: 581,116 (88.5%)
  - Attending School: 533,983 (or 91.9%)
  - Not Attending School: 47,133 (or 8.1%)

- Poor Children: 75,482 (11.5%)
  - Attending School: 57,523 (or 76.2%)
  - Not Attending School: 17,959 (or 23.8%)

"Poor Children" in the 15 to 16 age group are almost three times more likely to leave formal school education, compared to non-poor children in the same age.
School Attendance of Children in the Age Group (17-18 years): Attending /Not Attending School – 2012/13

Children aged 17-18 years: 648,376

Non-Poor Children: 585,287 (90.3%)
- Attending School: 407,477 (or 69.7%)
- Not Attending School: 177,810 (or 30.3%)

Poor Children: 63,089 (9.7%)
- Attending School: 22,253 (or 35.3%)
- Not Attending School: 40,836 (or 64.7%)

“Poor Children” in the 17 to 18 age group are more than twice more likely to leave formal school education, compared to non-poor children in the same age group.
Percentages of Poor and Non-Poor Children (15-16 years), within each Socio-economic Group – Not Attending School - 2012/13

- **Administrators, Senior Officials (including those in the Armed Forces) & Professionals**
  - Poor: 9.3%
  - Non-Poor: 20.4%

- **Technical & associated professionals**
  - Poor: 10.9%
  - Non-Poor: 20.6%

- **Clerical, Services, Sales & similar workars**
  - Poor: 25.0%
  - Non-Poor: 5.0%

- **Skilled Agricultural, Forestry & Fishery Workers**
  - Poor: 14.0%
  - Non-Poor: 20.0%

- **Craft & related trade workers, Plant & machine operators, etc.**
  - Poor: 26.3%
  - Non-Poor: 10.0%

- **Household Work**
  - Poor: 43.1%
  - Non-Poor: 9.1%

- **Unable/ Too old to work**
  - Poor: 28.7%
  - Non-Poor: 11.0%

- **Agri., Forestry & Fishery Labourers**
  - Poor: 19.4%
  - Non-Poor: 14.0%

- **Non-agricultural Labourers & similar workers**
  - Poor: 20.4%
  - Non-Poor: 9.0%

- **Unable/ Too old to work**
  - Poor: 20.4%
  - Non-Poor: 5.0%

- **Unable/ Too old to work**
  - Poor: 15.0%
  - Non-Poor: 10.0%

- **Unable/ Too old to work**
  - Poor: 30.0%
  - Non-Poor: 25.0%

- **Unable/ Too old to work**
  - Poor: 20.0%
  - Non-Poor: 20.0%

- **Unable/ Too old to work**
  - Poor: 20.0%
  - Non-Poor: 20.0%

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  - Non-Poor: 20.0%

- **Unable/ Too old to work**
  - Poor: 20.0%
  - Non-Poor: 20.0%
Percentages of Poor and Non-Poor Children (17-18 years), within each Socio-economic Group Not Attending School—2012/13

- Administrators, Senior Officials (including those in the Armed Forces) & Professionals
  - Percentage of Poor Children: 75.6%
  - Percentage of Non-Poor Children: 49.4%

- Technical & associated professionals
  - Percentage of Poor Children: 35.7%
  - Percentage of Non-Poor Children: 66.7%

- Clerical, Services, Sales & similar workars
  - Percentage of Poor Children: 22.6%
  - Percentage of Non-Poor Children: 35.8%

- Skilled Agricultural, Forestry & Fishery Workers
  - Percentage of Poor Children: 0.0%
  - Percentage of Non-Poor Children: 28.5%

- Craft & related trade workers, Plant & machine operators, etc.
  - Percentage of Poor Children: 61.6%
  - Percentage of Non-Poor Children: 34.6%

- Non-agricultural Labourers & similar workers
  - Percentage of Poor Children: 67.9%
  - Percentage of Non-Poor Children: 52.7%

- Agri., Forestry & Fishery Labourers
  - Percentage of Poor Children: 48.8%
  - Percentage of Non-Poor Children: 30.3%

- Unable/Too old to work
  - Percentage of Poor Children: 71.1%
  - Percentage of Non-Poor Children: 32.3%

- Household Work
  - Percentage of Poor Children: 32.3%
  - Percentage of Non-Poor Children: 48.8%
<table>
<thead>
<tr>
<th>Poor Children-Reason for not attending school</th>
<th>Sri Lanka</th>
<th>Urban</th>
<th>Rural</th>
<th>Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15-16 years</td>
<td>17-18 years</td>
<td>15-16 years</td>
<td>17-18 years</td>
</tr>
<tr>
<td>1. Further Schooling facilities not available / too far</td>
<td>0.1</td>
<td>0.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2. Financial Problems</td>
<td>30.0</td>
<td>25.0</td>
<td>18.8</td>
<td>19.6</td>
</tr>
<tr>
<td>3. To help in housekeeping activities / Family Business</td>
<td>12.9</td>
<td>9.2</td>
<td>16.8</td>
<td>9.1</td>
</tr>
<tr>
<td>4. Disability/ Illness</td>
<td>1.7</td>
<td>1.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>5. Not willing to attend/ poor academic progress</td>
<td>30.5</td>
<td>41.4</td>
<td>23.8</td>
<td>29.6</td>
</tr>
<tr>
<td>6. Pending Results (GCE O/L, A/L)</td>
<td>17.5</td>
<td>5.5</td>
<td>21.3</td>
<td>15.1</td>
</tr>
<tr>
<td>7. Completed GCE (O/L), Grade 13</td>
<td>0.0</td>
<td>1.5</td>
<td>0.0</td>
<td>4.5</td>
</tr>
<tr>
<td>8. Other</td>
<td>7.3</td>
<td>14.2</td>
<td>19.2</td>
<td>22.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Non-poor Children - Reason for not attending school</td>
<td>Sri Lanka</td>
<td></td>
<td>Urban</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
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<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Further Schooling facilities not available / too far</td>
<td>0.2</td>
<td>0.5</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Financial Problems</td>
<td>9.1</td>
<td>10.1</td>
<td>5.4</td>
<td>10.1</td>
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<tr>
<td>To help in housekeeping activities / Family Business</td>
<td>10.8</td>
<td>15.9</td>
<td>3.3</td>
<td>11.5</td>
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<tr>
<td>Disability/ Illness</td>
<td>3.7</td>
<td>2.0</td>
<td>1.0</td>
<td>1.7</td>
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<tr>
<td>Not willing to attend/ poor academic progress</td>
<td>30.3</td>
<td>36.9</td>
<td>39.3</td>
<td>29.3</td>
</tr>
<tr>
<td>Pending Results (GCE O/L, A/L)</td>
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<td>11.4</td>
<td>29.7</td>
<td>16.4</td>
</tr>
<tr>
<td>Completed GCE (O/L), Grade 13</td>
<td>0.9</td>
<td>4.3</td>
<td>4.6</td>
<td>8.6</td>
</tr>
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<td>12.7</td>
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</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Summary/conclusions/Recommendations

• Out of 6.4 million children under 19 years, 707,000 (or 11.0%) are either “Income Poor and/or Multi-dimensionally Poor”

• There are significant variations in child poverty between regions and Socioeconomic Groups - Strategies needed to rectify this situation

• Poorer families have more children than the richer families: Share of the children under 18 years in the poorest 10% of the households is 12.4%, while the share in the richest 10% is only 7.5%. As such, child poverty rates are higher than the rates for the entire population

• Nearly 90% of the Poor Children are in the first two per capita expenditure deciles

• Majority of the poor children are in five Population Groups: Nearly 80% of the 706,902 poor children are in households headed by “Agricultural, Forestry and Fishery Labourers” (23.1%), “Non-agricultural Labourers and Similar Workers” (16.4%), “Skilled Agricultural, Forestry and Fishery Workers” (16.1%), “Persons Unable/ Too old to work” (13.4%) and “Persons engaged in Household Work” (9.5%). As such any interventions to help the poor and deprived children, should mainly target the children in these Population Groups.

• More than 92% of the poor children are in Rural and Estate Sectors

• Batticaloa District has the highest share of poor children (8.9%); Incidence of Child Poverty is also high (29.3%)
Summary/conclusions/Recommendations (cont.)

• 6.2% of the poor children (5-14 years) are not attending school. They are 8 times more likely to not attend school than non-poor children

• Ratnapura has the highest share of poor children (5-14 years) not attending school (12.8%), followed by Colombo (12.0%)

• Incidence of poor children (5-14 years) not attending school is highest in Colombo (22.0%)

• Many poor children leave school education after the age of 14 years: 23.8% of poor children (15-16 years) & 64.7% of poor children (17-18 years) are not attending school

• **Quality Education for All to Reduce Poverty:** Education is one of the most important investments the country can make in its people and its future. It provides children with the knowledge and life skills they need to realize their full potential and is essential in creating change in a child’s life. Equal access to quality education to all, plays a key role in eradicating poverty, as it will help them to escape from the intergenerational poverty trap
Importance of Agriculture to Sri Lanka: 27% of the employed population is engaged in agriculture, and they produce food for nearly 21 million people in the country. The largest proportion, or 36.9% of the poor people (i.e., those in IP and/or MDP) and nearly 40% of the poor children are living in households engaged in agricultural and related activities.

The analysis shows that 79.2% of the poor children are in the rural sector, and another 13% are in the estate sector.

Agriculture is the main driving force of the rural economy. As such, sustainable poverty reduction is inconceivable without growth in the rural economies. Poverty reduction requires that the incomes of the poor families and the sources from which they derive their livelihood be enhanced.

These facts cannot and should not be ignored when developing strategies to alleviate overall poverty/child poverty in Sri Lanka.

As such, if appropriate actions are not taken to improve the agricultural sector, it will be a difficult task/challenge to reduce poverty in the country.

Therefore, sufficient attention is needed to be given to improve this sector, if Sri Lanka is to achieve the targets of SDG 1. Promoting sustainable agriculture is also the key to achieve the SDG-2 – “End hunger, achieve food security and improved nutrition and promote sustainable agriculture”.

So if anyone thinks that it is much cheaper to import food than producing food in the country, then there are questions to answer: 1. What will happen to those depending on agriculture?; 2. Who will provide the much-needed foreign exchange for the imports.
• Need to Reduce Persisting Income Inequality in Sri Lanka to Reduce Child Poverty: Income inequality in Sri Lanka is high and has remained more or less unchanged, for more than three to four decades. While the share of household income of the poorest 10% of the households has remained less than 2% and the corresponding share of the richest 10% of the households, has remained around 38% for more than three to four decades.

• As such, improving the agriculture sector, developing rural economy, creating accessible, productive and rewarding jobs in all regions, including in the rural sector, without any discrimination, is the key to minimize poverty and reduce inequality.

• The main target under SDG 10 says, “By 2030, progressively achieve and sustain economic growth of the bottom 40% of the population at a rate higher than the national average”. As such, planners and policy makers will have to develop suitable strategies to reduce both poverty and income inequality, if Sri Lanka is to achieve SDGs, 1, 2 and 10.
• As shown in slide 41, there are four major deprivations contributing to MDP and to NMDP. If these four deprivations could be minimised or eliminated, it would be possible to eliminate MDP.

• Ensuring at least eleven years of quality education for all, additional attention to households headed by persons who are unable to work, targeted measures (at present targeting is not being done properly to cover the most deserving vulnerable) to combat undernutrition, and the provision of sanitation facilities to deprived households are some of the interventions that can help in reducing all forms of poverty and inequality.
Thank You