

Chronic Poverty and Development  
Policy in Sri Lanka: Overview Study

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## SUMMARY

Sri Lanka is well known for achieving high levels of human development at relatively low levels of GDP per capita. Successive governments have invested heavily in education, health and welfare programmes and this has been associated with the country achieving levels of life expectancy and literacy that are comparable to industrial countries. However, these human development achievements and high levels of public expenditure on social welfare, have not eradicated deprivation. Over one-fourth of pre-school children still suffer from undernutrition and between one quarter to a third of the population experienced income poverty in the mid 1990s. Further since the 1950s, the income accrued to the bottom 20% of the population is static at less than 4% of total income accrued to all households in the country. The country may have graduated from being 'low income' to 'lower-middle income' in 1999 when per capita GDP passed the US\$800 hurdle, but poverty persists.

Several factors contribute to the prevailing poverty levels and these are inadequate economic growth, low economic benefit trickle down to the poor, high state expenses on defence due to the prevailing secessionist conflict in the North and inefficient allocation of resources to the deprived populations and regions in the country.

One of the main reasons for the resources allocated to the poor not being as effective as expected in alleviating poverty, is the non-differentiation of type of poverty in the country. State interventions for the poor do not take into account transitory and chronic poverty, which require very different interventions in order for these populations to overcome poverty. As the need for such distinction has not been appreciated by the state, data collected by agencies on the poor does not permit categorization of the poor for differential interventions. For instance the panel data required to identify the chronic poor are not available in the country hence magnitude of this problem is unknown. It should also be noted that data on the poor are based on income and consumption criteria only and does not take into account other deprivations faced by the poor. The lack of ability to differentiate the poor for interventions, leads to inefficient allocation of resources to the poor due to improper design of programmes and incorrect targeting.

In the absence of systematic information on the chronically poor, the present study attempts to capture chronic poverty in Sri Lanka by examining general information on

poverty and drawing conclusions on those who are likely to be among the chronic poor. Certain population groups that are likely to experience poverty over many years (or all their lives) are examined in this review. These include the internally displaced persons from the conflict, disabled, elderly, street children, employed children, female headed households and youth.

Further, the poor are examined within the 'livelihood' framework in terms of their command over human, physical, natural, financial, social and political capital. Examination of human capital in terms of education, health and nutrition show that despite free services, the poor have not always benefited, leading to low education, and poor health. In turn, these are associated with lower access to well paid employment as well as reduced labour productivity.

Access to physical capital is also low for the chronic poor. This is in terms of infrastructure provided by the state, housing and productive assets such as land and irrigation facilities. The poor are also more prone to environmental problems such as rainfall, deforestation and soil degradation, which have a depressing effect on their productivity and income.

The chronic poor experience financial instability. This is associated with low wages, low skills, seasonality of employment, employment opportunities limited to hired labour, deterioration of real wages, high food expenditure ratio, high expenditure on alcohol, inadequate income support from state poverty alleviation programmes and low access to credit facilities.

Overall, the need for the government to redirect its welfare policies and programmes to more adequately assist the poor is apparent. At present the government is in the process of developing a Poverty Reduction Strategy Paper for Sri Lanka to address the issue of high levels of poverty in the country. However, certain information gaps with regard to the livelihoods of the poor and differentiation of the poor by deprivation levels for specific and effective interventions needs to be addressed. Within this context the review highlights areas for future research by the Chronic Poverty Research Centre (CPRC) in Sri Lanka.

## ABBREVIATIONS

CBO	Community Based Organisations
CBSL	Central Bank of Sri Lanka
CFS	Consumer Finance Survey
CPRC	Chronic Poverty Research Centre
DCS	Department of Census and Statistics
DER	Department of external Resources
HIES	Household Income and Expenditure Surveys
IDP	Internally displaced Persons
IPID	Institute of Participatory Interaction Development
IRDP	Integrated Rural development Projects
ISI	Import Industrial Substitution
JVP	Janatha Vimucthi Peramuna
LTTE	Liberation Tifers of Tamil Ealam
NGO	Non governmental Organisation
SLFP	Sri Lanka Freedom Party
UNP	United National Party
WB	World Bank

## 1. INTRODUCTION

Sri Lanka is well known for achieving high levels of human development at relatively low levels of GDP per capita. Successive governments have invested heavily in education, health and welfare programmes and this has been associated with the country achieving levels of life expectancy and literacy that are comparable to industrial countries (Table 1). Infant mortality has fallen from 56 per 1000 in 1960 to 17 per 1000 in 1993; life expectancy has risen from 60 years in 1960 to 72 years in 1998; and, population growth has halved from 2.8 percent in 1963 to 1.4 percent in 1991. However, these human development achievements and high levels of public expenditure on social welfare, have not eradicated deprivation. Over one-fourth of pre-school children still suffer from undernutrition and between a quarter to a third of the population experienced income poverty in the mid 1990s. The country may have graduated from being 'low income' to 'lower-middle income' in 1997 when per capita GDP passed the US\$800 hurdle but poverty persists.

In this working paper the nature and causes of poverty and of chronic poverty (poverty that is experienced for many years and/or a whole lifetime and/or is transmitted to the next generation) in Sri Lanka is explored<sup>1</sup>. The meaning of poverty has changed over the last two decades. Earlier poverty definitions were largely confined to material deprivation measured mainly in terms of income, consumption and nutrition. More recently it has been recognised that poverty encompasses all social and economic deprivations that affect the "well-being" of an individual. The World Development Report 2000/2001 considers poverty to consist of components of material deprivation (income or consumption), low levels of health and education indicators, vulnerability and exposure to risk, voicelessness and powerlessness. This multidimensional conceptualisation of poverty makes measurement complex, as both quantitative and qualitative aspects are included in the "well-being" of an individual.

Recent analysis has attempted to make a distinction between transitory and chronic poverty. The chronic poor have been in poverty for an extended period of time, and their poverty may be transferred to their offspring. The transitory poor are those in poverty for shorter periods due to sudden loss of employment, drought, and loss of productive assets or seasonal deprivation. The main reason for differentiating the two types of poverty is that quite different forms of intervention may be needed to help the chronic poor overcome their deprivations than are required for the transitory poor.

This introduction is followed by a background section that provides a country profile of Sri Lanka, describes public policies and charts social expenditure. Section 3 reviews the data on poverty in Sri Lanka and section 4 examines what is known about chronic poverty. In the following section the causes of poverty and chronic poverty are examined in terms of a livelihood framework. Section 6 examines the strategies of households, communities and governments to reduce poverty levels and is followed by a section that summarises future poverty reduction strategies. Section 8 identifies key priorities for research on chronic poverty in Sri Lanka and is followed by a short conclusion.



**Table 1: A Comparison of Human Development Achievements for Sri Lanka and other Countries (1998)**

Country Group	INDICATORS				
	Life Expectancy (Yrs)	Adult Literacy rate %	School # Enrolment %	Real GDP Per capita (PPP\$)	Human Development Index
Sri Lanka	72.2	90.1	66	3277	0.711
All Developing Countries	61.8	69.7	56	2904	0.576
Least Developing Countries	50.4	48.1	36	965	0.336
Industrialised Countries	74.1	98.5	83	15986	0.911
World	63.2	77.1	60	5798	0.764

Note: The HDI rank for Sri Lanka is 91 from 175 countries. The purchasing power parity

Adjusted GDP per capita rank for Sri Lanka is 1000

# - Combined primary, secondary and tertiary enrolment rate

Source: National Human Development Report: Sri Lanka 1998

## 2. BACKGROUND INFORMATION

### 2.1 Country Profile

Sri Lanka is a tropical island in the Indian Ocean and was home to one of Asia's oldest civilisations. It had complex irrigation systems dating back to the 5-6<sup>th</sup> century BC and Buddhism, its main religion, was introduced around 250BC. The country gained independence from British colonial rule in 1948 and has a provisional population<sup>2</sup> of 18.5 million at present. Its people are multi-ethnic and follow several religions reflecting waves of overseas settlers and

**Table 2: Population of Sri Lanka by Ethnicity and Religion for Selected Years**

Ethnicity	Percentage of Total		
	1953	1971	1994*
Sinhalese	69.8	72.7	84.5
Sri Lankan Tamils	11.0	11.3	5.4
Indian Tamils	12.1	9.4	3.6
Sri Lankan Moors	5.8	6.6	6.4
Burghers	0.6	0.3	0.3
Malays	0.3	0.3	0.3
Others	0.4	0.1	0.2
Religion	1953	1971	1994*
Buddhists	64.3	67.3	78.2
Hindus	19.8	17.4	7.5
Christians	8.9	7.1	6.7
Muslims	6.7	7.6	7.9

Other		0.3	0.06	0.04
Total Population ('000)		8098	12558	14905

Notes - \* provisional figures, data on North and East incomplete

Source: Statistical Abstracts, Dept. of Census and Statistics, 1998

migrants varying from South Indian Hindus, Muslim traders and Christian colonial settlers (such as the Dutch, Portuguese & British). The multi-ethnic population has given rise to a rich cultural mix in the country (Table 2).

The country is divided into the 'wet zone', of the West, South-west and Centre, and the 'dry zone', which covers almost two-thirds of the country in the North, East and South-east. Population is concentrated in the wet zone and, despite recent urbanisation and industrialisation, the country remains predominantly rural with around 36 percent of the labour force engaged in agriculture, forestry and fishing. Official estimates are that the population distribution is 72 percent rural, 21 percent urban and 7 percent estate sector<sup>3</sup>.

Sri Lanka has been a democracy since independence: indeed, the country has practised universal suffrage since 1931 when a form of self-government was introduced by the colonial power. Constitutional changes in the 1970s moved it from a 'Westminster' model to one that concentrated powers in the hands of an Executive President. Elections are actively contested and have usually led to governments alternating between the United National Party (UNP) – a right wing party – and its coalition partners, and the Sri Lanka Freedom Party (SLFP) – a socialist party, which has moved to the 'centre' in recent years – and its coalition partners.

Over the last 30 years violent conflict has been a central feature of political life in the country. In the early 1970s, and again in the late 1980s, 'Sinhalese youth' uprisings by the JVP (Janatha Vimukthi Peramuna, a Sinhalese Marxist Group) in the South of the country disrupted economic and political activity and were eventually quelled by military force which led to the deaths of large numbers. However, it is the conflict in the North and East of the country that has proved most costly in social and economic terms and, to date, intractable. Since 1983, an armed group of Tamils from the North of the country, demanding that a separate country, 'Eelam', secede from Sri Lanka, has paralysed development in the North and East. The secessionist group is called the Liberation Tigers of Tamil Eelam (LTTE).

While the governments of Sri Lanka have sought to crush the secessionists through military power they have also sought to reach a political settlement through devolution and decentralisation. The country's 24 administrative districts have been grouped into 9 provinces to which political power has been partly devolved. The history of these moves is summarised in Appendix 1. However, action taken on devolution and decentralisation has not yet had an impact on achieving peace nor reduced the scale of the conflict.

Economic growth in Sri Lanka ran at levels barely above population growth rates in earlier periods. For example, during 1960-69 it was 4.1 percent per annum on average and 1970-79 only 4.0 percent per annum. However, over the 1980s and 1990s, when more liberal economic policies have been adopted, growth has been stronger, averaging

out at 4.5 to 5.2 percent per annum. Growth has been spearheaded by the manufacturing and service sectors (Table 3), which have steadily increased their share of the labour force. In particular, the garment industry has been massively expanded. Growth in the natural resource sector (agriculture, forestry and fisheries) has fluctuated and its share of the labour force, and employment prospects in rural areas, have declined significantly.

The country's recent achievements in economic growth, and longer term achievements in human development, have not eradicated poverty (see later for more detail). Absolute poverty persists, with 25 percent of children undernourished and 25 to 30 percent of households experiencing income poverty. Relative poverty may well be increasing. Since the 1950s the income accrued to the bottom 10 percent of the population has never risen above 1.5 percent of total national income. The nature of recent economic growth means that income inequalities, and associated relative poverty, are almost certainly raising. For instance, change in Gini coefficient from 1986/87 to 1996/97 shows a decline indicating a worsening of income distribution across all sectors (urban, rural and estate) ( Central Bank 1999)

**Table 3: Annual Sectoral Growth Rate and Employment by Industry**

Year	Agriculture, forestry & fishing		Mining & Quarrying		Manufacturing		Construction		Services		All sectors	
	% Growth	% Employed	% Growth	% Employed	% Growth	% Employed	% Growth	% Employed	% Growth	% Employed	% Growth	% Employed
1990	8.8	46.8	9.1	1.6	9.4	13.3	2	3.9	4.3	31.3	6.6	84.1
1996	-4.6	34.4	8.9	1.6	6.5	14.6	3.4	5.4	5.8	37.6	3.1	88.7
1997	3	36.2	3.8	1.6	9.1	16.4	5.4	5.6	7.1	36.8	6.8	89.5
1998	2.5	39.3	-5.4	1.4	6.3	14.9	7.1	5	5.2	36.1	4.6	90.8
1999	4.5	36.3	4.1	1.3	4.4	14.8	4.8	5.3	4.2	37.7	3.8	91.1
2000	1.8	37.3	4.8	0.7	9.2	15.2	4.8	5	6.9	38.8	5.8	92.3

Sources: Central Bank Reports (1960-2000), Statistical abstract 2000 and survey reports  
\*growth rates are provisional; employed % given for the second quarter of year 2000

Notes:

- (i) Growth rates of 1990 & 1996 are calculated at 1982 constant factor cost prices  
Growth rates of 1997-2000 are calculated at 1996 constant factor cost prices
- (ii) Service sector includes: Electricity, gas, water and sanitary services, Transport, storage and communication, wholesale and retail trade, Banking, Insurance and real estate, Ownership of dwellings, Public administration and defense and Services (n.e.s.)

Finally in this section, the changing demography of Sri Lanka must be noted: the country has an increasingly ageing population. The rapid reduction in fertility rates alongside rising life expectancy means that the share of older people in the population is rapidly rising. By 2006 nearly 11 cent of people will be over 60 years of age and by 2026 this will have reached 20 percent. In 2000 the dependency ratio was 0.44 for children (under 15 years) and 0.14 for the elderly (over 60 years). By 2006 these will change to 0.37 and 0.17 respectively. The implications of these trends for state-financed 'free' health services and social security schemes for older people are only just beginning to be understood.

## **2.2 Economic and Social Policy in Sri Lanka**

The granting of universal suffrage in 1931, and the debates surrounding independence in 1948 led to Sri Lanka's governments focusing on policies of social welfare and equitable growth (Bruton 1992; Jayasuriya 2000). Social policies concentrated on the provision of free health and education services and food subsidies. Equitable growth policies focused on nationalising foreign owned productive assets, land development, smallholder irrigation schemes and employment creation.

Although power frequently shifted between the 'rightist' UNP and 'leftist' SLFP all governments ensured that social expenditure was maintained at levels that had public approval. Government attempts to reduce social expenditure in 1953, because of the economic downturn of the Korean War, led to civil unrest and the resignation of the prime minister. The threat of such public action ensured that future governments treated the reform of social programmes and subsidies with great caution. Such expenditures were central to maintaining political stability and were incorporated into the patronage networks of the main political parties. Allailima (1989) argues, however, that actual reductions in poverty, inequality and undernutrition are less than expected considering the large investments by the state on social welfare sector.

Economic policies focused on promoting agricultural growth – through the 'green revolution', land development schemes and land redistribution – and developing industry. The SLFP favoured import substituting industrialisation (ISI) while UNP favoured more open-market policies. Since 1977, when the UNP regained power and since then, all subsequent governments have supported economic liberalisation and the country has been pushed in this direction through the conditionalities of structural adjustment loans.

A large literature has developed analysing the degree to which Sri Lanka's equity-oriented policies contributed to slow rates of economic growth after independence (Bhalla and Glewwe 1986; Bhalla 1988). While de Melo (1981) and Sahn (1987) argue that social expenditure was financed through taxing the agricultural export sector and that this discouraged investment and reduced growth, Jayasuriya (2000) contests this argument. Since the late 1980s, pressure from financial institutions as well as high public expenditure led to some of the state owned institutions to be privatised and attempts were made to hold down public expenditure. However, such attempts have had limited success in significantly curtailing public expenditure.

These recent economic achievements are remarkable when set against the escalating costs of the war in the North and East. Arunatilake et al (2000) estimate that defence expenditure increased from 3.1 percent of government spending in 1982 to 21.6 percent by 1996. As a share of GDP, it rose six fold from 1.1 percent to 6.6 percent over that period. This research estimated that the conflict had generated direct and indirect costs reaching a total of 168 percent of GDP at 1996 prices!

## **2.3 Social Expenditure in Recent Years**

Government expenditure on social welfare (health, education and welfare benefits) was maintained at relatively high levels during the 1970s with over 40% being spent on welfare. The expenditure on education and health accounted for about 20% and 20% on the food ration scheme. In the late 1980's, the expenditure on food stamps was reduced to about 6% and education and health expenditure to average around 16% of total current expenditure<sup>4</sup>. As a share of total government expenditure it has ranged from 23.1

to 27.8 percent (over 1994 to 1998) while as a share of GDP it has ranged from 7.3 to 8.5 percent (Table 4). Health and education, as might be expected, take the lion's share of social spending. Nevertheless, welfare benefits have averaged out at 9.7 percent of total government expenditure in the mid 1990s and reached 12.7 percent in 1996.

**Table 4: Welfare Expenditure as Percent of Total Government Expenditure and GDP**

	1994	1995	1996	1997*	1998**
Social welfare Expenditure as % of Current Govt. expenditure.	29.9	34.3	35.4	32.7	32.7
Social welfare Expenditure as % of Total Govt. expenditure.	23.1	24.7	27.8	27.2	24.7
Social welfare Expenditure as % of GDP	7.4	8.3	8.5	7.3	7.1
Social welfare Expenditure as % of Total Govt. expenditure. (excluding health & education)	7.0	9.8	12.7	11.5	7.6
Health & education welfare Expenditure as % total Govt. expenditure.	16.1	14.9	15.7	15.7	17.1

Notes: \* 1997- provisional : \*\*1998 - Estimated

Source: Gunatilleke 1998

### 3. POVERTY IN SRI LANKA

#### 3.1 The incidence of Poverty in Sri Lanka

Before discussing chronic poverty it is necessary to examine poverty in more general terms. This is for two main reasons:

- (i) there are considerable debates about 'what' poverty is in Sri Lanka and this needs to be understood before one can explore chronic poverty; and,
- (ii) the literature on chronic poverty is very limited and so much of the discussion is based on inferences from general works on poverty.

The vast majority of work on poverty in Sri Lanka has identified the poor through quantified indicators of income, expenditure or consumption<sup>5</sup>. However, even with material deprivation definitions, one of the problems in assessing the magnitude of poverty is the various definitions that have been used to classify the poor<sup>6</sup>. This is because Sri Lanka has not defined an official poverty line and the targeting of programmes has been decided on an ad hoc basis by the implementers.

Assessments have been based on per capita food energy intake, household income, household expenditure and monetary value of food basket and other essentials. The use of a variety of definitions is an obstacle to inter-temporal comparison of poverty<sup>7</sup>. Table 5 provides information on the different poverty lines used and the incidence of poverty from a number of studies from 1969 to 1997 - the wide variation in the magnitude of poverty across studies as well as over time is apparent. For example, Visaria's (1979) relatively 'high' line identifies almost five times as many people as poor as does Bhalla and Glewwe's (1985) analysis of the same 1969/70 survey. For the 1978/79 dataset, specifying a poverty line of Rs.70 food expenditure per month (Gunaratne 1985), rather than Rs.60 food expenditure per month (Anand and Harris 1985), almost doubles the

poverty headcount. While several of the studies indicate that rural poverty is much more intense than urban poverty (Bhalla and Glewwe 1985; Gunaratne 1985; DCS 1987; World Bank 1995; DER 2000) some indicate that levels are similar (Anand and Harris 1985); and Visaria (1979) found urban poverty is higher. However, in recognition of the problem, the Department of Census and Statistics<sup>8</sup> has examined the data of the past decade and re-analysed the data to conform to a standardised poverty line<sup>9</sup>.

### 3.2 Poverty Estimations for 1995/96

Three indices have been employed to measure poverty and these are:

- Incidence of poverty (Head count<sup>10</sup>);
- Depth of Poverty (Poverty Gap<sup>11</sup>) and
- Severity of Poverty (Foster-Thorbeck-Greer Poverty Index<sup>12</sup>).

The poverty estimates for 1995/96 by sectors are presented (Table 6) for 'low' and 'high' poverty lines. The lower line based on a consumption basket of food (the minimum to meet energy requirements for a household) and essential non-food items. The higher value is obtained by adding 20 percent to the low value and is Rs.950.00.

The lower poverty line indicates that 25 percent of the population is poor while the higher line indicates 39 percent. Clearly a large proportion of the population are poor and significant numbers are vulnerable to poverty (or deep poverty) at any time. Poverty in rural areas appears to be greater than urban or estate both in terms of incidence and depth. Severity of poverty does not indicate a major change between sectors. Poverty is largely a rural phenomenon as over 72 percent of the population live in rural areas. Taking the lower poverty line, it is estimated that 739,000 rural, 222,000 urban and 74,000 estate households live below the poverty line.

**Table 5: Definition of Poverty Lines and Estimates of Poverty in Sri Lanka (1970-2000)**

Year of Survey	Study	Sri Lanka	Urban	Rural	Estate	Definition of Poverty line	Data Source
1969/70	Bhalla and Glewwe (1985)	11.2	5.0	12.8	11.1	Per capita food expenditure Rs. 70 per month at 1978/79 prices	LFSS (DCS 1970)
	Visaria (1979)	52.0	58.3	52.3	38.5	2750 calories per capita daily food energy intake	
1978/79	Anand and Harris (1985)	12.3	14.3	12.8	3.6	Per capita food expenditure Rs. 60 per month at 1978/79 prices	CFS (CBSL 1983)
	Gunaratne (1985)	22.3	19.4	25.0	7.6	Per capita food expenditure Rs. 70 per month at 1978/79 prices	
1985/86	DCS (1987)	39.4	27.6	45.7	5.7	Av. Household income per month needed to meet min. food energy (2200 Kcal) and basic needs: Urban Rs. 1920, Rural Rs 1610, Estate Rs. 1451.	LFSS (DCS1987)
	WB (1995)	40.6	26.78	45.48	30.85	Rs. 565.44 per person per month	
1990/91	WB (1995)	35.3	28.4	30.05	27.5	Rs. 565.44 per person per month	HIES (DCS 1994)
1995/9	DER (2000)	25.2	14.7	26.9	24.9	Rs.791.67 Per capita/month	HIES

6	DER (2000)	39.2	24.9	41.3	45.3	expenditure Rs.950.00 Per capita/month expenditure	(DCS 195/96)
1996/9 7	Pradhan 2000	18.9	17.3	20.3	17.5	Rs.860 per person per month	CFS (CBSL 1996/97 )

Extracted from Lakshman 1998, Tudawe 2000, Gunawardene 2000, Pradhan 2000.  
CBSL: Central Bank of Sri Lanka ; CFS: Consumer Finances and Socio-economic Survey

DCS: Dept. of Census and Statistics. ; DER: Department of External Resources  
HIES: Household Income and Expenditure Survey ; LFSS: Labour Force and Socio-economic Survey ; WB: World Bank

**Table 6: All Island and Sectoral Poverty Levels ( 1995/96)**

Lower Poverty Line of Rs.791.67/person/month						
	Incidence of Poverty %		Depth of Poverty %		Severity of Poverty%	
	Index	Contribution	Index	Contribution	Index	Contribution
Sri Lanka	25	100	5	100	2	100
Urban	15	8	3	8	1	7
Rural	27	88	6	89	2	89
Estate	25	4	5	3	2	3
Higher Poverty Line of Rs.950.00/person/month						
	Incidence of Poverty %		Depth of Poverty %		Severity of Poverty%	
	Index	Contribution	Index	Contribution	Index	Contribution
Sri Lanka	39	100	10	100	4	100
Urban	25	9	6	8	2	8
Rural	41	87	11	88	4	89
Estate	45	4	10	4	3	4

Source: A Framework for Poverty Reduction, Ministry of Finance, 2000

Notes: Excluding North and East data

### 3.3. Trends in Poverty 1985/86 to 1995/96

Gunawardene (2000) has examined changes in poverty levels, standardised to 1995/96, for the years 1985/86, 1990/91 and 1995/96 (Table 7). This analysis reveals that poverty declined significantly 1985/86 to 1990/91, but then rose sharply in the rural and estate

sectors (and thus in aggregate terms) in 1995/96 period. The main reason attributed for the rise in poverty in the mid 1990s is the drought that prevailed during that year. The drought led to an increase rise in food prices. For instance, the consumer price index (for food and drink) increased from 124 in 1990 to 216 in 1996 whereas the increase in the real wage rate index dropped from 123 in 1990 to 114 in 1996 for agricultural workers. As most poor are casual and seasonal wage employees, restricted wages but increasing food prices is likely to have reduced consumption in this period. Since the poverty line is based on a consumption basket, reduction in consumption increases poverty incidence. Further, the changing nature of sources of income of the poor can be observed through Dunham and Edwards (1997) who examined the sources of agricultural household income in the rural sector of the country. They estimated that nearly 31-40 percent of the household income was from remittances from overseas and wages of those in armed forces in 1985. In 1993 the percentage contribution from these sources had increased to 60-75 percent indicating the inability of households to secure regular income from employment. However, the reason for urban poverty remaining almost static from 1990 – 1995 is not clear amidst increasing poverty in the other two sectors.

Some 21 percent of the country's poorest people (i.e. below the 'low' poverty line) do not participate in economic activity and a further 21 percent are reported as unemployed (Gunawardene 2000). While access to employment remains a key means by which poor people overcome their poverty it must be noted that 25 percent of those classified as employed are also below the 'low' poverty line (ibid). This is because their work is low paid and increasingly casual. A high proportion of such low paid work is in the agricultural sector<sup>13</sup>. Studies by the Central Bank (1999) of underemployment (the number of man-days lost due to the lack of work opportunities as a percentage of the total number of man-days available) show urban underemployment as 12 percent and rural underemployment as 18 percent.

**Table 7: Magnitude of Poverty by Sectors 1985/86, 1990/91 and 1995/96**

Poverty Status	Urban			Rural			Estate		
	1985/86	1990/91	1995/96	1985/86	1990/91	1995/96	1985/86	1990/91	1995/96
<b>Low Poverty Line (Rs.791.67)</b>									
Incidence of Poverty %	18.38	14.97	14.67	35.55	21.98	26.95	20.53	12.42	24.92
Depth of Poverty %	4.41	3.38	2.95	8.9	4.5	5.79	3.92	2.11	4.88
Severity of Poverty %	1.59	1.15	0.91	3.24	1.41	1.88	1.27	0.61	1.55
<b>High Poverty Line (Rs.950)</b>									
Incidence of Poverty %	28.09	24.49	24.94	50.22	36.02	41.33	34.73	27.82	45.32
Depth of Poverty %	7.53	6.1	5.79	14.57	8.55	10.54	7.7	5.03	10.06
Severity of Poverty %	7.53	2.24	1.96	5.85	2.96	3.8	2.64	1.48	3.33

Source: Gunawardene 2000

Note: Excludes North and East data

### 3.4 Poverty and Ethnicity



There does not appear to be a significant difference in the level of poverty among the ethnic groups of the country (Table 8). As the majority consist of Sinhalese, their higher share of poverty is not unexpected. Poverty by ethnicity of principal income earner shows that, as with general poverty situation, the lowest poverty level was observed in 1990 period. According to the lower poverty line, poverty was lowest among Indian Tamils (12 percent) in 1985 compared to Sinhalese, Sri Lankan Tamils and Moors. However, in 1995 the poverty incidence by ethnicity does not indicate a significant difference between the four groups (Gunawardene 2000)

**Table 8: Poverty by Ethnicity (1995/96)**

Ethnic group	Incidence of Poverty %	
	Index	Contribution
Sinhalese	25	84
Northeast Tamils	27	5
Upcountry Tamils	23	4
Muslims	29	7

Source: Policy Framework for Poverty Reduction, Ministry of Finance, 2000

Note: Excludes North and East data

#### **4. CHRONIC POVERTY IN SRI LANKA**

##### **4.1 Disaggregating Poverty in Sri Lanka: Quantitative Approaches to Poverty and Ultra poverty**

The previous section has illustrated the difficulties of identifying a clear ‘poverty line’ for the country. Many studies have been one-off snapshots of poverty (in material terms) and only recently have more systematic attempts to assess poverty trends occurred. Quantitative panel data for the country, or even for parts of the country, does not exist. The only annual survey is the Labour Force Survey, but this does not often return to the same households and collects data only about employment. The two main surveys used for poverty analysis – the five yearly Household Income and Expenditure Survey (HIES) and ten yearly Consumer Finance Survey (CFS) – do not return to households from earlier surveys. Several other national surveys are conducted by the Department of Census and Statistics<sup>14</sup> but none yields panel data.

While there are thus no quantitative studies of chronic and transitory poverty there have been attempts to disaggregate the ‘poor’ and the ‘ultra poor’. The most detailed work is Nanayakkara (1994) who identified the ‘nutritionally at risk’(or poor) This study found that nutritionally at risk households declined significantly from 1980/81 (23.8 percent) to 1990/91 (14.4 percent) (see Table 9 for definitions). Over the same period the ultra poor initially declined, but by 1990/91 were at roughly the same level – 5.4 percent of all households – as 10 years earlier. In both rural and estate sectors the percentage of the ultra poor had increased. This study indicates that while vulnerable households improved their circumstances over 1980/81 to 1990/91 the numbers in ultra poverty increased: the reasons for these trends are not clear but is likely that efforts of mainstreaming the poor into the economic growth process did not capture the poorest group thus increasing their numbers from 1980 to 1990.

**Table 9: Percentage of Ultra Poor and Nutritionally-at-risk Households (1980/81 to 1990/91)**

Survey Periods	All Sectors		Urban		Rural		Estates	
	Nutritionally	Ultra Poor	Nutritionally	Ultra Poor	Nutritionally	Ultra Poor	Nutritionally	Ultra Poor
	at-risk %	%	at-risk %	%	at-risk %	%	at-risk %	%
1980/81	23.8	5.5	26.6	5.8	23.5	5.7	19.5	2.5
1985/86	22.4	2.9	24.0	3.2	23.1	2.9	9.2	1.8
1990/91	14.4	5.4	19.0	4.4	14.0	5.9	5.8	3.0

Source: Nanayakkara 1994

Notes:

Ultra Poor - Households whose food ratio is more than 80 percent, but achieves less than 80 percent of their food energy requirement

Nutritionally-at-risk - Households whose food ratio is less than or equal to 80 percent, but achieves less than or equal to 80 percent of their food requirements.

The World Bank (2000) has used US\$1 and US\$2 per day income measures to identify the poorest and the poor respectively. In line with Nanayarakka's (1994) study this found that the very poor were a relatively small proportion (6.6 percent) of the population; the poor were a much larger group, with 45 percent of the population falling under the US\$2 a day measure. While a theoretical case can be built arguing that the very poor are likely to be chronically poor further empirical research is needed to understand the poverty dynamics of the ultra poor, poor and non-poor in Sri Lanka.

#### 4.2 Sri Lanka's Chronic Poor: Qualitative Evidence

Although different aspects of Sri Lankan village life have been studied since before independence, information on chronic poverty is scarce. Information from studies on settler communities, their second generation problems, developmental issues under different village communities, data from rural development projects are available. However, as focus of studies has not been on chronic poverty, qualitative data on this aspect is lacking.

#### 4.3 Perceptions of the Chronically Poor

A series of participatory studies in a few selected poor villagers were conducted for "Voices of the Poor" in 2000 (IPID 2000). The study examined perceptions of poverty (Table 9). While there are interesting findings these studies create problems when compared because of the differing perceptions of poverty in different villages.

When looking back at poverty over time the villagers indicated that in 1988 in Dambemada 90 percent were poor and 10 percent were of average means whilst in 1998, 85 percent were poor and poverty had reduced by 5 percent over ten years. Kapuhengama villagers reported that in 1980 80 percent were poor and that in 1998, 60 percent were poor, 10 percent were rich and 30 percent were non-poor. The Mulipothana villagers are now poorer than what they were before the conflict. In the first two villages signs of intergenerational poverty are apparent, where the poor had remained poor for over 15 years.

**Table 10: Characteristics of the Poor in ‘Voices of the Poor’ Study**

Village	Location	Selection Criteria	Demography	Housing	Water	HH Items
Kapuhenegama	Kurunegala North Western Province Dry Zone	Lack social Infrastructure  One Caste Low Social Recognition Same ethnicity	83 families  One caste (potter)  Low education Inter-caste marriages	16 permanent  03 semi permanent  56 temporary 6 wooden	01 tube well For drinking water	14 TVs  28 Radios 75 Bicycles 6 Sewing Machines
Dambemada	Ratnapur North Central Province Dry Zone	Lack social Infrastructure  Same ethnicity	100 families Low education 90% same cast	51% permanent 49% semi permanent	02 tanks	92 Radios 16 TVs 24 Sewing machines  23 Petromax lamps 8 Bicycles
Mulipothana	Trincomalee Eastern province Dry zone	Post conflict  Village multi-ethnic	184 families 146 Tamil, 32 Sinhalese & 7 Muslim Irrigated settlement	All had permanent  houses prior to 1987- current  situation not given	N.A	N.A

Source: Extracted from studies conducted by IPID 2000

The basic characteristics of the poor in the studied villages show that physical isolation and social exclusion from the economy and mainstream society is due to caste, lack of infrastructure and secessionist conflict. Another commonality among the villagers appears to be low education. The village Mulipothana, is different from the other two as it was not always a poor village but had become one through the conflict.

Employment patterns in the three villages show the uncertainty of income sources, which has resulted in chronic poverty. The main employment in all three villages is seasonal labour work in *chena* cultivation or as hired labour, as the economy of all three villages is agricultural based.

Some families appear to have moved out of chronic poverty due to regular employment being secured by in garment factories, employment in Middle Eastern countries or employment in the armed forces. Households whose income sources have not diversified away from agriculture remain poor.

The study requested villagers to define “well-being”. Common responses to this concept were economic capacity to meet basic needs, adequate health and sanitation facilities, living in unity, education and road facilities and reduced alcohol consumption. In

Dambemada villagers had reported on the reasons for remaining poor. Among the reasons given are inadequate physical assets such as irrigation water; lack of infrastructure facilities leading to the inability to obtain reasonable farm gate price for agricultural goods; and, in some cases, the unwillingness to work hard. Some of the reasons given for underemployment in the villages are inability to engage in work, lack of education, unawareness of employment opportunities and laziness. It is apparent that even among those that can be considered chronically poor, differential levels of poverty exist depending on the resource base of each group of chronically poor.

#### **4.4 Chronic Poverty and Specific Groups**

While the preceding sections have revealed how little is known about the chronically poor in Sri Lanka it is possible to identify specific groups who are likely to experience chronic poverty, or have higher probabilities of experiencing poverty for extended periods. This is because of their social status, their lack of influence over the processes of governance, their geographical location, their lack of access to assets – and, commonly, a complex of several of these factors. In the following paragraphs the present situation with regards to such groups is examined.

##### **4.4.1 The Displaced and Those Exposed to Violent Conflict**

One of the main concerns of Sri Lanka is the ongoing secessionist conflict in the North and some Eastern parts of the country. As in any conflict there are two major costs to the country – economic and social. The enormous economic cost to the country was raised in a previous section. The social costs to the society are also enormous: about 800,000 displaced persons; about 60,000 deaths (National Peace Council 2000) ; large numbers disabled; large numbers of children suffering from war related trauma; children trained by separatists for war activities; loss of education to children; increasing number of female headed households due to death of husband/sons; loss of homes and disruption of families; terrorised society and increase in violence; health and nutritional problems and problems in securing income.

Almost three quarters of a million people are living within and outside welfare centres or is dependent on humanitarian aid (Table 11). The spread of the internally displaced persons (IDPs) to 14 districts in the country is also indicative of the trauma they undergo in travelling with minimum belongings and assets. These persons who move further away from their original residence suffer extensively as they become alienated and isolated in the society as the support groups that existed in their own villages are no longer available to them.

Many living in conflict areas obtain assistance from the state as well as both local and international NGOs. It is estimated that around 30 percent of income in the conflict areas is from state transfers or charitable sources indicating the high levels of economic dependency. With regard to poverty, these communities may be obtaining their minimum food requirement through the dry ration but are poor in terms of almost all other criteria. For instance, Oxfam (1997) found that 25 percent of children under 5 suffered from diarrhoea, 70 percent from fever and 30 percent from skin disease over a short period of time.

**Table 11: Internally Displaced Person Welfare Centres and Issues of Dry Rations (end 1995)**

District	Welfare Centres		Recipients of dry Ration outside centres
	Number	Population	
<b>North</b>			
Jaffna	199	37480	131681
Kilinochchi	73	32611	161735
Mullativu	46	33033	82259
Mannar	20	22636	51873
Vavuniya	12	7817	32546
<b>East</b>			
Trincomalee	25	6606	16906
Batticaloa	4	1737	14236
Ampara	5	3587	3217
<b>Other</b>			
Puttalam	122	30302	11332
Anuradhapura	40	6705	3146
Kurunegala	25	3106	2384
All other districts	15	3933	18950
<b>Total</b>	<b>586</b>	<b>189553</b>	<b>530445</b>

Source: Peiris 2000

Information on levels of poverty in the North and East is rare, however, a qualitative poverty survey in one district in the East is given by GTZ (2000). Of the 1097 villages in the Trincomalee district, 9.8 percent are abandoned; 18 percent are of poverty level 5; 19 percent are level 4; 19 percent are level 3; 17 percent are level 2 and 18 percent are level 1, where the lowest level of poverty is 1. The poverty ranking of villages are based on a number of criteria such as number of households in the village, number of widows, orphans, IDPs, land ownership and tenant cultivator, occupation, sanitation facilities and water availability, availability of schools and pre-schools, health services and selected support services. These criteria were then transformed in to a composite index where ranking of villages were done.

Information on the nutritional status of children and women in conflict affected areas is also scarce. A survey by the World Food Programme on selected welfare camps shows that the average prevalence of undernutrition among children under five is higher than the national average. However, the undernutrition levels in these camps are similar to those in remote rural villages in the rest of the country.

According to the Oxfam study (1997) of the Wannu (mostly uncleared areas) the internally displaced community attempts to practice their own occupations such as agriculture with available resources and prevailing conditions. Another study conducted on the perceptions and needs of the displaced and the returned in the districts of Mullativu, Kilinochchi and Mannar showed the following opinions (Oxfam 1996):

- We wish to live in peace and enjoy basic rights and freedom
- We want to be self-sufficient- this means having access to employment opportunities, agriculture and other inputs, capital and markets
- We do not want to rely on relief but need materials (tools and equipment) that help self-reliance
- We want access to better quality of land and water
- We want reasonable access to health and education services

#### **4.4.2 Social Exclusion Due to Ethnicity and Caste**

The most serious exclusion due to ethnicity is presently in the north and north east of the country. With the beginning of the armed conflict in the north and north east in the 1980s all other ethnic groups, including some Tamils, were driven away by the secessionist. As a result, the Tamil speaking population in the north and north east has little or no interaction with non-Tamils (since they are not allowed to live in these areas) and the rest of the country. The Tamil population who lived in the north and north east areas has almost halved after the conflict began as they have either migrated abroad or to other parts of the country as was shown by the spread of IDPs (see previous sections). The rest of the Tamil population, who live in the other parts of the country, live together with other ethnic groups in the country.

The next ethnic discrimination in the country relates to Sri Lanka's indigenous population, the 'Veddas', who have been marginalised by all of Sri Lanka's other ethnic groups and by colonial powers for centuries and driven back into the most remote parts of the country. They have little or no political power and have very limited access to health, education or welfare services. Their access to land and natural resources (on which they are dependent) has been reduced over the years and their incomes and social indicator levels are much lower than national averages.

Definition of 'Veddas' has influenced the statistics available on this population. For instance, the 1911 census computed that a total of 5342 in the country whereas by 1963 (using the same criteria as 1911), there was only 400. However, Brown who conducted a census in 1970 (in Anuradhapura district only) records 5800 (de Silva 1990). According to Jon (1990), present Veddas can be divided into 3 groups located in three parts of the country where their livelihoods also vary<sup>15</sup>.

Caste structures remain a feature of daily life in much of Sri Lanka, but are much weaker at present than the last century. While being of low caste, for both Sinhalese Buddhists and Tamil Hindus, is a social disadvantage, it is not believed to be a significant factor in explaining the current incidence of poverty. Nevertheless, CPRC research will examine if caste is a factor associated with chronic poverty.

#### **4.4.3 The Urban Poor**

Almost 20 percent of the population of Colombo are poor and a large proportion of this group are dependent on informal sector employment, which is very unstable (Silva 1998). Little is known about the nature of their poverty but it seems likely that they experience 'social' poverty (violence, ill health, child abuse) at higher levels than might be expected from their levels of income/consumption poverty. There is evidence of an urban subculture of domestic violence, problems with the police, illegal activities (alcohol manufacture, sale of drugs, theft), alcohol and drug abuse, addiction, gambling and poor financial management that damages the lives of urban residents and their children (Kottegoda 1991b). As the older generation shapes its lives around such practices this transmits poverty to the next generation – in terms of likelihood to ill-health, poor education, anti-social behaviour and other features. State intervention for the urban poor has been limited to upgrading houses but some NGO's are engaged in social mobilisation and community development programmes.

#### 4.4.4 Female Headed Households

Research in Sri Lanka and other countries has revealed that women are more likely to suffer from poverty than men and, it would seem likely, that women would experience chronic poverty at higher levels than men. According to the Ministry of Social Services (2000) women who are particularly vulnerable are migrant workers, female headed households, unpaid family workers, unwed and widowed women in poor families and elderly, single women with low income. Female headed household comprise of 17 percent of the total households in the country<sup>16</sup>. There is no significant difference in poverty levels between average male and female headed household in the country (Ministry of Finance 2000). However, sectoral examination of poverty show that in the urban sector female headed household poverty is about 7 percentage points higher than male whilst according to rural data male headed household poverty is about 2 percentage points higher than female poverty.

Although consumption poverty does not appear to vary with gender, certain other qualitative measures indicate discriminatory behaviour towards female headed households. For instance, the Land Development Ordinance of 1935, stipulates that land inheritance is to the eldest son thus depriving women of ownership rights. Thus Kottegoda (1991b) found that many women live on state land as squatters or without legal rights. The majority of such women were employed in casual labour characterised by seasonality, irregularity of work and low wages. Further, unlike married women whose social position is defined by that of their husband, the social position of female headed households is inferior. Kottegodda (1991a) also states that in general the societal pressure exerted on women without men, together with economic pressure, makes female headed households much more deprived than others.

Weerasinghe (1987) found that rural women abandoned by their husbands tended to be treated as outcasts by the villagers. In contrast Kottegoda (1991b) found that low-income female-headed households in the urban sector in shanty settlements in multiethnic groups had much greater support from the community. Further, unlike in a village scenario, these women found work away from the place of their residence, and were less likely to be subjected to scrutiny and criticism.

Many low income women with families opt for home based employment to combine household chores with employment. One form of home based employment is tobacco wrapping. One study found that of these employees 60 percent were secondary school drop-outs and 23 percent only obtained primary education. The employment was long hours between 8-13 hours a day and wages were low but was the best option available to many considering the other constraints such as mobility and family care (Kottegoda 1991b).

Most recent employment opportunities for women are through the garment industry. As many of these industries are in rural areas women have to find lodging outside their homes. Studies conducted in the Katunayake Free Trade Zone (Colombo) show these women's quality of life to be quite poor. They have to manage their food, lodging and other expenses from their low wages and are exposed to social problems such as physical abuse and sexual exploitation.

Marga (1996) studied women who work in the Middle East. Only a small percentage of returnees are able to gain a sustained change in their economic situation. Many find the remittances sent home are used by the husband or the family for consumption purposes, including house building, and not for economic activities. Many utilise the remittances for alcohol consumption and other vices, which in turn affect the children and family stability. Due to social pressures and oppression faced by these women at home many often prefer to return overseas.

Age of marriage of females in the country show that nearly 31 percent marry between the ages of 15-19 years and 40 percent between 20-24 years of age. Two main repercussions of marriage at an early age can be argued. Being relatively poorly educated, barely completing secondary education, the opportunities for obtaining employment for reasonable wages is low, especially in the rural/estate sectors. Secondly if those marrying at a young age are from poor families and were undernourished and these girls/women with pregnancies soon after marriage will give birth to low birth weight children. This raises the likelihood of a second generation malnutrition-poverty cycle.

#### **4.4.5 Older People**

A survey of the elderly in 1994/95 showed that the majority had limited financial means with 88 percent of the institutionalised elderly being destitutes. Care service is provided by the state to about 600 elderly (Ministry of Social Service 2000). Tudawe and Wikramanayake (2000) have shown the nutritional status, particularly iron deficiency anaemia, was quite high for the inmates of these institutions. Inadequate funds leading poor diet and facilities render the lives of the elderly to be of poor quality. Furthermore, the share of elderly (over 60 years of age) will rise from 11 percent in 2000 to 19 percent in 2006 increasing the need for facilities both medical and residential for the elderly. Majority of the population in the informal sector do not have access to pensions or other forms of income as their work capacity diminishes. Those who are not eligible for a reasonable income will add to the poor elderly population in the country. Legislation is in place for a parliamentary act on the Protection of the Rights of the Elderly, Act. No.9 of 2000. However, considering the resource constraint faced by the state, implementation of the act will be a different matter.

#### **4.4.6 Street Children**

There is no updated record of street children in the country but the Colombo Municipality estimated about 2000 in Colombo (CENWOR 1991). However, such figures are clearly underestimates and many of the main cities in the country have increasing street children. There are only a few homes for street children. Although the Ministry of Education has a few literacy and reading classes for street children the quality of education is poor as priority given is low. Due to resource constraints, government assistance is not available for these children. Some NGO programmes exist for these children such as education (enrolment in regular schools), pre-school, day care centres and skill development. However, no formally organised programme exists to look after the welfare of these children (CENWOR 1991). With low education and skills development, it is likely that these children and as adults will remain in poverty.

#### **4.4.7 Working Children**

Child labour is a major human and social problem in Sri Lanka as elsewhere. In 1999, dept. of census conducted a child activity (5 to 17 years) survey in 14400 households. The percentages that belong to each of the classifications are:



- Paid employees –18.7 percent
- Self-employed (own account worker) –3.6 percent
- Working for family enterprise without payment (unpaid family workers) – 46.7 percent

Twenty one percent of the country's children, some 926,038, are engaged in some form of economic activity. 25.8 percent are male and 16.6 percent are female children. The survey results showed that 24.3 percent of children did not attend school. Of those who did not attend school, 12 percent did for financial and other difficulties; and 20 percent due to engagement in economic activity. In relation to sectoral distribution of working children 94.8 percent were from rural areas and 5.2 percent from urban areas (Dept. of Census and Statistics).

The study showed that working children do not have adequate education, or develop adequate skills for present or future employment. Although they supplement household income, the future of these children is bleak. It is likely that these children will become poor adults in the informal sector as casual, low-paid workers for the rest of their lives.

#### **4.4.8 Disabled People**

Nationally about 8 percent of the population (about 900,000 in 1996) are classified as disabled (Dept. of Social Services 2000). About 2000 of these people, 0.13 percent, live in 135 state and charitable institutions, which receive a small grant per inmate. About 90 percent of the disabled are unemployed and dependent on their families. In poor households, which find it difficult to meet the expenses of wage earning members, a disabled member increases the economic burden on the family. Especially the parents, who will have difficulty supporting themselves in old age will have to find additional resources for the disabled unless the other family members are in a position to help. In 1996, the Protection of the Rights of Persons with Disabilities was passed. However, implementation of this act has been very limited to date.

A study (Mendis 1999) conducted in the Eastern province of 111 disabled children showed that of that 49 percent were disabled at birth. Of the total families 40 percent of families with disabled children had been displaced at some time or the other and 4 children were reported being disabled as a result of the conflict. The study states that although 91 percent of the children lived in their own houses 62 percent were said to be in poor condition.

Mendis (1999) also examined the perception of these children and found that 24 percent considered that their disability would not permit them to take up any economic activity and 43 percent stated that interaction with other children was none or low.

Information available on the disabled and their ways of coping is inadequate and needs further investigation as almost one million disabled are present in the country. However, unless state or NGO interventions are adequate to provide the disabled with employable skills, the disabled poor will find it difficult to move out of poverty.

#### **4.4.9 Unemployed Youth**

Youth unemployment in Sri Lanka is at high levels with 40 percent (Dept. of Census 1999) of 20 to 24 year olds and 19 percent of 25 to 29 year olds recorded as

unemployed. The reasons for this are complex relating to both a structural lack of opportunities and the voluntary unemployment of youths who are selective about what work they will take on. The latter is particularly the case for the educated (O and A level awards) with regards to work in agriculture. A consequence of youth unemployment is high rates of youth dependency on parents: for 15-19 years, 20-24 years and 25-29 years the 'fully dependent' rates are 87, 64 and 41 percent.

There is hardly any information about chronic poverty and youth unemployment but there are three areas that are pertinent to CPRC work. We need to understand which unemployed youths experience chronic poverty; what the impacts of youth unemployment are on others (for example, does youth dependency on parents reduce parental savings and increase the likelihood of parents being poor when older); and, the ways in which youth unemployment limits economic growth and thus influences rates of poverty reduction.

## **5. THE CAUSES OF POVERTY AND CHRONIC POVERTY**

### **5.1 The Livelihoods Framework**

There are many factors that contribute to individuals, households or groups experiencing poverty and chronic poverty in Sri Lanka. These can be examined in terms of a 'livelihoods' framework (Ellis 2000). In addition to the standard categories – human, physical, natural, financial and social capital – we have also included 'political capital' as the power that individuals and groups can exert over institutions and other people is fundamental to the analysis of deprivation and inequality.

### **5.2 Human Capital**

Human capital refers to the educational/skill and health levels of people. In Sri Lanka, educational and health indices are relatively high and access relatively easy as the state provides these services free of charge. However, for the poor and especially the chronically poor, access to such services may be constrained by hidden costs (e.g. school uniforms and bus fares), social discrimination and/or individual or household decisions not to use the available services. In addition, the poor and chronic poor have higher levels of exposure to many factors that contribute to poor health (unclean water, adulterated foods, polluted air, infectious diseases, accidents), which affect both educational capacity and labour productivity.

#### **5.2.1 Education Levels**

The effect of education on the incidence of poverty is shown by the inverse relationship between poverty level and education level (Table 12). There appears to be significant reduction in poverty after GCE<sup>17</sup> (O/L) examination level with graduates and above having the lowest level of poverty. Access to education for the poor has a significant effect on reducing poverty.

Educational attainment by sector shows that the highest achievement in education is among the urban population. There is little difference between primary education among the rural and urban population (over 90 percent) although that of estate population is much less (over 70 percent). The completion rate of secondary education status is 67 percent for urban, 57 percent for rural and 20 percent for estate sector children. Post

secondary and higher level of educational attainment is widely different between sectors where 30 percent of urban 20 percent of rural and 5 percent of estate children has achieved this level<sup>18</sup>. The information on education attainment by sector shows the presence of an urban bias in the investment in education both by the government and the households. The government bias towards urban sector schools are also seen from higher state expenditure on urban based schools than rural schools where facilities also are far inferior to urban schools.

**Table 12: Incidence of Poverty by Education Level of Principal Income Earner - 1995/96**

Employment Status	Lower Poverty Line			Higher Poverty Line		
	Incidence of Poverty %			Incidence of Poverty %		
	1985	1990	1995	1985	1990	1995
No Schooling	45.24	31.17	39.76	60.01	47.34	58.14
Primary Schooling	44.26	27.59	38.05	59.8	43.48	55.22
Lower Secondary	32.54	20.8	30.96	48.57	36.69	47.03
Upper Secondary	23.88	16.67	22.22	38.41	28.64	36.79
GCE O/L	10.01	7.98	10.82	16.89	15.21	20.19
GCE A/L	6.42	3.08	4.86	10.46	7.56	12.76
Graduate & above	0.71	1.84	1.49	4.97	2.7	5.47

Source: Gunawardene 2000

The Central Bank (1999) household survey provides reasons for children not attending school. The main reason is the inability to provide basic needs required for schooling by the family – about 10 percent of rural and urban and 29 percent of estate households belong to this category (also see section on working children). Disability/poor health accounts for around 9 percent of non-participation. Disabled children have few alternative education or skill development opportunities and are disadvantaged in the future when securing employment. It is noteworthy that there is no difference in poverty level and the average years of schooling or poverty and education level between male and females in the country.

### 5.2.2 Health and Nutrition

The relationship between health, nutrition and labour productivity is well established. Labour productivity and child development are affected by undernutrition, micronutrient deficiencies and morbidity. Sri Lanka has three micronutrient deficiencies that have been identified as public health problems – iron, vitamin A and iodine. The consequences of micronutrient deficiencies are well documented in nutrition literature<sup>19</sup>. Tudawe and Wikramanayake (2000) highlight Edgerton's study on iron deficiency anaemia and productivity in the tea plantation sector in Sri Lanka where iron supplementation led to significant increase in productivity<sup>20</sup>.

Applying 1995 nutritional assessment to present-day population estimates the number of pre school child population suffering from stunting is about 0.33 million; 0.21 million are wasted; and 0.54 million are underweight. Furthermore 0.66 million children suffer from Vitamin A deficiency whilst 0.72 million pre school children are anaemic. Nearly one third of adult population in Sri Lanka has been classified as undernourished<sup>21</sup>. Although the

likely impact of undernutrition on labour productivity has not been estimated for Sri Lanka, it can be shown that the poorest will be the most affected. For instance, Nanayakkara (1994) examined the ultra poor and nutritionally-at-risk within income decile groups. He found a close association between poverty and food insecurity (measured in food energy intake) where the risk of food insecurity and undernutrition increases with poverty. In all sectors, nearly 44 percent of the population in the lowest income decile were classified as nutritionally-at-risk and 35 percent as ultra-poor. Nutritional deficiency increases with food insecurity as the food insecure poor's earning capacity becomes limited due to ill health and malnutrition.

Further, there are large variations in undernutrition of children and adults by province. Western province, where both the country's commercial and administrative capitals are located, is better serviced by the state, and shows the lowest prevalence of undernutrition and poverty. Further, a study conducted by Gunatilleke et al (1988) shows that the prevalence of morbidity varies with household income and location of household in the country. Morbidity levels decrease significantly with increasing income in all household groups. Among the low income groups, the highest morbidity is observed in the estate and wet zone villages<sup>22</sup>. High morbidity has a bearing on labour productivity as the number of days worked will be reduced and thus undermines the ability to secure adequate income.

Although Sri Lanka provides free health services to all in the country, Allailima (1997) showed that 40 percent of the poor obtain medical services from private health institutions (both western and indigenous). The reason for the poor opting for private medical service when state services are available free of charge is linked to quality of service provided by the state in certain areas of the country. Also school non-attendance rates indicate the inability of poor children to obtain an uninterrupted education. This demonstrates that state intended non-economic household transfers through education and health services, do not benefit the poorest to the expected level .

### **5.3 Financial Capital and Expenditure Patterns**

Financial capital refers to stocks of cash that can be accessed and sources of credit (Ellis 2000:8). Lack of access to financial capital deepens poverty as it means that poor people cannot manage risk and vulnerability effectively, nor invest in income earning or productivity enhancing opportunities. In this section expenditure patterns are also discussed as these have an important influence on the capacity of poor people to amass savings, insurance and other stocks of finance

#### **5.3.1 Financial Capital**

There is a vast literature on the access of poor people in Sri Lanka to savings and credit services from both the formal and informal sectors (see Hulme, Montgomery and Bhattacharya 1996 for key sources). Here, it is only necessary to summarise the main findings.

- (i) Despite the widespread belief that poor people are 'too poor' to save the poor in Sri Lanka take great efforts to save<sup>23</sup>. Sometimes this is by accumulating micro savings on a regular basis and at others by storing 'lumps' of unexpected income. They have limited access to formal banking services (except the Post Office) and better access to semi-formal services – Thrift and Credit Cooperative Societies (SANASA) and NGOs. Many savings are held informally (through money guards and rotating savings and credit associations) or in kind (as domestic appliances).

- (ii) The access of the poor to formal credit remains limited despite government efforts. The array of 'rural credit' schemes run by the state has generally been captured by the non-poor. NGOs and credit cooperatives have extended lending to the poor but most poor people rely on relatives, neighbours, friends, traders and, sometimes, professional moneylenders. The costs of such loans range from zero (common amongst relatives) to high cost 'tied transactions' with some traders.
- (iii) Poor people commonly seek to maintain a web of financial relations so that in both the short and long term future they have several possible ways of raising loans and storing savings.
- (iv) Although access to financial services is better in Sri Lanka than in many other parts of South Asia, the available evidence indicates that the chronically poor are likely to have limited opportunities to amass savings safely and/or take loans. This reduces their capacity to deal with shocks (making it likely they will slip deeper into poverty) or seize income earning opportunities (reducing the likelihood of their finding a means of escaping income poverty). However, the proportion of the poor, becoming chronically poor because of mismanaging financial assets or being 'cheated', is not known. The latter includes informal and formal agents who run away with the savings of the poor and loan transactions with conditions that lead to immiserisation.

### **5.3.2 Patterns of Expenditure**

The Income Expenditure Survey of 1995/96 shows the vulnerability of households in the lower income deciles to high levels of expenditure on food and drink. The lowest income decile spends over 150 percent of household income on food. Often these households become indebted to moneylenders or shopkeepers and enter 'debt cycles' from which they cannot escape.

Researchers have shown poor financial management behaviour of some seasonal crop farmers leads to the poor remaining poor (Hettige 1993). Once funds are secured from sale of crops after harvesting many use the surplus to purchase luxury and other consumer durables, attempt to build houses beyond the limits of their budgets and are reduced to a state where they need to borrow or sell belongings to survive till the next harvest period. A poverty cycle of over spending and indebtedness ensure that these poor households stay poor. Moore and Perera (1978) reported similar behaviour among settlers of village expansion schemes.

Further, household financial insecurity has also been attributed to the high level of alcohol consumption by males and the economic and social effects of excess use of alcohol. For instance, the lowest income decile, which do not have adequate funds to meet their food needs, spend over 10 percent of their income on alcohol (Dept. of Census 2000 and Central Bank 1999). Dramatic alcohol consumption is denoted by the data that alcohol consumption has increased from 68,474 million litres in 1991 to 87,151 million litres in 1995 (Excise Dept. Data). Further it is reported that over 90 percent of alcohol consumption in the dry zone are from illicit brews, data of which is not included in the figures given above (Sober 1997). CARE (1998) reported that alcohol consumption in the estate population is much higher than that reported in national surveys. It is estimated that daily income spent on alcohol is between 25-50 percent for working men. Excessive expenditure on alcohol may be a reason for the poor social and economic status of the estate workers despite their overall wages being regular and much higher than hired labour in rural and urban areas where opportunities are seasonal. For

instance, despite higher levels of consumption in the estate sector, they have the high rates of child malnutrition and morbidity in the country. Men explained increased consumption of alcohol as an outlet to “get over” mental and physical stress of the work (CARE 1998)

All the given information basically shows the degree of financial asset instability and high vulnerability to externalities, which contributes, to the poor remaining poor for long periods of time. More detailed study is required to understand the exact ways in which the chronic poor seek to balance their expenditure and consumption and expand their financial assets

## **5.4 Natural Capital**

Ellis (2000:8) defines natural capital as the ‘natural resource base (land, water, trees) that yields products utilised by human populations for their survival’. This definition is further extended in this to include land improvements, such as terracing and irrigation, as studies of natural resource use in Sri Lanka usually analyse human modified production systems as a whole.

### **5.4.1 Access to Natural Capital**

Sri Lanka has a variety of natural resources including land, water, forests, wildlife and fisheries. Analysing all of these in detail is beyond the scope of this paper and so the main focus is on access to land and water. These are the most important natural resources in terms of the livelihoods of the poor and, they illustrate an important feature of contemporary access to all natural resources in the country i.e. high levels of inequality of access that are almost certainly increasing.

A starting point must be that at a macro-level there are clear linkages between the agricultural potential of land and levels of poverty. In the dry zone, where agricultural potential is limited by rainfall and soil quality, there are concentrations of rural poverty, Monaragala, which lies in this zone, has the highest incidences of rural poverty (outside of conflict zones) and this is particularly the case where irrigation has not been developed.

At a more localised analytical level than the access of rural households to land is a key determinant of income levels and social indicators. The 1982 Agricultural Census<sup>24</sup> revealed the problems of access for many people. 11 percent of ‘farm operators’ were landless, 36 percent had only home gardens and 43 percent had less than 1 acre of land. Poverty is concentrated in these landless and micro-plot households (Ministry of Finance 2000).

Improving access to land, and associated efforts to raise land quality, has been a central component of government poverty-reduction strategies. Between 1978 and 1993 228,000 households were allocated 417,000 acres of land on settlement schemes, 205,000 households had around 250,000 hectares of land they had encroached regularised (i.e. they were given legal rights) and 300,000 households were allocated 301,000 acres of land (Allailima 1997). Public expenditure in irrigation and land development reached unprecedented levels. Despite these efforts, population growth and land fragmentation through inheritance – allied to poor scheme design, weak agrarian support services (Gamage 1998) and the failure of off-farm employment to materialise – have meant that this ‘big push’ to redistribute natural capital has, at best,

only stabilised levels of rural poverty. The productivity of 'small farms' lags behind larger land units, and it is the poor who are dependent on small farm income.

Patterns of land use are having other impacts on poverty. Chena cultivation (slash and burn) in dry areas and on slopes, the growing demand for firewood and illegal logging (usually by large scale commercial operators) is hastening deforestation. This has been proven to increase siltation, which reduces the effectiveness of irrigation schemes and is causing problems for hydro-electricity generation. It may also be leading to longer term changes in rainfall patterns, which has major implications for agriculture and agriculture employment. While it is all too easy to slip into an environmental 'doom and gloom' scenario, there is growing evidence that natural resource exploitation in Sri Lanka is passing levels of sustainability – especially for forests, water and some fisheries. Access to natural capital, especially for the children of today's rural poor, seems certain to be a deepening problem.

## 5.5 Physical Capital and Poverty

Physical assets are examined in relation to housing, mobility, water and sanitation. It should be noted that irrigation and land development have been discussed in the previous section. The limited information on the 'tools' that the poor have access to – ploughs, hoes, pumps, carpentry and mechanical, bicycles – means that these are not covered here.

### 5.5.1 Housing

Many poor and non-poor households consider house ownership as one of the basic aspects of security in a social and economic sense, and attempt to build a permanent house if and when they have resources. The quality of houses in terms of material used for floor and wall has improved over the last ten years. However, the poor economic condition of the households can be assessed by the percentage of households still with wattle and daub, cadjan leaves, and wooden walls and unprepared floors and clay floors. Although cross-classification with housing condition and income is not available, it is likely that the houses with these characteristics belong to the poorest of the community. The percentage of houses with wattle and daub walls have reduced from 32 percent to 16 percent by 1997 as have clay floors from 39 percent to 22 percent in the same time period.

Distribution of housing facilities as well as low interest loans to the poor and non-poor under different programmes of the state for the period of 1971 to 1984 is given in Table 13. During this given period over 100,00 households were made available to the poor. However, a subsequent programme in 1989, the state wanted to make available 1 million houses to the poor – the actual amount made available is not certain. The state continues the efforts to provide low cost housing to the population.

**Table 13: Housing Asset Generation and Transfer 1971-1984**

	Poor	Non-Poor
CHP law transfers	8775	23573
Sale of rental units	845	1257
ASH housing	311991	
Direct construction	12267	9103
Electoral housing		10671
Shanty units	1470	

Rural Housing	19831	
Loans	33438	47520
Total	108617	92124

Source: Allailima 1997

Note: Poor defined as bottom 35% according to household income

### 5.5.2 Mobility and Transport

A main physical asset that influences the persistence of poverty is the road network that connects the remote areas with the areas of better economic activities. Kumarage (1998) states that inadequate transport infrastructure impacts on the poor in several ways. Firstly it retards potential growth of the local economy, encourages unemployment by limiting employment opportunities and growth, transportation becomes unaffordable thus prevents regular access to markets, essential services which may be available but not easily accessible.

Lack of access and mobility to the rest of the region has caused the population in these enclaves to remain poor. The distance and small community is unable to draw adequate attention of the state services and implementers to take note of their plight for improvements. The village described earlier, Dambemada, is one such village located in hilly terrain and with poor road facilities. Such villages have the usual characteristics of being poor due to lack of markets, employment opportunities, lack of mobility and access to state services such as education and health. In some of these villages people of similar cast live together. Social exclusion due to caste system may also prevail in these villagers due to lack of mobility. Perera (1978) has noted that those villagers living in village expansion schemes, live in isolated rural enclaves due to the difficult terrain in which the village is located.

At present there are 28,000 villages in Sri Lanka. The cost per kilometre travelled in roads of poor condition is much higher than if the road surface is reasonable which permits more vehicles to travel on the road and also reduced cost of maintenance of the vehicles. Rural households spend about 5 percent of household expenditure on transportation. One of the main reasons for the poor conditions of rural roads is the high cost of maintenance as Sri Lanka has a road density of 1.5km per sq. meter, which is even higher than some of the developed countries (Kumarage 1998).

A rural transportation survey showed that most of the domestic travel is undertaken by women for the purposes of collecting water and firewood and market. It has been estimated women in the dry zone spend 49hrs a week on domestic travel. It has been hypothesised that female participation in the labour force is low due to low mobility facilities for women and thus improved mobility is likely to improve their living conditions. (Kumarage 1998).

One of the major attempts by the state to speed up improvements in infrastructure facilities was the introduction of Integrated Rural Development Projects<sup>25</sup> (IRDP) in 16 districts. The IRDPs built 1147 kms. of roads, 3280 culverts and bridges, 111,400 km of electricity line, 204 rural markets and almost 2500 education and health buildings between 1979 and 1994 (Jayawardene 1998). IRDPs were started in 1970's when infrastructure development was emphasised as a means to improve rural economy and employment. Despite such interventions, the rural infrastructure needs to be further upgraded to promote economic growth. A likely reason for less than expected impact



may be due to inadequate maintenance of infrastructure, as with roads in general. Impact on the poor from IRDP has not been assessed.

The effect of poor transportation and cost of transportation on the urban poor can be observed from the location in which they live. The urban poor invariably live in poor conditions along canal banks, beaches, railway tracks, and low-lying and marshy areas. Although most of the “livable” land is located away from the urban areas and away from the main roads, these poor do not wish to move on to land away from their present locations. This is because they wish to remain close to their place of work mainly due to unreliable public transportation and the additional cost of transportation which they cannot or do not wish to incur (Kumarage 1998).

### **5.5.3 Social Infrastructure**

The section on education highlighted the lack of proximity to a school as a reason for children not attending school. Inadequate mobility limits access to education. Similarly, provincial data show the great variation in other facilities and services available to the communities in the country. A large variation within provinces exists in relation to supply of telecommunication, electricity, education, health and other services as were shown before. The variation in poverty between the different provinces was shown earlier. Availability of drinking water and sanitation facilities also vary widely between the provinces from 26 percent of piped water in the Western province to 0 percent in North western ; similarly availability of latrines in the western province is 89 percent compared to 37 percent in Uva (UNDP 1998). Therefore, accessibility to these facilities varies widely and will have a bearing on the morbidity levels in each of the communities, which have lower facilities. Health related indices also show a wide variation between districts of the country. Colombo has the best ratio of hospital beds and medical officers to population whereas Monaragala a medical officer serves over 10639 population compared to Colombo's 1016 population. The ratio population to hospital beds varied from 198 persons per bed in Colombo to 537 in Kalutara. Variation is also seen in terms of quality of services provided through indices such as infant mortality which records 8.7 in Gampaha to 24 per thousand in Kandy indicates that the poor experience such shortfalls most.

### **5.6 Social Capital**

There are vast debates about the concept of social capital<sup>26</sup>. In this paper we follow Moser (1998), “...reciprocity within communities and between households based on trust deriving from social ties”, but are also guided by Bebbington (1999) who points out that this is a ‘capital’ that can often only be analysed in broad qualitative terms. In Sri Lanka, social capital in the form of mutual assistance has been in existence for centuries in the villages. For instance, labour sharing (*attam*) in farming activities, redistribution of livestock under sharing arrangements, mobilization of voluntary labour for village activities such as cleaning and building common properties (such as temples, community halls), providing a home for the elderly and support by the grandparents in providing care for grand children etc are still common. Such social relationships facilitate access to information, finance, state services, equipment, food and goods that raise the capacity of households to survive and prosper. For poor households, such ties are most common with other poor households: they provide a key means of coping with risk and vulnerability but, because they are poor to poor ties, they can often only provide a small amount of support for a limited time. However, it is clear that using and building such networks and relationships is an important strategy of the poor (for survival and for livelihood improvement).

At the community level, in the literature most commonly identified as 'the village', Sri Lankan society has a long tradition of community organisation that pre-dates the recent interests of development agencies by millennia. For instance, tank societies, death donation societies, ROSCAs, farmer and fishermen's clubs have operated for centuries and remain an important feature of day-to-day life. Their urban equivalents are less easy to identify but slum dwellers associations and ward committees have emerged. The Sri Lankan state sought to expand associational life - through multi-purpose cooperatives, rural development societies and other forms - but most such organisations are either defunct or are state-controlled. More recently, during the 1980s and 1990s, NGOs and autonomous cooperative movements have made great efforts to establish new community - based organisations (CBOs). For example, the SANASA movement has 7000 primary cooperatives operating across the country.

The degree to which indigenous, state induced and NGO created CBOs incorporate poor people in their activities is, at best, mixed. The state-induced CBOs have generally been components of national patronage systems and have been managed by, and for the benefit of, local elites. NGOs have often claimed to reach 'the poorest of the poor', but in practice find it hard to target the poor. Research on the SANASA cooperative movement (Hulme et al, 1996), which has made a genuine attempt to recruit poor members, revealed the processes of community exclusion (better off people opposing poor members), agency exclusion (staff discouraging the poor) and self exclusion (poor people believing that they do not have a right to join a cooperative) that limit the participation of the poor in CBOs.

It seems probable that a lack of social capital (or no social capital, as may be the case for the homeless) is a key factor in perpetuating poverty. Detailed research will be needed if this factor is to be better understood.

## **5.7 Political Capital and Governance**

The previous section concentrated on social relationships at the local level and on generative ties that improve overall levels of welfare. In this section, state-society relations and the interactions between larger social groups are briefly renewed. These have a great bearing on the scale and nature of poverty and strategies to reduce poverty. Three particular issues are examined: the levels of violent conflict, regional inequality and unequal access to state resources and services.

Failures of governance in Sri Lanka have led to civil conflict and deaths first in the South and now in the North and East since the early 1980s. Although the north east is often portrayed as an 'ethnic conflict' it is clear that its roots are complex and lie, in part, in political parties several decades ago (Bastian 1998). Related governance problems fuelled violent guerrilla activity across the South of the country by the JVP in the early 1970s and late 1980s. The degree to which this was a 'youth uprising', or a more class-based mobilisation, is also contested. Whatever, these various conflicts illustrate the deep rifts that exist between state and society in the country. Despite the remarkable capacity of the national economy to function, and even grow, while these conflicts have occurred levels of poverty and chronic poverty will remain relatively high until peace comes to the North and East and the threat of a third 'Sinhalese youth uprising' is removed.

At a regional level, concerns can be raised about the distribution of income and poverty across the country. Poverty in the wet zone, and particularly Western Province, has reduced much more rapidly than elsewhere. In Western Province around 14 percent of the population is 'income poor' compared to 34 percent in North Western and 37 percent in Uva (Table 14). While this partly mirrors agricultural potential it is also a reflection on biases in public expenditure and private investment to the wet zone and, particularly, towards Colombo and its hinterland. Decades of government promises to promote regional equality have not been matched by effective action.

**Table 14: Average Income and Poverty Levels**

Province	Spending Unit (Rs.)	Poverty Incidence
Central	5427	28
North Central	4899	31
North Western	5345	34
Sabaragamuwa	5686	32
Southern	5891	26
Uva	4517	37
Western	8600	14
All	6125	25

Source: Central Bank 1997 and Gunawardene 2000

This does not only lead to severe and chronic poverty in 'backward' areas, but also creates an environment in which a substantial proportion of the population can lose trust in the processes of governance.

Finally, in this section, it must be observed that government resources and services are not merely biased geographically but also in social terms. This is particularly important for income transfer programmes that are intended to alleviate poverty. The shift from subsidised food rations to food stamps was intended to shift state subsidies away from the entire population to the needy. However, food stamp targeting was very weak with high proportions of non-poor households acquiring food stamp books while some of the most disadvantaged (very low incomes, not part of political patronage networks, female headed etc) were excluded. The shift from food stamps to poverty – alleviation schemes in 1989 (see later) has also faced problems because of poor management and political manipulation. While state income transfers comprise 25 percent of the income of the poorest decile of the population it is a cause for alarm that 35 percent of this group receive no public transfers (Dept. of Census and Statistics 2000). Virtually all of these households have public entitlements they are unable to access. Conversely, a proportion of well-connected households in higher income groups receive poverty alleviation grants (ibid). Such ineffective targeting ensures that some poor people stay poor for extended periods of time.

## **5.8 Characteristics of the Poor**

The factors identified in the previous sections mean that the poor in Sri Lanka are characterised by a number of features. A review of the literature highlights the following characteristics.

( Allailima 1998; World Bank 1994; Marga 1981:1994: Edirisinghe 1990; Sahn 1987; Dept. of Census and Statistics 1993; Ministry of Plan Implementation 1997;UNDP 1990:1998; Ministry of Finance 2000)

- Household size is above average
- High proportion of poor (two thirds) have only attained primary level of education and have few skills
- Income sources of the poor are limited
- Unemployment and underemployment rates high
- Low wage rates
- Landless or fragmented land owners of relatively unproductive land
- Dependent on seasonal nature in employment opportunities and unskilled jobs
- Lack of productive assets
- High dependency ratio
- Very limited access to outside resources
- Limited mobility and access to services
- Socially marginalised
- Located in isolated villages, encroachment settlements, slums or areas of violent conflict

The poor do not form a homogenous groups but include a wide-range of occupation categories such as semi-subsistence farmers, low-income market-oriented farmers, self-employed people, urban and self-employed individuals in tradable and non-tradable sectors

## **6. OVERCOMING POVERTY**

### **6.1 Strategies to Escape Poverty: Household, Community and State**

Strategies to overcome poverty operate at several levels. First is at the household level by the families and individuals. Second is at the community levels as a group or societies. NGOs can also be considered at this level. Third is at the level of the state through provision of various welfare measures.

### **6.2 Household Level Strategies**

Information on how poor households manage at the household level is limited. We can distinguish between coping strategies and broader 'poverty escape' strategies. The method of coping varies with household specific factors such as the intensity of poverty and livelihood. For instance, different poverty groups will deal with seasonal variation and shortages in employment and food supply differentially.

Two sets of studies conducted in the dry zone has identified a number of strategies which households adopt singularly or in combination to cope with seasonal fluctuations in income. These are (Tennekoon 1986 and CARE 1997):

1. Cultivation of drought resistance low input crops like millet and sesame.
2. Substitution of rice with coarse grains
3. Reduction in the number of meals and quantity consumed
4. Obtaining credit from informal sources at high interest rates since no collateral
5. Collect minor forestry products
6. Sale or mortgage of household assets and/or livestock
7. Seasonal migration for wage employment

8. Consumption of seed paddy kept back for next season's cultivation
9. Utilise state household transfers

General indebtedness caused by the "low" periods of economic activities often keep the poverty cycle perpetuating as most of the income earned during the "better-off" period is utilised to pay back debts. In agricultural communities with low income, farmers pledge their crop at prices dictated by the money lender/shopkeeper/millers. Using the future crop as collateral, these farmers then obtain necessary credit and input for farming. Even though the farmgate prices are much higher at harvest, the agreement made with the creditors does not permit the farmers to sell outside thus reducing the income earned by the household.

Although there are number of international studies examining seasonality and changes in consumption, work on Sri Lanka is limited. One study, which examined seasonal aspects of food consumption, has noted that food intake reduced by nearly 40 percent in the lean periods and is picked up again in the peak agricultural periods (Tudawe 1992). There are ergonomic studies conducted elsewhere in the world, which show that in food energy deficient periods, the activity pattern of labour changes where more rest is taken to compensate for inadequate of food. This almost certainly occurs in Sri Lanka, but clearly there is a trade off between the 'savings' of reducing food consumption and the 'costs' of not being able to work.

In addition to coping strategies the poor in Sri Lanka adopt a number of strategies for escaping poverty for themselves or their children. These include investing in the education of children; gaining a job (especially in the garment industry or overseas); migrating to a 'better off' area; accumulating savings or getting a loan to set up a microenterprise; and, participating in illegal activities (such as alcohol production and prostitution). Escape is possible, but also possible is that the failure of an 'escaping poverty' initiative leads to a reduction of household assets or indebtedness. Such experiences have become increasingly common because of the activities of fraudulent employment agents who take payment to arrange 'foreign jobs' and run away with poor peoples savings

### **6.3 Community Level Strategies**

There is historical evidence of village/community support for the poor. Apart from support for the poor *per se* community/village based societies existed to assist in family crisis such as a death, through Death Donation Societies, long before the formal NGO sector was developed in the country.

More recently "outside" NGOs have engaged in poverty-reduction schemes. Such NGO's obtain funding from local and foreign donors and use these to provide services to poor people. At present there are over 5000 registered NGOs in the country. The type of service provided vary from the social mobilisation of communities for empowerment and communal projects, sanitation and water supply through to micro-credit provision. The concept of "small group" formation for various activities has become quite common with most NGOs as well as the state. IRED's (1995) Directory of NGOs indicates the enormous variety of activities NGOs undertake and show that they work all over the country. In the North and East, for obvious reasons, humanitarian work is a key activity. More widely agricultural development, small enterprise development, health and nutrition, environmental protection and micro-credit are common activities. While some NGOs target 'the poor' others provide services more generally across the population. Relatively little is known about the effectiveness of NGO poverty-reduction work.

One example where NGOs monitored and evaluated their projects was in the state sponsored poverty alleviation programme titled "Janasaviya" (see next section for details). The NGOs implemented this from 1989 to 1994. Selected NGOs were partner organisations for the programme's five components. The Janasaviya experience revealed that NGOs can make a significant contribution to the achievement of poverty-reduction goals.

#### 6.4 Government Poverty–Reduction Policies

Successive governments have sought to reduce poverty through providing free education and health services, targeted grants, employment creation, land redistribution and development and, since the late 1970s, through economic growth. From the 1940s to the 1970s the emphasis was on state planned and managed approaches with a commitment to universal provision of basic needs and services. The ideas of welfare, poor nutrition, small farmers productivity, landlessness and equity informed programme design rather than a clear conceptualisation of poverty. In the 1980s and 1990s there has been a much greater emphasis on poverty reduction and a shift from long-term grants/allowances and land redistribution to more 'workfare' types of approach that seek to permanently raise the income capacity of the poor by raising productivity and promoting self-employment. Increasingly, the government has looked to form partnerships, with NGOs and the private sector, rather than plan, finance and deliver poverty-reduction programmes through the state.

In the sections that follow the focus is on income transfer programmes, particularly those that have sought to directly tackle the symptoms or causes of poverty – food subsidies, the *Janasaviya* programme and the *Samurdhi* programme. While the nominal value of these expenditures has risen over 1995-2000 the total value of transfers and subsidies has reduced from 4.4 percent of GDP to 3.1 percent (Table 15). The food stamps budget has been phased out while the *Samurdhi* programme has increased to a level of around Rs8 billion per annum.

**Table 15: Transfer payments and Subsidies to Households 1995-2000**

Transfers	Year					
	1995	1996	1997	1998	1999	2000
Total transfers and subsidies (Rs. Billion)	29.3	34.1	38.4	37.7	37.2	39.0
% of GDP	4.4	4.4	4.3	3.7	3.3	3.1
Transfers excluding pensions (Rs. Billion)	14.8	18.6	20.5	18.2	18.1	17.8
% of GDP	2.2	2.4	2.3	1.8	1.6	1.4
Food Stamps, Food subsidy etc. (Rs. Billion)	1.8	0.6	0	0	0.3	0.5
Samurdhi/Janasaviya (Rs. Billion)	5.1	8.6	8.7	8.0	8.0	8.0
Fertiliser subsidy (Rs. Billion)	1.3	1.5	1.9	2.2	1.4	1.5
School uniforms, text books and Season tickets (Rs. Billion)	1.2	1.8	1.8	2.0	1.8	2.2
Displaced persons (Rs. Billion)	2.3	2.3	3.4	2.3	2.7	3.0

Source: Poverty Framework, Ministry of Finance 2000

#### **6.4.1 Food Subsidies and Food Stamps**

The first large scale food subsidy programme was initiated during World War II to ensure adequate food distribution. The food subsidies introduced as war measures were continued as part of the social welfare package after the war and independence. The food ration programme initially gave universal coverage to households. Due to high fiscal costs, in the early 1970's tax-payers were taken out of the scheme and in 1973 the quantity of rice under the ration was halved. In 1979, with adoption of open – economic policies, the programme was replaced by a food stamp scheme. The cost of food subsidies as a percentage of current public expenditure reduced from 23 percent in 1975 to less than 9 per cent in 1983 with gradual reduction thereafter.

The food ration scheme<sup>27</sup> was phased out in a number stages beginning in 1978. The first phase restricted food stamps to those below a particular income (Rs.300/month which was the cut off point to the poor) and this constituted nearly 50 per cent of the population. Although the purpose of the food stamp scheme was to reduce recipient numbers they remained virtually the same as that under the ration scheme.

The fact that the number of recipients increased at each issue (every three months), forced the government, in March 1980, to stop issuing stamps to new recipients. Although income transfers through food stamp schemes were intended to cushion the low-income households from the short-term adverse effects from policies, the non-indexing of food stamps to the cost-of -living index led to rapid deterioration of its value. Between 1978/9 and 1981/2 the real value of food stamps dropped by 50 percent. (Edirisinghe 1987;1988). The overall income transfer via food stamps (at the inception of the programme) was about 17 percent less than that under the food ration scheme — but this fell to 43 percent by 1981/82. The food stamp programme continues but its contribution to household income is very small.

#### **6.4.2 The *Janasaviya* Programme (1989 to 1994)**

A major poverty alleviation programme *Janasaviya* (JSP), was launched in 1989 by the UNP. The dual objectives of this programme envisaged short-term income-supplementation and long-term employment creation to enhance welfare. The programme promoted human capital development, income generation activity and infrastructure development with a view to increasing the asset base of the poor. *Janasaviya* had several components: provision of low interest credit, improved nutrition, infrastructure development and small-scale entrepreneurship (for which government-NGO partnerships were formed). Selected NGOs implemented one or more components in selected areas. The state provided funds to cover NGO administrative and project costs. During this period government supported community groups were mobilised to assist households to launch small-scale enterprises.

Since the fiscal cost of the programme was high, its implementation was to be phased to cover only a part of the country at any one time. The duration of each household's participation in the programme was two years. The allowance provided in the period was Rs.2500 per month where half was to be used for consumption purposes and the rest as investment for a self-employment venture. At the end of the two year period, the income-supplement was to be withdrawn but households were expected to be able to draw on their new employment sources to enhance household income. This in turn was expected to lift the household above the 'poverty line'. However, an evaluation showed that the programme was unable to create sustained self-employment for most participating

households, (Gunatilleke *et al* 1997). This programme was virtually withdrawn with the appointment of a new government in 1994, led by the SLFP.

### 6.4.3 The *Samurdhi* Programme (1995 to date)

The new regime, in 1995, initiated a new poverty alleviation programme with similar principles to the former, *Samurdhi*. A group of state employed animators, were trained in skills of entrepreneurship, which in turn was to be passed on to the poor to help them establish an income-earning venture.

Some of the problems of *Samurdhi* in reaching the poorest are highlighted in Gunathilake *et al* (1997) in an evaluation of the programme. Key findings are:

- Poor targeting has led to nearly 50% of non-poor being recipients of *Samurdhi* benefits
- Political polarisation of selection process
- Coerces recipients to participate in community activity at the expense of sacrificing a days work and pay
- Compulsory savings from allowance given even if the households are too poor to save as money needed for consumption purposes
- Corruption and inefficiency in the grant delivery to the recipients

Further, the study found that the programmes does not address issues that trap people in poverty

- Drought conditions and lack of water
- Environmental degradation
- Lack of access to public transport
- Impact of war and terrorism
- Backward and poor education facilities

Furthermore, as the poor are not a homogenous group a 'one size fits all' design is unlikely to work. Information is needed to address the specific problems that prevent specific groups from moving out of poverty.

The following Table provides information on the number of recipients and funds spent in 1998.

**Table 16: Cost and number of Recipients of Specified Social Programmes**

Programmes	No. of Beneficiaries	Monthly unit cost (Rs)	Total Annual Cost (Rs Million)
Ultra poor Households	21,000	1000.00 <sup>28</sup>	For Samurdhi
HH with > 3 children	910,000	500.00 <sup>29</sup>	8122.7
HH with 2 members	312,000	200.00	
HH with 1 member	234,000	100.00	
HH in Eastern province	1150,283	187.00	
Janasaviya transfers	384,000	250.000	
Infant Milk stamp	125,000	100.00	125



School uniforms		1000
School text books		1248
Supplementary Feeding (Thriposha)		225
Refugees & Settlements		2793

Source: Ratnayake 1998

Notes: Although *Janasaviya* was replaced by *Samurdhi*, a small allowance is still paid to the former *Janasaviya* beneficiaries who were not included under *Samurdhi* programme.

#### 6.4.4 Social Security Schemes

The number of welfare schemes that operate in Sri Lanka (Table 17) including the *Samurdhi* scheme has been discussed above. The largest schemes are the pension schemes that operate for public servants and employees in the formal private sector – the Public Pension Scheme, Employee Provident Fund and Employee Trust Fund. In 2000 these schemes had combined funds of well over Rs.200 billion and covered almost 3 million people. While they make a major contribution to the livelihoods of many Sri Lankans it must be noted that they have very little direct impact on poverty as the members are drawn from the country's most economically secure households. There are pension funds targeted on poorer people – the Farmers', Fishermen's' and Self-employed Pension Schemes. However, it is evident from Table 16, these schemes are very small and the per capita scale of funds is tiny. Contemporary fiscal policies are unlikely to provide support for such schemes and so the pension prospects for the bulk of the country's present day poor is grim. Those of today's poor who are fortunate enough to have long lives can expect to spend their old age in poverty.

Mention must also be made of the Public Assistance Scheme (formerly known as the Pauper's Allowance). This provides Rs.300 per month to disadvantaged individuals such as the permanently sick and old people without family support. It goes to around 350,000 people. While there are considerable doubts about the effectiveness of the targeting of this allowance (and about leakage to the non-poor) and the scale of the allowance is small, there can be no doubt that where it does reach the poor it can play a key role in providing a secure and regular income in livelihoods that are highly unpredictable.

**Table 17: Social Security Schemes in Sri Lanka**

Name of Scheme	Commencement	Size of Funds(Rs)	Coverage (persons)
Employee Provident Fund (EPF)	1958	172 billion	1,926,702
Employee Trust Fund (ETF)	1981	25.9 billion	1,800,000
Public Pension Scheme	1927	n/a	364,472
Farmers Pension Scheme	1987	1.6 billion	507,908
Fisherman's Pension	1990	0.2 billion	39,992
Self employed/Informal pension	1996	0.05 billion	44,700
Gratuity Scheme	1983		
Public Assistance (Pauper allowance)	1948		350,000

Samurghi (Poverty alleviation)	1995	1,989,355
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Source: Ministry of Social Services 2000

#### 6.4.5 Asset Distribution to the Poor

As discussed in earlier sections the government initiated two large programmes for the poor, to redistribute land and houses. As some issues on the outcome of these programmes were discussed earlier, it will not be repeated here.

Another main effort by the state was implementation of Integrated Rural Development Programmes (IRDP). Among the objectives of IRDP was creation of wider economic opportunities and enhance general living standards of rural population, reduce inter and intra district disparities and promote a more balanced growth in backward areas and strengthen institutional mechanisms for district level planning. According to Jayawardene (1998), over the last 15 years IRDPs have created a large number of physical assets and over 40 percent of IRDP funds was spent on creation, rehabilitation and improvement of infrastructure in rural areas.

Although IRDP strategy does not encompass direct employment creation, indirect contributions were made. For instance, employment was created through production support, credit and delivery services and in agriculture, fisheries, minor export crops and tea. Temporary wage employment was generated during construction period of the project only. It is estimated that through the development of human resources by providing vocational training, skill development, credit disbursement, entrepreneurship development, micro-enterprise etc, made a considerable contribution to employment creation. However, information on actual numbers of employment opportunities created has not been recorded (Jayawardene 1998)

### 7. Future Poverty Reduction Strategies of the Government.

The government released a document entitled 'Framework for Poverty Reduction' in June 2000. This document set out the direction the state wishes to take in its future efforts at combating poverty. Future efforts by non-state actors including donors are expected to be guided by this framework. The main thrust of the framework is in four directions:

1. Creating opportunities for the poor
2. Social protection
3. Empowering and mobilising the poor
4. Strengthening governance.

Many observers have noted the close links between the Framework and the World Bank's (2000) World Development Report.

A second document entitled 'Public Investments towards Poverty Reduction' (Dept. of National Planning), sets out the public sector emphasis as being, "upon the modernisation and extension of economic and social infrastructure and services (which will) facilitate economic growth and a qualitative improvement in education and health services, provision of refined and targeted social protection and poverty alleviation programmes, rural development and environment protection." A PRSP is currently being prepared by the government and is expected to be released by early 2002.

Despite the considerable information that exists in relation to different aspects of poverty in Sri Lanka, there remain gaps which prevent the programme planners from

understanding the dynamics of poverty and chronic poverty in order to design effective programmes and policies. Main constraints include:

- All studies and analysis have been conducted on a static basis despite poverty being a dynamic process thus identification of poverty by intensity has not been attempted.
- The poor are rarely disaggregated for analysis.
- As a result, information on the magnitude, location and characteristics of transitory and chronic poverty is lacking.
- Lack of longitudinal studies to capture chronic poverty dynamics in terms of seasonality, undernutrition, employment and productivity and other spatial or temporal dimensions and their contribution to the poor are not available. On reviewing information it appears that in order to identify the chronically poor in Sri Lanka, a follow-up study of a core sample of the Dept. of Census or Central Bank survey will have to be repeated. Once the chronically poor have been identified then a more specifically designed longitudinal study can be launched to understand the dynamics of the chronically poor and the constraints that prevent them from overcoming poverty
- Coping strategies of the chronic and transitory poor are not understood.
- Effect of health and health related services on perpetuating poverty is not well understood
- The mechanisms and strategies through which the poorest of the poor have moved away from remaining poorest need to be understood.
- A more clear definition of poor and poorest to identify different level of state assistance required to these groups rather than the present system of “same assistance to all”.
- Much of the literature on poverty and poverty reduction in Sri Lanka is descriptive there have been few attempts to systematically assess poverty reduction strategies.

## **8. Future Areas of Research on Chronic Poverty**

Based on the findings of the review following areas are suggested for future research in Sri Lanka

### **8.1 Examination of Panel Data for Chronic Poverty Analysis.**

A study of existing panel data will be undertaken to find out if the given data can be used for analysis of chronic poverty in the country. The Department of Census and Statistics (every five years) and Central Bank of Sri Lanka (every 10 years) generate the two main sources of household panel data in the country. This component will not be an extensive study as given in the previous two studies but will present a brief working paper on the current status of panel data in the country and make suggestions for comparable panel data to trace changes in chronic poverty over time.

### **8.2 Dynamic Livelihood Strategies**

The analysis of livelihood strategies will be examined within a framework of changes in assets in relation to natural, physical, human, financial, social and. Such a framework will enable to understand the way in which these household live, obtain assistance, overcome seasonal and other constraints and identify factors that prevent/assist them from moving out of poverty. For instance, under natural assets changes in assets in relation to land, water, tenurial patterns will be examined. Physical assets will examine changes in households and other assets of the family/individual. The examination of

Human assets will be through educational, training, health and nutritional status. Information on savings, loans, wages and insurance will indicate the financial assets of the household. The social interactions with and support of other households and community will be indicative of the extent of social assets possessed by the families. Finally the household's political status and its impact on the processes of poverty will also be investigated.

Further, as the incidence of poverty has not dramatically changed in Sri Lanka over the last three or more decades, intergenerational poverty in the population is likely. Reduced opportunities and entitlements are likely to have maintained the poor in poverty. Within livelihood strategies and asset framework, the study will attempt to trace back the family history, events and resource allocation on productive and other investments to understand the causes of intergenerational poverty.

### **8.3 Livelihood Strategies of the Displaced and those in Conflict areas**

The circumstances of the poor in the conflict areas and the other are quite different and warrants a separate study. Although fragmented information is available on the conditions of the people in the areas, the extent of poverty and deprivation has not been studied in a comprehensive manner. Information on degree of deprivation will assist in state policy for investments as well as for relief measures.

### **8.4 Access to and Effectiveness of State Social Welfare and Infrastructure Programmes**

The country provides free health, education, subsidised transport among other facilities to ensure "basic" needs for all. One of the reasons for the poor remaining poor is the absence or inability to utilise one or more of these services provided through the state. Immobility due to inadequate infrastructure facilities also contributes to reduced accessibility to services. It is also possible that even if all these services are accessed by the poor the non-availability of other facilities or lower quality of given services still remain a constraint on the poor.

### **8.5 The Impact of Poverty Alleviation and Household Income Transfer Programmes**

Since 1989 the government has initiated specific poverty alleviation programme through which a monthly allowance is provided and also a facility to save and obtain low interest credit to undertake income-generating activities. Despite the programme being in place for over a decade, the impact on helping the chronically poor is has not been established. One of the likely reasons for the low impact is that the same tool/intervention is used for different degree of poverty groups in the population. For instance, the poorest would require assistance to maintain basic consumption whilst the poor may be in a position to utilise investment loan facilities. As the state programmes have standard strategy for poverty alleviation the differential needs and impact of the programme on the poor are not considered. This component of the study will examine the above argument by examining the reasons for less than expected impact on the poorest through assessing the drawback of the programme, targeting and utilisation of facilities provided by the programme.

## **8.6 Access to Civil Society Organisation and other CBOs and NGOs**

Sri Lanka has a large number of civil society organisations operating. The activities undertaken by these organisations vary widely from social mobilisation only to training, savings credit etc. Although most of these inputs are directly or indirectly meant to assist the poorest in the community, the participation rates of the poor have been lower than expected. Therefore, the extent to which the poor are able to access and participate in these civil society activities, reasons for low rates of participation and exclusion of the poorest will be examined in relation to the two villages to be studied

## **8.7 Effect of Health and Nutritional Status on Labour Productivity**

Many of the chronic poor are among those who are employed as hired labour or utilise relatively unskilled labour as a means of earning. Apart from the amount of the daily wages, their earning capacity therefore depends on the number of days worked per year. The food availability, consumption, water and sanitation facilities, incidence of disease all have a bearing on the number of days worked and productivity. Further the household health and nutrition levels also affect the next generation, the children of the families in terms of earning opportunities. Therefore, the effect of health and nutritional status on labour productivity of adults and development of children will be assessed through this component.

## **8.8 The Political Economy of Poverty and Poverty Reduction Policies in Sri Lanka**

This examines the political forces (domestic, regional, international and ideological) that have shaped policy and explores the ways in which they have contributed to the reduction or maintenance of levels of poverty and chronic poverty.

From independence to the 1980s, the government of Sri Lanka addressed poverty indirectly through universalist welfare and social policies, large investments in irrigation and land development projects and subsidies for 'small farmers'. However, at each election the party in power changed and, as a result, there were successive changes in policy often based on ideology and personality rather than evidence of effectiveness. Both social and economic policies were used for state patronage of the poor or those with power over the poor, to gain political advantage for parties and individual politicians. Since 1977 international development agencies have become significant actors in Sri Lankan policy formation. As a result, poverty reduction policies have become more direct, have sought to keep expenditure at modest levels, more targeted and have shifted to more 'workforce strategies'.

## **8.9 The Effect/Impact of Government Funded Income Generating Projects**

This study describes the shift in government of Sri Lanka (GOSL) poverty reduction policies from universalist welfare to targeted welfare. It then reviews the available data and asks 'who' has accessed the income generating programmes (IGP) (with a particular focus on the chronic poor) and 'what' the benefits and costs have been. It also examines the comparative effectiveness of IGP.

Since 1989 the government has invested heavily in entrepreneur development and income generating projects for the poor. The state has intervened through direct poverty alleviation programmes such as Janasaviya and Samurdhi and indirectly through promotion of credit through state funded banks for SME development. Although there are a number of ad hoc evaluations on different aspects of poverty alleviation

programmes in the country, a comprehensive analysis of reasons for the less than expected outcome is lacking. Further, the unit costs incurred in each of these poverty alleviation programmes will also shed light on the efficiency of resource utilisation. The proposed overview will address the given issues.

## **9. Conclusion**

Despite the extensive literature on poverty in Sri Lanka two major gaps in this literature are evident. Firstly, there has been little work (quantitative or qualitative) that disaggregates the poor and very little is known about poverty dynamics and chronic poverty. Second, there is a surprising dearth of materials that systematically assess the contribution of poverty reduction programmes to changes in the levels and nature of poverty.

The materials reviewed here indicate that Sri Lanka's early achievements with poverty reduction, in terms of human development indicators and income, have stalled. At best, the rate of poverty reduction has slowed to a low level. It is quite possible that poverty may be extending, as the gains created by economic growth are more than offset by growing economic inequality, weakening provision of public services and the debilitating war in the North and East. Since 25 to 35 percent of Sri Lanka's population are poor at present. Significant numbers of these people – particularly those living in war zones and remote rural areas or who experience particular forms of disadvantage (disability, age, social exclusion) – will be poor for extended periods of their lives, will die poor and may transmit their poverty to their children. There is a clear research agenda for the Chronic Poverty Research Centre (CPRC) to analyse why poor people stay poor in Sri Lanka and how they might be assisted to overcome their poverty.

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## APPENDIX 1

### MOVES TOWARDS DEVOLUTION/DECENTRALISATION AND THE RESPONSES OF TAMIL POLITICAL PARTIES

Action of Sri Lankan Government	Tamil Political Parties
<b>1947-1956</b>	
No initiative towards decentralisation of government (UNP govt)	Formation of Federal Party (FP) that demanded self government for Tamils
<b>1956-1965</b>	
Preparation of draft bill to establish regional councils (SLFP coalition govt.)	Govt. - Tamil party pact was abrogated in 1958
Disagreement in division of regions (1958)	
Govt. proposes draft bill on District councils (SLFP coalition govt.) (1960) under new Prime Minister <sup>30</sup>	Negotiation failure between SLFP-FP and abandonment of bill. Tamil only campaign launched by the FP.
<b>1965-1970</b>	
In 1968 draft bill on district councils and published as white paper (UNP coalition govt.)	Tamil congress (TC) function within govt., To pressurise but intense opposition between TC and FP
<b>1970-1977</b>	
Adopts new constitution and establishment of District political authorities (SLFP coalition govt.)	FP withdraw when federalism and language was rejected. 1972 FP and TC joins together to form Tamil United Front (TUF).
March 1977, discussion between govt. and TUF on devolution but abandoned on death of TUF leader	Formation of Tamil United Liberation Front (TULF) which advocated establishment of a separate Tamil state called Eelam.
<b>1977-1987</b>	
Appoints commission for establishment of district development councils (DDC) (UNP govt). 1981 DDC established	TULF representation in commission.  TULF continues campaign for greater autonomy for north and east
1983-1987 govt. resists provincial councils demand but summons all parties in 1984 to reach consensus on devolution demand.	Emergence of several militant groups wanting a separate Tamil state. TULF with Indian govt. abandons support for DDC but demands provincial council system.
Under pressure of Indian govt., Sri Lanka accepts provincial council system but refuses permanent merger of north and east	LTTE becomes dominant political force and acquires undisputed leadership of secessionist movement through annihilation of other Tamil parties/groups.
Appoints commission for establishment of district development councils (DDC) (UNP govt).	TULF representation in commission.

<p>1981 DDC established</p> <p>1983-1987 govt. resists provincial councils demand but summons all parties in 1984 to reach consensus on devolution demand.</p> <p>Under pressure of Indian government, Sri Lanka accepts provincial council system but refuses permanent merger of north and east</p>	<p>TULF continues campaign for greater autonomy for north and east</p> <p>Emergence of several militant groups wanting a separate Tamil state. TULF with Indian govt. abandons support for DDC but demands provincial council system.</p> <p>LTTE becomes dominant political force and acquires undisputed leadership of secessionist movement through annihilation of other Tamil parties/groups.</p>
<b>1989-1994</b>	
<p>UNP govt. and LTTE negotiations failed in 1990.</p> <p>Parliamentary select committee submits report recommending provincial councils.</p>	<p>The first Eelam war against the Sri Lankan armed forces and in May 1991 LTTE assassinated Indian PM.</p> <p>LTTE continues hostilities against security forces and Sinhala and Muslim civilian areas in east and bordering villagers.</p>
<b>1995-2001</b>	
<p>Govt. presents draft proposal for constitutional reforms (SLFP coalition govt.)Govt. continues on constitutional reforms and activities pertaining to devolution but slow process.</p> <p>No real progress in ending secessionist conflict at present.</p>	<p>LTTE hostilities continue with non-representation in parliament. Other Tamil parties engage in political process with MPs in parliament. LTTE against such Tamil parties and Sinhala and Muslim villages continue. Sinhala and Muslim population not permitted to live in 4 districts in north and east of the country.</p>

Source: De Silva and Pieris (2000)

## NOTES

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<sup>1</sup> See Hulme, Moore and Shepherd (2001) for a discussion of the meaning and measurement of chronic poverty.

<sup>2</sup> The last population census was in 1981 but population census was carried out in 2001. The 2001 census was to be conducted in the north and east but was cancelled a week before the census.

<sup>3</sup> The estate sector was developed in the British colonial period for commercial crops such as tea, rubber and coconut. The British brought in low waged South Indian labour to work in the estates. The present Indian Tamil population are descendants of South Indian labour (Jayasuriya 2000).

<sup>4</sup> Significant savings were made in the 1980s by switching from a food subsidy to a food stamps system and by cleverly reducing the real cost of food stamps over the years (Hulme, Sanderatne and Cromwell, 1994). In the 1950s food subsidies had run at around 15 percent of total government expenditure (Bruton 1992)!

<sup>5</sup> More holistic approaches are relatively rare and are recent

<sup>6</sup> See among others Bhalla 1985, Gunaratne 1985, Nanayakkara 1994, World Bank 1998, Datt and Gunewardena 1997.

<sup>7</sup> See Alailima 1997 and Tudawe 2000 for a discussion of this issue.

<sup>8</sup> The Department of Census and Statistics conduct a national, five-yearly, Household Income and Expenditure survey which has been utilised by the state as well as independent researchers for household based analysis. A second source of national household data is the ten-yearly Consumer Finance Survey of the Central Bank of Sri Lanka, where the sample is about one fourth of the Census sample.

<sup>9</sup> However, due to the secessionist conflict in the country, national survey data for the past 15 years is not available for Northern and Eastern parts of the country. Although the Dept. of Census attempted to collect population data for the North and East under the National Census in 2001, due to political pressure from Tamil parties, this was abandoned. Lack of data is a great problem as these regions are likely to contain concentrations of the poor and chronic poor.

<sup>10</sup> The head count refers to the share of the population whose total expenditure is less than the stipulated poverty line. The poverty line given is the food poverty line plus the average non-food consumption of those who can afford to meet their food energy needs. The methodology used in estimating the poverty line is the Cost of the Basic Needs method.

<sup>11</sup> The poverty gap is the percentage difference between the average expenditure of the poor household group and the poverty line. The larger the gap, the lower is the mean consumption level of the "average poor household" relative to the poverty line. This is an indication of depth of poverty

<sup>12</sup> The severity index is the measure of the squared poverty gap. It assigns weights to those households whose income is far below the poverty line. The higher the severity index the greater the number of very poor households in the poor households.

<sup>13</sup> Disaggregation of data in to poor (higher poverty line) and poorest (lower poverty line) by employment shows that the agricultural and non-agricultural employees and self employed are the largest segment of the poorest.

<sup>14</sup> Household Income and Expenditure Survey (every five years), Labour Force Survey (now conducted every quarter), Agricultural Household Survey (usually every ten years), Demographic Survey (usually every three years), Health Status Survey (usually every five years), Population Census Survey (every ten years), Survey of Industries (usually annual), Other surveys (either national or on district basis)- contraceptive survey, livestock and highland crops survey, milk production survey, manufacturing industry survey, public and corporation sector employment when the need arises,

<sup>15</sup> One group is scattered over South east of the country are hunter- gatherers practicing little or no cultivation but are few in numbers. The second group living in Anuradhapura practice wet rice agriculture with *chena* (slash and burn) cultivation. The third group lives in the eastern coast whose livelihood is fishing and *chena* cultivation, which is occasionally supplemented by wage labour.

<sup>16</sup> One possibility for the increase in female headed household could be the loss of life of young men between 20-40 yrs. largely from to civil disturbances that has taken place at different point in time and the present war in the country

<sup>17</sup> GCE (O/L) is the year 10 exam. GCE(A/L) is the year 12 exam and qualifying exam for university entrance.

<sup>18</sup> The low educational attainment of the estate and rural sector, particularly post secondary highlights a problem with regard to the youth. The recent shortages of labour in the estate sector in particular show that although youth are available for hired labour work, many are unwilling to be employed in these jobs.

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However, lack of education and other skills do not permit these youth to seek other employment outside casual labour.

<sup>19</sup> Vitamin A deficiency causes blindness and is the single most important cause of blindness in childhood and significantly contributes to morbidity and mortality in childhood. Iodine deficiency also causes goitre and cretinism. Furthermore, iodine deficiency causes still births, increased infant and child mortality, development of abnormalities and affects brain development. Similarly iron deficiency is associated with premature birth, low birth weight and related illnesses, poor attention span of school children, and reduced work capacity across all age groups.

<sup>20</sup> Productivity was measured by the weight of tea plucked per worker.

<sup>21</sup> The wide variation in undernutrition level by province is also an indication of deprivation or bias in human capital development in different parts of the country.

<sup>22</sup> As the study was conducted in late 1980's, the water and sanitation facilities of the estate sector being less than adequate at the time has given rise to the high morbidity rates. The location specificity of the wet zone village is mainly responsible for the observed high morbidity.

<sup>23</sup> This is shown through the large savings that has been mobilized by the two poverty alleviation programmes in the country (see section on state interventions)

<sup>24</sup> This is the last available Agricultural Census as the Census for the 1990s was not conducted.

<sup>25</sup> At present 5 IRDPs has been completed and 11 are ongoing and 02 have been suspended (Jayawardene 1998)

<sup>26</sup> For discussions see the papers edited by Harris (1997) and more recently Fine (2000)

<sup>27</sup> The last phase of dismantling the of the food ration programme was in 1982 and entailed the removal of subsidies on food prices of rice , wheat flour, sugar and infant milk which were the 'essential food' (Edirisinghe 1987).

<sup>28</sup> Rs, 1000/month given for: Rs. 400.00 only to buy food; Rs.380.00 to buy other goods or to use as cash; Rs.20.00 for insurance premium; Rs. 200.00 as compulsory savings.

<sup>29</sup> Rs.500/month for: Rs. 200.00 for food only; Rs 180.00 to buy other goods or to use as cash; Rs.20.00 for insurance premium; Rs. 100.00 as compulsory saving.

<sup>30</sup> The Prime Minister of the new government of 1956 was assassinated and the wife was appointed as the PM for the remaining period of that government.