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## **An examination of poverty in South Asia with special reference to Sri Lanka**

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## **An examination of poverty in South Asia with special reference to Sri Lanka**

### **Abstract**

South Asia comprises India, Sri Lanka, Pakistan, Bangladesh, Nepal, the Maldives, Bhutan and Afghanistan. With a population of approximately 1.4 billion it encompasses about two-thirds of the world's poor. One of the biggest challenges facing South Asia today is the issue of combating poverty. The purpose of this paper is to review the development record of South Asia and provide recommendations for the reduction of poverty in the future. However, Afghanistan is excluded from the study due to the non-availability of most data. Sri Lanka has been an outlier in relation to its South Asian counterparts with regard to its level of human development. Due to government commitment, many of Sri Lanka's human development indicators are comparable to those of more developed countries. Hence, special reference is given to Sri Lanka in this paper.

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An Examination of Poverty in South  
Asia with Special Reference to Sri Lanka

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# Poverty, Poverty Alleviation and Social Disadvantage:

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## AN EXAMINATION OF POVERTY IN SOUTH ASIA WITH SPECIAL REFERENCE TO SRI LANKA

*Arusha Cooray*

### Introduction

South Asia comprises India, Sri Lanka, Pakistan, Bangladesh, Nepal, the Maldives, Bhutan and Afghanistan. With a population of approximately 1.4 billion it encompasses about two-thirds of the world's poor. One of the biggest challenges facing South Asia today is the issue of combating poverty. The purpose of this paper is to review the development record of South Asia and provide recommendations for the reduction of poverty in the future. However, Afghanistan is excluded from the study due to the non-availability of most data. Sri Lanka has been an outlier in relation to its South Asian counterparts with regard to its level of human development. Due to government commitment, many of Sri Lanka's human development indicators are comparable to those of more developed countries. Hence, special reference is given to Sri Lanka in this paper.

Sri Lanka is often cited as a low income country that has achieved considerable success with respect to the attainment of high levels of development as measured by life expectancy, literacy, mortality, health and education related indicators. Compared to its relative performance in relation to per capita GDP, Sri Lanka has one of the highest rankings in Asia in terms of its human development performance as measured by the UNDP's human development index (HDI) which comprises four indicators—life expectancy, literacy, school enrolment and per capita income. Despite Sri Lanka's impressive progress in the area of human development, poverty, which plagues all South Asian economies, remains an overriding issue.

This paper is structured as follows. The next section discusses development trends in South Asia. The third section examines measures hitherto taken to reduce poverty, and policy recommendations are made in a concluding section.

### **South Asia: An Assessment**

According to the World Bank (1995), 'poverty' incorporates two dimensions. The first, is 'consumption poverty' according to which households/individuals are not able to achieve a minimum consumption standard. The second is the human development dimension of poverty which measures the degree of mortality, morbidity burden, and illiteracy in a society. In the period following independence, Sri Lanka made rapid strides in the area of human development. This development was primarily due to the public provision of health and education combined with income transfer programmes that increased the purchasing power of lower income groups. An examination of the statistics in Table 1 indicate that overall, Sri Lanka has made significant progress in terms of increased life expectancy, literacy and the reduction of poverty. Although primary enrolment figures are not available for Sri Lanka for 2003, in 1990 Sri Lanka had a net primary enrolment ratio of 90%. Moreover, Sri Lanka has fared well by international standards in terms of the rate of change in education and health-related indices. Sri Lanka ranked 19<sup>th</sup> out of a sample of 71 developing countries in reducing infant mortality over the 1960-90 period, and 8th out of a sample of 43 developing countries in increasing net primary enrolment in the same period (World Bank 1995). Table 1 indicates that progress has not been uniform in countries within South Asia. While the Maldives fares better than Sri Lanka in terms of adult literacy, it does not perform as well in terms of life expectancy and infant mortality. India, the second fastest growing economy in the world, has not succeeded in raising its literacy and life expectancy rates or reducing mortality rates at the same rate. However, high growth has contributed to sustained poverty reduction in India. According to the ADB (2003), poverty incidence in India declined from 36% in 1993-94 to 26% in 1999-2000.

Bangladesh has made significant progress in improving its level of human development by introducing targeted transfers to improve nutrition—the food for schooling programme offers free rations to primary school children from lower income groups; and increased immunisation programmes cover children against six childhood diseases (Human Development Report 2005). Pakistan however, does not appear to have made the same progress as Bangladesh. Literacy for the whole of Pakistan in 2003 is 48.7%. Both female and male literacy rates increased in the nineties, yet, Pakistan's female literacy rate lags behind that of males by a large margin. Pakistan's school enrolment rates are also lower than that of its South Asian neighbors which implies that it could lag behind the rest of South Asia in improving literacy in the future. Progress has been made in recent years in several areas, particularly polio eradication and strengthening the tuberculosis control program. Progress however, is still far from satisfactory.

Figure 1 illustrates human development trends for Sri Lanka, India, Pakistan, Bangladesh and Nepal. Sri Lanka has the highest human development index followed by India. From 1995 onwards, the human development index appears

to be increasing at a faster rate for Pakistan, Bangladesh and Nepal than in previous years. This could well be due to the programmes initiated by these governments to reduce poverty.

Table 1  
Human Development Indicators for South Asian Countries

	Adult Literacy Rate <sup>a</sup>	Life Expectancy at Birth <sup>b</sup>	Primary Enrolment Ratio <sup>c</sup>	GDP Per Capita <sup>d</sup>	Infant Mortality Rate <sup>e</sup>	Below Poverty Line <sup>f</sup>	Gini Index <sup>g</sup>
Sri Lanka	91.4	73.9	n/a	3778	13	7.6	33.2
India	61.0	63.1	87	2892	63	34.7	32.5
Pakistan	48.7	62.9	59	2097	81	13.4	33.0
Bangladesh	41.1	62.6	84	1770	46	36	31.8
Maldives	97.2	66.3	92	n/a	55	n/a	n/a
Bhutan	n/a	62.7	n/a	1969	70	n/a	n/a
Nepal	48.6	61.4	71	1420	61	37.7	36.7
South Asia	58.9	63.2	n/a	2897	66	n/a	n/a

Note: (a) Adult literacy rate as at 2003

(b) Life expectancy at birth as at 2003

(c) Net enrolment ratio for 2003/03: the ratio of enrolled children of the official age for education level indicated to the total population

(d) GDP per capita in PPP US\$ as at 2003

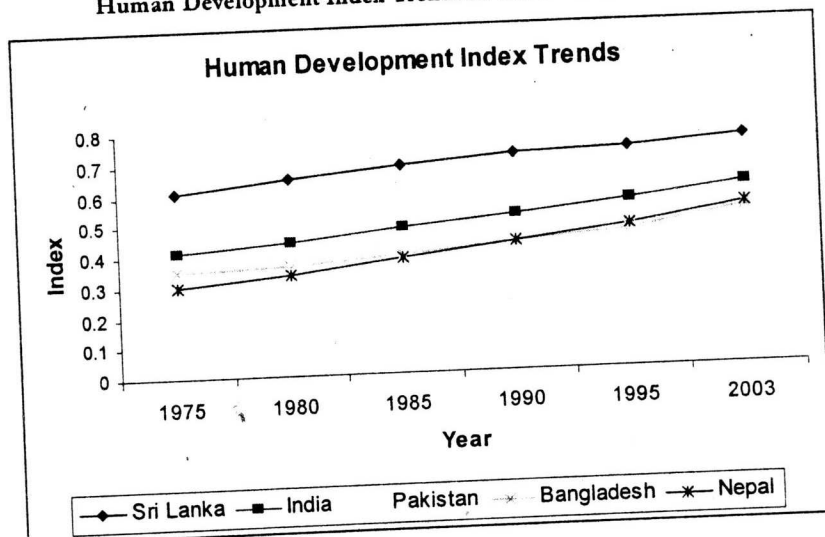
(e) Infant mortality rate per 100 births as at 2003

(f) Population living below \$1 a day 1990-2003

(g) A value of 0 represents perfect equality and a value of 100 perfect inequality.

Source: Human Development Report 2005, UNDP.

Figure 1  
Human Development Index Trends in South Asian Countries



Source: Human Development Report 2005, UNDP.

Table 2 provides information on nutrition. Progress has been made in this area. However there is still scope for improvement. Sri Lanka has made significant progress in relation to improving nutrition. An examination of the numbers in Table 2 indicate that nutrition levels can be further improved. Bhutan fares well but much remains to be done in the rest of South Asia.

**Table 2**  
**Nutrition in South Asian Countries**

	<i>Population Undernourished %<sup>a</sup></i>	<i>Infants with Low Birthweight %<sup>b</sup></i>	<i>Children Underweight for Age (%under 5)<sup>c</sup></i>	<i>Per Capita Daily Calorie Supply (Calories)</i>
Sri Lanka	22	22	29	2385
India	21	30	47	2459
Pakistan	20	19	38	2419
Bangladesh	30	30	48	2205
Maldives	n/a	22	30	2548
Bhutan	n/a	15	19	n/a
Nepal	17	21	48	2453
South Asia	21	n/a	a/a	n/a

*Note:* a, b Figures for 2000-02

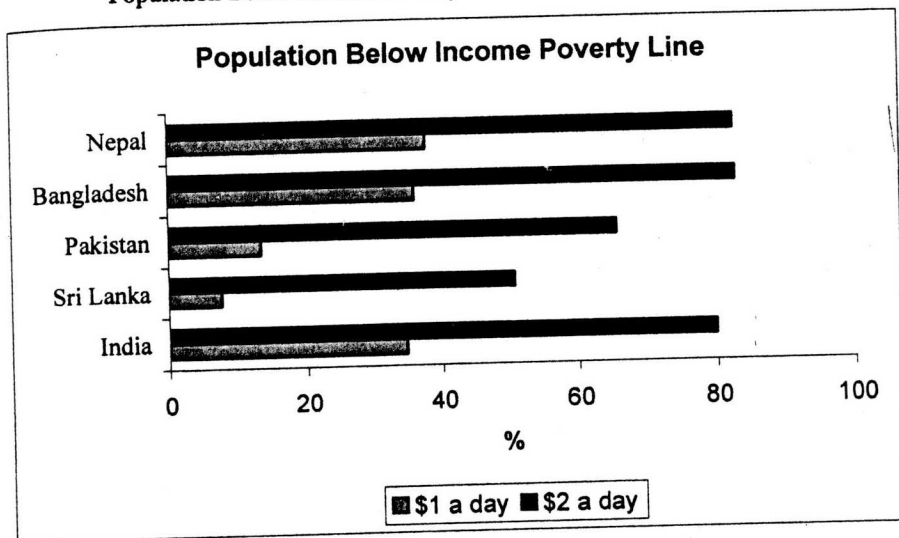
c Figure 1995-2003

*Source:* UNDP Human Development Report 2005 and Asian Development Bank Regional Table 2006.

The Government of Sri Lanka has been successful particularly in the reduction of communicable diseases. However, malnutrition among children, iron deficiency among pregnant women and iodine deficiency are issues that need to be addressed. Part of the population is still at risk of contracting malaria (World Bank 2003). In 2000, Sri Lanka had 1,110 cases of malaria per 100,000 people (HDR 2005). Malnutrition and iron deficiency are more acute in other parts of South Asia. The statistics in Table 2 suggest that malnutrition in children is a severe problem in India, Bangladesh, Pakistan and Bhutan. Other health challenges facing South Asia include the incidence of tuberculosis. The number of reported cases per 100,000 people were 89, 39, 287, 194, 358, 316 and 490 respectively for Sri Lanka, the Maldives, India, Bhutan, Pakistan, Nepal and Bangladesh (HDR 2005).

While Sri Lanka has succeeded to a great extent in reducing poverty as measured by human development measures, the rest of South Asia needs to address the issue of combating poverty by increasing the level of human development. Despite the rapid strides that Sri Lanka has made with respect to human development, a closer look at Sri Lanka's consumption poverty suggests that although only 7.6% of the population live below a \$1.00 a day, 50.7% of the population live below \$2.00 a day (Figure 2). Table 1 reports the Gini coefficient for South Asia. The Gini coefficient measures the concentration of incomes in a nation, with a higher Gini coefficient value implying a greater concentration. The

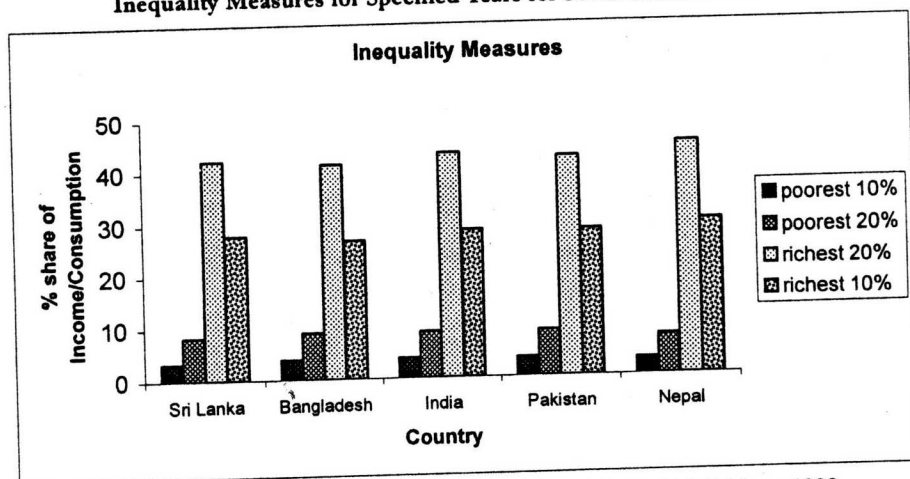
**Figure 2**  
**Population Below Income Poverty Line in South Asian Countries**



Source: Human Development Report 2005, UNDP.

Gini concentration ratio remains around 32-37% for all South Asian economies including Sri Lanka. There is no significant difference in income distribution between Sri Lanka and the rest of South Asia. See Figure 3 and Table 3.

**Figure 3**  
**Inequality Measures for Specified Years for South Asian Countries**



Note: Year: Sri Lanka 1999; India 1999; Nepal 1995; Bangladesh 2000; Pakistan 1998.

Source: Human Development Report 2005, UNDP.

An examination of the distribution of income suggests that there is a pattern of growing inequality of income (Table 3). The richest 20% have got richer

between 1994 and 2005 while the poor have got comparatively poorer, except in the case of Nepal and India. Despite government efforts to make households more equal, the rich are getting relatively richer, and the poorer groups relatively poorer. One of the main reasons for this widening inequality appears to be the rising rates of unemployment experienced in South Asia.

**Table 3**  
**Income Distribution 1994 and 2005**

<i>Country</i>	<i>Poorest 20%</i>		<i>Richest 20%</i>	
	<i>1994</i>		<i>2005</i>	
Sri Lanka	8.9	39.3	8.3	42.2
Bangladesh	9.5	38.6	9	41.3
India	8.8	41.3	8.9	43.3
Pakistan	8.4	39.7	8.8	42.3
Nepal	9.1	39.5	7.6	44.8

*Source:* World Development Report 1994, Human Development Report 2005.

The unemployment rates in India, Sri Lanka and Pakistan are relatively high with female unemployment rates being higher than that of males (Table 4). In South Asia, agriculture is the predominant employer (Figure 4). Two-thirds of South Asian women are employed in agriculture or agriculture-related activities (ul Haq 2003). The governments of South Asia have failed to invest adequately in the agricultural sector which has led to low productivity since the Green Revolution of the 1960s. The lack of investment in physical and social infrastructure, unsustainable agricultural practices and logging have reduced the extent of agricultural reserves which has adversely affected the rural community.

**Table 4**  
**Unemployment Rates in South Asian Countries**

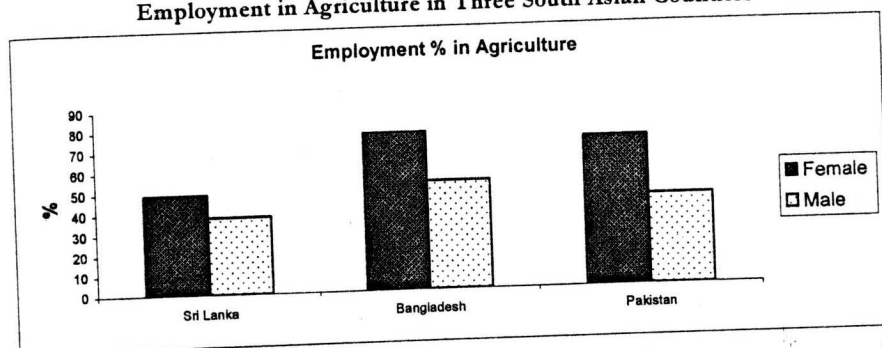
<i>Country</i>	<i>Unemployment Rate %</i>	<i>Female Unemployment %</i>	<i>Male Unemployment %</i>	<i>Female/Male Ratio</i>
Bangladesh	3.3	2.3	2.7	0.9
Bhutan	1.4	n/a	n/a	n/a
India	7.3	10.0	7.0	1.4
Maldives	2.0	2.7	1.6	1.7
Nepal	1.1	0.7	1.5	0.5
Pakistan	7.8	14.9	4.2	3.5
Sri Lanka	8.2	16.2	7.1	2.3

*Source:* Mahbub ul Haq 2003.

Unemployment and underemployment are also especially high among educated youth. Unemployment among youth accounts for a large proportion of total unemployment. During 1997, youth accounted for 70 per cent of the total



Figure 4  
Employment in Agriculture in Three South Asian Countries



Source: Asian Development Bank (2006).

unemployed in Sri Lanka, 53 per cent in India, and 45 per cent in Pakistan. In urban India, 41 per cent of those with higher secondary education were unemployed in 1997 (ul Haq 2003). The public sector is the main provider of jobs to educated youth. The high rates of youth unemployment suggest that the number of public sector vacancies have failed to grow at the same pace as the number of job applicants.

### Poverty Reduction Measures

The South Asian Association for Regional Cooperation (SAARC) was established when its Charter was formally adopted in 1985 by the Governments of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The main purpose of setting up the SAARC was to accelerate the process of economic and social development in Member States. At the 30th Session of the SAARC Standing Committee, a statement made by Mr Riaz Khokhar, Pakistan's Foreign Secretary (2004) declared that there was a general consensus that poverty alleviation was an overarching concern for the SAARC region as a whole. Proposals were discussed to generate new and additional resources to achieve tangible results in reducing poverty. It has failed however, to gain the momentum expected largely due the tension between India and Pakistan.

A number of measures have also been taken by the individual countries to reduce poverty. A poverty assessment undertaken in Bangladesh and the government's Interim Poverty Reduction Strategy Paper show that the pace of poverty reduction has increased considerably in the 1990s. Similarly, the Tenth Five-Year Plan put forward by the Planning Commission of India has outlined India's human development goals and targets for the next five to 10 years. This aims to reduce India's poverty ratio by 5 percentage points by 2007 and by 15 percentage points by 2012. Under the National Rural Guarantee Scheme, one member from each of India's 60 million rural households is guaranteed 100 days of work each year. A Poverty Assessment undertaken in Pakistan concluded that



the country needed to close its social gap in order to promote growth. The Royal Government of Bhutan has presented a Poverty Reduction Strategy Paper (PRSP) as a part of a broader ongoing effort to combat poverty. The main objective of the PRSP process is to strengthen the framework for poverty reduction, improve donor coordination, and build support for new initiatives in public expenditure management and poverty monitoring and evaluation. The Tenth Plan/Poverty Reduction Strategy Paper of Nepal is being implemented from the fiscal year 2002/03 by the National Planning Commission. The purpose of this paper is to promote the role of women in the national economic and social development, mainstreaming the marginalised ethnicities in the development process, and clearly defining the role of government, local bodies, the private sector and non-governmental organization.

Supported by the Asian Development Bank (ADB), the Maldives has made significant progress in the reduction of poverty. The Government and the ADB have worked jointly to develop a new country strategy and program (CSP) for the Maldives. The CSP emphasises the goal of poverty reduction. This has been a prime objective of both the Government and ADB, but it has been given emphasis in the Maldives' Sixth National Development Plan for 2001-2005, and in ADB's long-term strategic framework for 2001-2015 (2001) and poverty reduction strategy (1999).

In order to improve the living conditions of the poor, World Bank funded projects have targeted the poorest segments of society in Sri Lanka. Since independence, the provision of health and education facilities have been a priority for Sri Lankan governments (See Table 5). Public spending on primary, secondary and tertiary education in Sri Lanka has benefited the poor due to heavy subsidization. The introduction of food subsidies, supplementary feeding programmes, anti-natal and post natal care, immunization and school health programmes have contributed to the high life expectancy and low mortality rates. In 1970, Sri Lanka's Physical Quality of Life Index (PQLI) was far above a weighted average of 40 for all low income countries and not far behind the PQLI for high income countries which was 92 (Abeysekera 1986). The experience of Sri Lanka goes to show that the government can do much to improve the quality of life. However, there are a number of areas to which Sri Lanka needs pay attention to. Sri Lanka could have achieved higher growth rates and reduced poverty to a much greater degree had it not been for the ethnic crisis. Increased military spending by the government and rising fiscal deficits have led to a loss of private sector confidence. The tsunami of 2004 has been a further obstacle to Sri Lanka's efforts to combating poverty and unemployment.

A number of non-governmental organisations (NGOs) have also attempted to work together with individual countries to reduce poverty. The Canadian International Development Agency (CIDA) and CARE Australia are examples. In rural Bangladesh CIDA is providing training in income-generating activities

and health-care services to a target group of 70,000 extremely poor women. In Sri Lanka, CIDA is collaborating with CARE to permit community-based organizations in rural areas affected by the ethnic conflict to contribute to improved income, food security and access to health and education services for their members. In Pakistan, CIDA is attempting to improve the condition of women. With the help of CIDA, the Aurat Foundation, a Pakistani non-governmental organization, is helping women to provide orientation, training and critical support to their efforts to make government more receptive to local development needs, particularly those of women and girls.

**Table 5**  
**Expenditure on Health and Education in South Asian Countries**

Country	Health 2002			Education		Education	
	as % of GDP		PPP US \$	as % of GDP		as % of govt exp	
	Public	Private	Per capita	1990	2000-02	1990	2000-02
Sri Lanka	1.8	1.9	131	2.7	n/a	8.1	n/a
Bangladesh	0.8	2.3	54	1.5	2.4	10.3	15.5
India	1.3	4.8	96	3.7	4.1	12.2	12.7
Pakistan	1.1	2.1	62	2.6	1.8	7.4	7.8
Nepal	1.4	3.8	64	2	3.4	8.5	14.9
Maldives	5.1	0.7	307	3.8	n/a	10	n/a
Bhutan	4.1	0.4	76	n/a	5.2	n/a	12.9

Source: Human Development Report 2005, UNDP.

## Recommendations

Inequality in income distribution can be reduced by taking measures to increase the income of the bottom deciles of society. Agriculture is the main source of income for South Asia's predominantly rural society. Despite the structural reforms undertaken by these economies, the agricultural sector contributes around 25 per cent of their Gross Domestic Product (GDP). Agricultural growth has contributed positively to export revenue and economic growth in general in these economies (eg. the Green Revolution). As the livelihood of the majority of the population comes from agriculture, it is imperative that measures be taken to develop the agricultural sector. This can be done by closer cooperation between educational institutions and agricultural research institutions so that new developments in the area of agriculture is accessible to the rural community. Given that unemployment in these economies is mainly a rural phenomenon and high among women, these institutions can work together to instruct and educate the rural community and women in particular so that they can become actively involved in the decision making process.

In addition, the lack of public investments in physical and social infrastructure has impeded agricultural development. The governments of these countries must

invest in the infrastructure required to develop the agricultural sector and create a suitable climate for encouraging private sector participation. This can be done by building local institutions and infrastructure for communal action and market development for less developed regions. Developing sustainable ways to obtain crops, livestock, wild game, fish and forest products are necessary to reduce the pressures on women and children. The governments together with the private sector and/or international organisations can develop and improve irrigation channels to increase agricultural productivity.

Health and education are crucial for economic growth. Governments must recognise that public investment in health and education can reduce inequality and increase opportunities for the poor by making facilities available. Equality can be increased by ensuring that the poorer segments of society have access to schools and hospitals. Scholarships and public funded health systems will ensure availability. Programmes designed to highlight the importance of education and health will lead to increased school enrolment and reduce the spread of disease such as malaria and tuberculosis.

Further, health and education priorities should be set with reference to outcomes. Concentrating on outcomes requires setting standards which will automatically lead to improvements in the quality of education and health services. The high levels of youth unemployment can be attributed to a gap between the studies undertaken by youth and the requirements of the labour market. The region appears to lack an effective system of public and private employment agencies specifically aimed at catering to youth. This would require a plan that counsels students to undertake courses that would meet the requirements of the labour market so that job applicants would have the skills required by employers.

Finally, South Asia can attempt to work collectively towards achieving higher levels of development by strengthening intra-regional links through trade. The initial steps have already been taken by South Asia by setting up the SAARC. The SAARC member countries should together strive to strengthen their agriculture and natural resource sectors as vital engines of growth.

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