



A Retrospect on Poverty and Inequality

Lessons from before the pandemic

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Vengadeshvaran Sarma
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The Centre for Poverty Analysis (CEPA) is an independent, Sri Lankan think-tank promoting a better understanding of poverty related development issues. At CEPA, our emphasis is on providing independent analysis, capacity building of development actors, and seeking opportunities for policy influence. We are influenced by a strong orientation towards service provision that is grounded in sound empirical evidence while responding to the needs of the market. CEPA maintains this market orientation through client requests, and also pursues a parallel independent research agenda. These functions are carried out across broad thematic areas of: Social Protection & Basic Services, Sustainable Development, Livelihoods & Employment, Labour Migration, Diaspora & Development, and Social Cohesion & Reconciliation. CEPA uses the knowledge gained to influence policy and carry out various dialogue and exchange activities.

Introduction

In 2007 CEPA produced a publication titled *Fresh Perspectives: Exploring Alternative Dimensions of Poverty in Sri Lanka*. This book dissected and explained CEPA's perspective on poverty at the time. The main argument was that poverty is multi-dimensional and that vulnerability and inequalities that arise from it is a compound problem. It also used evidence on the usefulness of a qualitative approach to understanding and measuring poverty that necessitates drawing from more nuanced and lived experiences of people. The push for multi-dimensional approaches to understanding poverty has advanced greatly since that time, and indeed the concept now is much more mainstreamed. We see countries calculating multidimensional poverty indices (MPIs); the UN producing the Human Development Index (HDI) or the world trying to put in place Sustainable Development Goals (SDGs) that prescribe an inter linked approach. Today, “leave no one behind” is a catch phrase and this cannot be achieved unless we acknowledge the interlinkages of factors that affect poverty, and look for more integrated solutions.

A Retrospect on Poverty and Inequality, attempts to record the experiences of the past 15 years – leading upto the pandemic and before the economic crisis. It draws from knowledge gained on dissecting poverty by numerous researchers through a range of research and assignments covering a wealth of topics, themes and geographies. The purpose of the book is to continue to add to the growing body of knowledge on understanding and measuring poverty, through our own work. It pieces together like a quilt, the insights of lived experiences to provide both interconnected perspectives and stand-alone ideas on poverty, vulnerability and inequalities. It also weaves in existing macro and quantitative data to supplement and link perspectives on poverty and how it has changed over time. Sometimes there are very clear connections and at times jarring discrepancies or counter narratives, that can be expected within complex human-ecological systems.

This report is organized as follows:

Chapter 1 focusses on looking at the different measurement tools and what they tell us about poverty or indeed the inequalities of prosperity. It highlights interlinked characteristics that are likely to perpetuate poverty – the education level, the health of the head of the household or geographic variations that connect to context (i.e. civil war, plantation history). It raises the need for understanding drivers of poverty and inequality in localized setting to design programmes, where context and digging deeper into circumstance matters.

Chapter 2 focusses on what helped to move people of out of poverty. This section uses the research findings of CEPA’s work (from 2006 to 2021) to draw on the experiences of communities that were directly affected by civil war, those that live and work in the plantations, and also those who are segregated as urban and rural poor. By looking at these groups, the chapter provides more case specific experiences for each group but also common factors amongst these groups – when it comes to moving out of poverty.

Chapter 3 focusses on why people still remain in poverty; why inequality persists – thereby preventing people to move towards prosperity. This chapter adapts the UN framework for inequality to explore the persistence of inequality in terms of income, basic services, socio-political exclusion, discrimination and access and control of natural resources that prevent some communities, groups or individuals from moving out of poverty.

As CEPA prepares to launch its latest venture, The Inequality Report – TIER, which will delve in-depth into different dimensions of inequality, this retrospect aims to record the experiences of the past, to allow for a looking back to look forward. Exploring what our status was pre-COVID and pre economic crisis – we will draw on insights to deal with the current challenges faced.

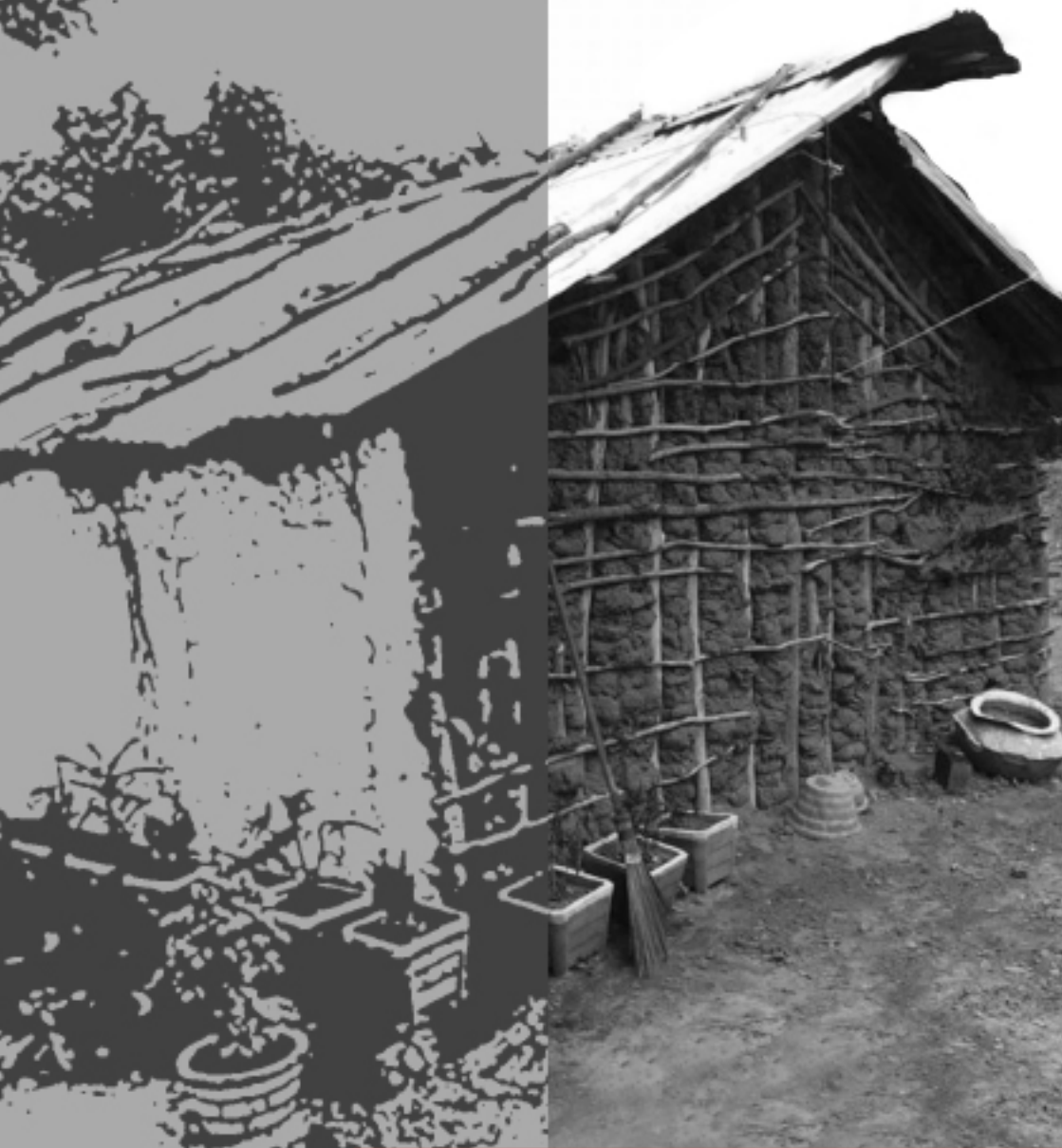
Acknowledgments

We acknowledge all of those who have contributed to this *Retrospect*. The experiences draw from many assignments and projects and the thinking and writing of many researchers – past and present. It is difficult to name each one at the risk of leaving some behind. We are grateful for their work and contributions. We do however acknowledge Indika Samarakoon, Romeshun Kulasabanathan and Vengadeshvaran Sarma who pieced this book together.

We are also grateful to all who contributed to the study and reviewed its content. Sincere thanks are due to all those who took part in conceptual discussions, commented on numerous early drafts and edited chapters in this volume, including Karin Fernando, Chandima Arambepola, Gayathri Lokuge, Nadhiya Najab, Natasha Palansuriya, Mohamed Munas and Dilshani Ranawaka. We also acknowledge and thank the CEPA communications team - past and present.

ABBREVIATIONS

CAA	Climate Adaptive Approach
CEPA	Centre for Poverty Analysis
CSO	Civil Society Organizations
DS	Divisional Secretariats
EPF	Employees Provident Fund
ETF	Employees Trust Fund
FHH	Female Heads of Households
GBV	Gender Based Violence
GOSL	Government of Sri Lanka
HIES	Household Income Expenditure Survey
HSZ	High Security Zones
IDP	Internally Displaced Persons
LTTE	Liberation Tamil Tigers of Eelam
SEZ	Special Economic Zones
SLBFE	Sri Lanka Bureau of Foreign Employment
SLRC	Secure Livelihoods Research Consortium
STDP	Southern Transport Development Project
STEM	Science, Technology, Engineering, and Mathematics
NGO	Non-Government Organization
ODHA	Owner Driven Housing Programmes
PTF	Presidential Task Force
TVET	Tertiary, Vocational, Educational and Training
UNDP	United Nations Development Programme
UN	United Nations
USS	Under Served Settlements
WFP	World Food Programme



Chapter 1

MEASURING POVERTY

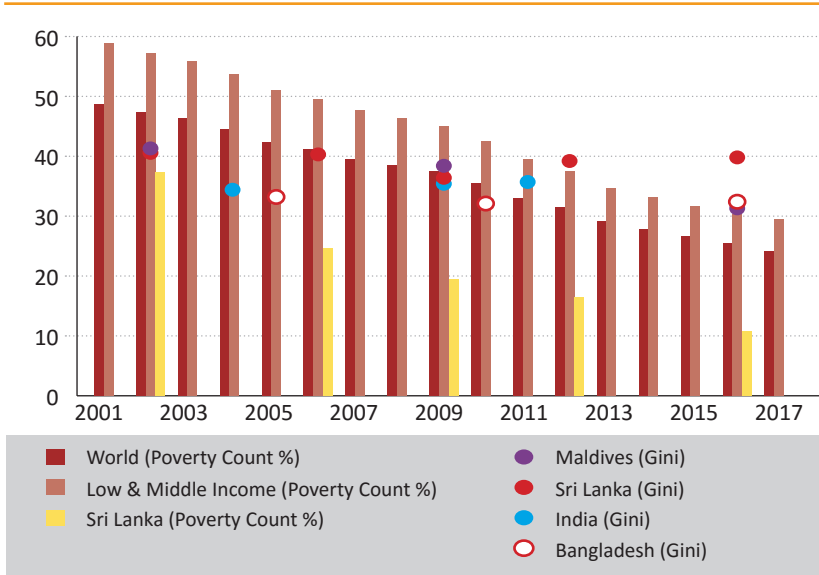
Kulasabanathan Romeshun, Vengadeshvaran Sarma

Is Sri Lanka an Outlier in Poverty Reduction?

Sri Lanka has achieved substantial reduction in monetary and multi-dimensional poverty in the last 25 years. Poverty rates, as per the official poverty line measured by the Department of Census and Statistics (DCS 2017), have declined from a high of 28.8 % in 1995/6 to 4.1 % in 2016. Regionally, Sri Lanka is an outlier with regard to progress on human development despite a financially and otherwise draining war that lasted around 25 years. Sri Lanka's success in poverty reduction can be attributed to steady economic growth, continuous investment in social programmes and infrastructure. Universal social programmes on health and education have contributed to Sri Lanka having low levels of child and maternal mortality rates, universal immunisation, access to primary and secondary schooling with no gender disparities (Sarma, Licht, and Kalugalagedera, 2018). In addition, water and sanitation coverage has improved considerably, the grid connected electricity reaches almost 98 % of the population and the road density of Sri Lanka is one of the highest in the South Asian Region (World Bank, 2016a). In terms of the Millennium Development Goals (MDGs), Sri Lanka had halved its poverty rate, achieved universal primary education, reduced child mortality, and improved maternal health well before the 2015 deadline. This probably contributes to the calculated Multi-Dimensional Poverty Index (MPI) headcount in 2016 (2.4) for Sri Lanka being lower than the monetary poverty head count (4.1) (DCS, 2019a). While progress made to move Sri Lanka out of the poverty is laudable, and while some reasons are clear, others still remain complex. Disparities also remain, with moving all Sri Lankans towards prosperity – a better state than just over the poverty line and towards evening out inequalities – among geographies, genders, demographics, as well as on issues such as access to services, freedom and rights – in all forms of wellbeing. The facets of poverty also change over time – with exposure to aspects such as post conflict resettlement, climate risks, and very recently the COVID-19 pandemic. Thus, a closer look at the numbers and nuances to unravel these causal relationships is

needed; while different measures are also needed to reveal different aspects and complex interactions, and it needs to take into account the externalities that affect poverty.

Figure 1: Poverty and Inequality



Source: World Development Indicators, World Bank

Sri Lanka’s Measures of Poverty and Prosperity

With Sri Lanka’s success in poverty reduction, achievement of MDGs and being close to classification as an upper-middle income nation¹, the question thus arises: Can Sri Lanka now shift her focus away from poverty reduction? Addressing this question requires understanding what constitutes poverty, or conversely, what prosperity is, for Sri Lankans.

¹ The World Bank had classified Sri Lanka as an upper-middle income nation in 2018 and declassified the nation as a lower-middle income nation in 2020.

Sri Lanka's official poverty line is based on a single dimension—a monetary indicator and calculated based on the Household Income and Expenditure Survey (HIES) (Box 1). The Official Poverty Line and the HIES provide useful information on who is poor, where they live and the general characteristics of the poor. The official poverty line however is computed once in every four years when the HIES is undertaken (as evident in Figure 1), contributing to time-lapse in decision making and intervention. The poverty line is also likely to mask the intensity of vulnerability that households who are just above the poverty threshold experience. For example, a small sample study done in 2010 among urban families shows that a third of the surveyed families are likely to be poor in a multi-dimensional context when factors such as adult education, housing tenure, type of housing, and financial stress are considered (Romeshun and Mayadunne, 2011).

Box 1: Measuring Poverty in Sri Lanka

Measurement of poverty has been attempted in Sri Lanka as early as 1978 using the Labour Force and Socio Economic Survey (LFSES) of 1969/70 with the daily per capita calorie intake used as the indicator. Subsequently many measures had been developed by institutions as well as individuals using the LFSES and the Consumer Finance Survey. The indicator of poverty used in these measures have included monthly income/expenditure, food share/food expenditure and calorie intake.

In 2004, the Department of Census and Statistics (DCS) using the Household Income and Expenditure Surveys of 1990/1, 1995/6 and 2002 determined the 'Official Poverty Line'. It is an absolute poverty line using a nutrition-based anchor and cost of basic needs approach that includes both food and non-food expenses.

(Gunewardena, 2005)

(DCS, 2004)

Assessments made using national surveys also pointed to multi-dimensional or near multi-dimensional poverty due to health, education and the head of the household being unable to work (Nanayakkara, 2019). Recognising the need for multi-dimensional poverty measures the 2016 HIES, the Department of Census and Statistics has calculated the Global Multi-Dimensional Poverty Index (DCS, 2019a). Further, there is also evidence that the benefits of Sri Lanka's economic growth have not been shared equally, with some evidence of marginal increase in expenditure inequality (see Figure 1).² Thus, there is a need for introspection on how we should ensure poverty measures are comprehensive and encompassing for the purpose of development planning, the drivers of inequality, and how we should ensure equitable prosperity.

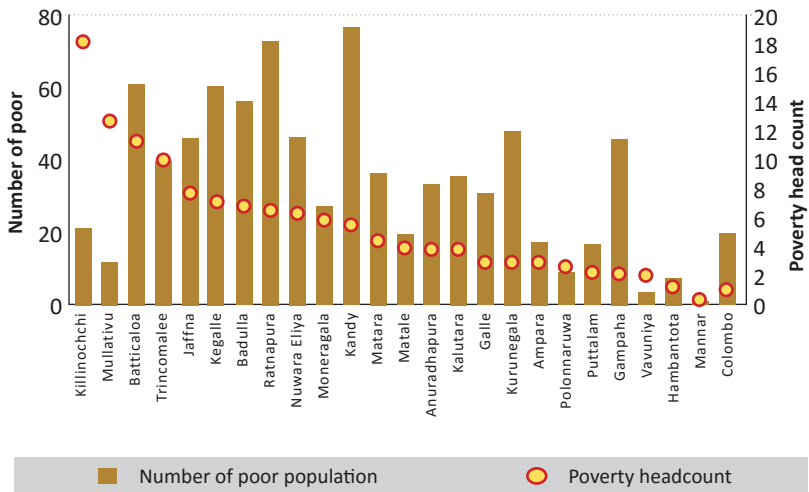
Facets of Poverty in Sri Lanka

Using HIES data and the official poverty line, it is possible to identify characteristics of the poor in Sri Lanka. Like in other developing countries, household heads with relatively higher education (above secondary schooling) report higher levels of income and better employment (Gunasekara, 2015). Conversely, households engaged in daily wage labour activities are relatively more likely to be poor (Nanayakkara, 2019a; Nanayakkara, 2017b). As a community, estate (plantation) based households have a higher incidence of poverty than rural and urban households due to factors such as access to infrastructure, transport, sanitation, among others (DCS, 2017c).³ Spatially, many of the districts and localities in conflict-affected Northern and Eastern Provinces with higher concentration of ethnic Tamils, have relatively higher incidence of poverty compared to the rest of the country (Mahadevan and Jayasinghe, 2020)

2 Sri Lanka's level of and stagnant Gini index, is comparable to that of her neighbours, and demonstrates similarity with her neighbours.

3 In fact, poverty head count in the estate sector stands at 8.8% compared to 4.3% in rural areas and 1.9% in urban areas (DCS, 2017).

Figure 2: Poverty Headcount vs Number of Poor Persons by District⁴



Source: DCS, 2017

One of the largest drivers of disparity in income in Sri Lanka, is geographic location, both across and within districts. For example, whilst Colombo has the lowest headcount poverty ratio amongst the districts in 2016, the number of poor in Colombo is almost equal to that of Killinochchi which has the highest headcount ratio of poorer people (Figure 2). Districts such as Batticaloa, Jaffna, Kegalle, Badulla, Ratnapura, Kandy and Nuwara Eliya not only have higher poverty rates, but they also have a high number of persons who are assessed as poor. Therefore, it is important to consider population density within regions, the poverty headcount, and the number of poor, in designing interventions targeting poverty. In Kilinochchi, for example, although average consumption increased in 2016 compared to 2012,

⁴ The 2016 poverty data for Mannar does not match the trend in previous Household Income and Expenditure Surveys and hence should be interpreted with caution.

poverty too increased. Thus, economic growth alone is not necessarily a sufficient condition for poverty reduction, and there is a need for understanding drivers of growth, poverty and inequality in different localities to be able to design programmes that are more localised.

The broad classification by geographic location, while useful for quick insights, needs to be further refined for targeted policy making and programme development. It may therefore, be important to identify what underpins these disparities and how it affects household consumption patterns.⁵ For example, female-headed households are found to be poorer than male-headed households on a per capita basis (Jayasinghe, 2019). In the Northern and Eastern Provinces, female-headedness is driven by the death, unaccounted status, or disability of a male spouse due to the war. Further analysis of female headed households indicate that Tamil, younger widows with children, and those without access to property are found to be more vulnerable to poverty (United Nations, 2015; Romeshun, Gunasekara, and Munas, 2014). Thus, while universally designed programmes do provide a good base, the current government structures that have extended well in to the Grama Niladhari Divisions provide an excellent opportunity for addressing specific vulnerabilities and targeted interventions (Jayatilaka, 2020).

Design of such targeted interventions vitally depend on sound measurement, thus there is a need to devise robust poverty measurements and not rely solely on the absolute poverty line. For example, if the poverty line is increased by 10%, the absolute number of poor persons in Sri Lanka increases by 50%. This reflects the sensitivity of relying on absolute cut-offs, as many Sri Lankans are on the margins of the official poverty line (DCS, 2017). Calamities like the Tsunami, the April 2019 attacks, or the COVID-19 pandemic push those on the margins into poverty. The COVID-19 pandemic is expected to have a negative impact on the economy of Sri Lanka and

⁵ (Sarma and Parinduri, 2021) for example, show that expenditure on vice goods vary by the gender of the head of the household.

households and hence worsen poverty conditions (Asian Development Bank, 2020; World Bank, 2020a). Surveys and studies done during the April-June 2020 period, coinciding with the first wave of lockdown in Sri Lanka, found considerable negative impact on household income and mental stress. Whilst almost all respondents were worried about health-related emergencies, three-fifth of the respondents stated that they were worried about family finances (CEPA, 2020). A UNICEF/ UNDP telephone survey found that income of at-least two-thirds of the surveyed households was negatively impacted while 12 % of the sample had lost their jobs and have not been able secure new employment (UNICEF/ UNDP, 2020). Additionally, in households with pregnant/ lactating mothers and/or children below 5 years of age, 61% reported that household income was negatively impacted in June 2020 compared to February 2020, and 26 % had reduced their food consumption during the same period.

The poverty line constructed using the consumption expenditure has many benefits, including ease of measurement and relative stability, as consumption smoothens based on long-term income expectations (UNECE, 2017). However, the use of consumption expenditure as a proxy for income is contentious because consumption expenditure is sticky.⁶ Further, another major concern related to the poverty line is that it measures what individuals consume, rather than what individuals⁷ ought to consume (aspirational), given their specific context together with demographic and geographic factors. For example, during a focus group discussion in July 2015, plantation workers, considered the poorest community, suggested that a family of four persons would require Rs. 25,000 per month to have a decent living (Siegmann et al., 2020) whereas the poverty threshold

6 That is, even when income drops, poorer households are likely to borrow and spend on consumption as a necessity,

7 Individual consumption is usually proxied by household consumption, which ignores intra-household consumption patterns.

for a family of four using HIES was Rs. 18,087 in December 2016.⁸ The World Bank proposes that countries focus on the Bottom 40% income group (B40), instead of just those in extreme poverty, for policy and programmatic purposes (World Bank, 2016b). In middle income countries, \$3.20 Purchasing Power Parity PPP is used as the measure for calculating poverty; if this measure were to be applied to Sri Lanka, around 10 % of the populous would be considered poor (Nanayakkara, 2019 b) (Nanayakkara, 2020). In higher middle-income countries, \$5.50 PPP is used as the measure of poverty, and when this is applied, around 40 % of the Sri Lankans would be classified as poor.⁹ Hence, whilst the official poverty line provides a base, an alternative relative indicator of monetary poverty is important for programmatic purposes.

Sri Lanka's official poverty line is a monetary measure, and the country does not have a published definition on poverty; where attempts are made, we observe inclusion of multi-dimensional aspects. For instance, the Presidential Taskforce on Poverty Eradication established in 2020¹⁰ clearly recognises that addressing poverty requires a multi-dimensional approach and prescribes interventions in food security, livelihood assistance, making available small scale loans, provision of land on long term lease for agricultural purposes, security to prevent agricultural losses, provision of road access to rural areas, provision of water supply for people in rural areas and improving service provision by government agencies across the Districts. Similar broader aspects are observed in definitions of poverty by multilateral organisations (Box 2).

The Sustainable Development Goals (SDGs) provide a larger canvas to understand poverty and development from a multidimensional perspective. Sri Lanka assess that currently country data is available

8 An IPS study (Living Wage for Plantation Sector, 2015- 2016) suggests the basic and decent living wage in December 2015 for a family of 4.5 persons to be Rs 33,361.

9 World Development Indicators., 2017 . <http://wdi.worldbank.org/table/1.2>

10 Detailed in an Extraordinary Gazette notification in late January 2020.

for 37 % of the SDG indicators (Sustainable Development Council of Sri Lanka, 2021). Goals for which there is higher paucity of data include, governance (peace, justice, institutions), environment and sustainability (urbanisation, housing, public spaces, emissions),¹¹ (Adam and Tsarsitalidou, 2019); decent work (relating to unsafe and informal work, security etc.), and inequalities (gender, geography, access, corruption). Measuring these elements is vital for benchmarking with other countries, and also to develop coherent, inter-linked and targeted programmes and policies that are appropriate for the local context.

Box 2: What is Poverty?

“Poverty is pronounced deprivation in well-being and comprises many dimensions. It includes **low incomes and the inability to acquire the basic goods and services** necessary for survival with dignity. Poverty also encompasses **low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one’s life**” – World Bank.

“Fundamentally, poverty is the **inability of having choices and opportunities**, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means **not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit**. It means **insecurity, powerlessness and exclusion of individuals**, households and communities. It means susceptibility to violence, **and it often implies living in marginal or fragile environments, without access to clean water or sanitation**” – United Nations.

11 see Adam & Tsarsitalidou 2019 for discussion on possible measures.

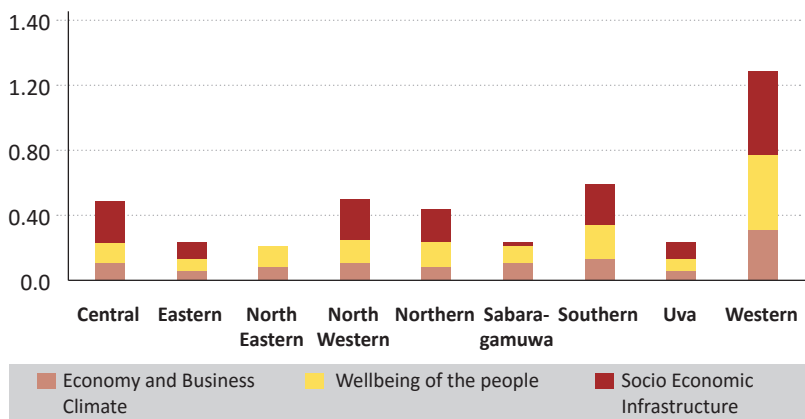
There are also macro-economic considerations. Even prior to the pandemic, there were indications that in many fronts Sri Lanka had slipped behind its South Asian neighbours. Whilst Sri Lanka's fiscal space, reflected in the government revenue (excluding grants) to Gross Domestic Product ratio, declined from 15.8 % in 2007 to 12.6 % in 2019, Nepal's increased from 11.9 % in 2007 to 22.4 % in 2019 (World Bank, n.d.). In the social protection front, Maldives is implementing a universal social protection scheme for the elderly with a minimum payoff of USD 325 (ILO and World Bank, 2016), whilst Sri Lanka's transfer to the elderly is less than its poverty line (USD 25). Sri Lanka's external reserves has averaged around 3 months of imports, Bangladesh's has risen over the years and was 8.6 months of import cushion in 2020 (World Bank, n.d.), and this has contributed to the curtailment of Sri Lanka's ability to raise debt in international markets. Consideration and management of such measures are important for Sri Lanka's ability to charter its own development pathways.

From Poverty to Prosperity

The drivers of poverty and prosperity can differ depending on the geographic, demographic and individual circumstances (see appendix A). However, there are some indicators of what has worked well, what has driven inequality and how the gaps can be bridged. Sri Lanka's annual Central Bank reports clearly indicate the dominance of economic contribution and the relative prosperity of the Western Province viz-a-viz other provinces (see Figure 3). The province's prosperity is partly historical—an epicentre of trade and commerce, which has led to superior infrastructure including road density, communication facilities, electricity and financial services, institutions and a pre-existing set of economic activities. These have allowed the province to benefit from deregularisation and liberalisation measures (Thusitha and Gunewardena, 2012; Wijerathna et al., 2014¹²; Ratnayake, 2013).

12 Quoting R Castro, S Devarajan. Unleashing Sri Lanka's Potential.

Figure 3: Sri Lanka Prosperity Index by Province 2018



Source: Central Bank of Sri Lanka, 2019.

The Sri Lanka Prosperity Index (SLPI)¹³ clearly highlights the disparities between provinces across three areas—economic and business climate, socio-economic infrastructure and well-being of people (see Figure 3). The Western Province clearly eclipses the rest of the provinces across all three areas. The Uva Province, on the other hand, performs poorly on the prosperity index across a number of indicators, even lower than the previously conflict affected Northern Province (Central Bank of Sri Lanka, 2019a). Similarly, the socio-economic infrastructure component¹⁴ of the prosperity index is low for Sabaragamuwa and North Central Provinces; even lower than the conflict affected Northern Province.¹⁵ The Eastern Province, which was also affected by the war, still lags behind the other provinces across the three areas. Lack of infrastructure is noted

13 The SLPI is a weighted index

14 Telecommunication, ICT Facilities, Electricity, Water, Sanitation, Crime free environment & Female participation in civic activities

15 https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/note_sri_lanka_prosperity_index_2018_e.pdf

as one of the impediments that negatively affect poverty incidence in the plantation areas as well (Vijayakumar and Olga, 2012). The desire for socio-economic growth is evident in all communities, and investments in economic infrastructure is noted to increase farm and non-farm productivity thereby increasing employment and income opportunities, contributing to reducing poverty (Ali and Pernia, 2003; OECD, 2007; Edriss and Chiunda, 2017; Meilvidiri et al., 2020). For example, in Puttalam, improvement to the main trunk road connecting Colombo helped entrepreneurs to connect with their suppliers and buyers more efficiently. Similarly, improvements to the coverage and quality of electricity reduced production costs for medium scale salt manufacturers and commercial vegetable farmers (Silva et al., 2012). Such infrastructure developments, in addition to helping industry, had positive spill-over effects on poorer households via easier access to health, education, and transport services. Hence, inequalities in infrastructure and service provision amongst urban-rural-estate sectors and districts need to be addressed to provide the first set of enablers.

Focal Areas of Enablers

Provision of Quality Services

The universal provision of education and health by the State is identified as a key reason for Sri Lanka's higher HDI (Nanayakkara, 2017a).¹⁶ Given the positive impact of education on economic mobility, many Sri Lankan households view education as a means of moving up the economic and social ladder; parents, thus, spend even beyond their means to enhance the future of their children (Box 3). Successive education policies have ensured enrollment up to lower secondary education almost universally in Sri Lanka (Sarma, Licht, and Kalugalagedera, 2018).

16 Sri Lanka has provided universal free health care services since the 1930s and introduced the universal free education policy in 1945 (Smith, 2018; Overseas Development Institute, 2005).

Box 3: Moving Up – Using Education

Households in plantations want their children to find life outside the plantations and see education as the way out for their children. Hence, they incur considerable expenses for their children's education and express appreciation for educational assistance even when it is only in the form of loans such as through Fairtrade funds at the estates - (Siegmann et al., 2019).

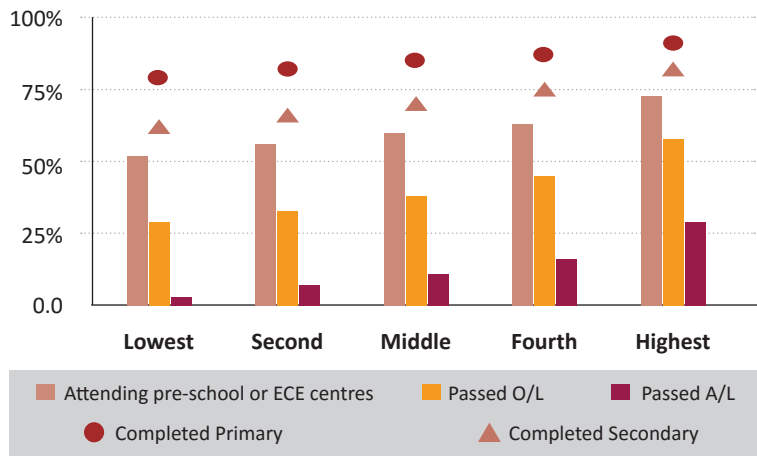
Similar sentiments are expressed by households that live in urban underserved settlements in the business capital of Sri Lanka. They are surrounded by public schools providing free education. But, a family living in an 8 by 8 feet room, sent their child to an 'International School' at considerable expense necessitating the husband to work over 18 hours, so that the child can break out of the stigmatised environment through English speaking work opportunities (Observation - Romeshun and Mayadunne, 2011).

These policies have included inducements such as tuition-free education in schools, mid-day meals¹⁷, free textbooks, provision of uniforms/ shoes, subsidised transport, an insurance scheme, allowing the children to pursue education in the language of choice and enforcement in the form of compulsory schooling laws. Extension of the education cycle to upper secondary and beyond is being pursued by making education compulsory for thirteen years; by introduction of a technological stream, school development through policies such as cluster development/ nearest school is the best school (NSBS) and extensive network of (tuition-free) vocational training institutes.

17 Many parents have highlighted mid-day meals as a significant incentive to keep children off farm work in rural areas due to the opportunity cost and have indicated preference for it to be extended to secondary school students to ensure better attendance of students even during harvest seasons (Sarma, Licht, and Kalugalagedera, 2018)

Despite the universal provision of education in Sri Lanka, there are discernable differences in the quality of education across the country that contribute to unequal education outcomes and therefore socio-economic mobility. Children from relatively poorer households are worse-off and this is most noticeable amongst children in preschool age and in upper secondary and tertiary education as discussed below. Whilst the development literature highlights the significance of preschool education for later educational performance (European Union, 2019; Eshetu, 2015; Barnett, 2008) data emerging from Sri Lanka indicate that children from poorer households are less likely to be enrolled in pre-school education (Figure 4) (World Bank, 2014; Sarma, Licht, and Kalugalagedera, 2018). This reduces the competitiveness of children from poorer backgrounds at an early stage.¹⁸ Similar disparities by income quintiles are also observed in enrollment and completion rates of higher secondary schooling (Figure 5) (Aturupane et al., 2014; Jayawardena, 2019).

Figure 4: Percentage of Children attending Early Childhood Development Centres and Completion Rates of Major Education Cycles by Income Quintile.



Source: HIES and Demographic and Health Surveys of 2016

¹⁸ Qualitative interviews with teachers from a 2018 study by CEPA affirm this (Sarma, Licht, and Kalugalagedera, 2018).

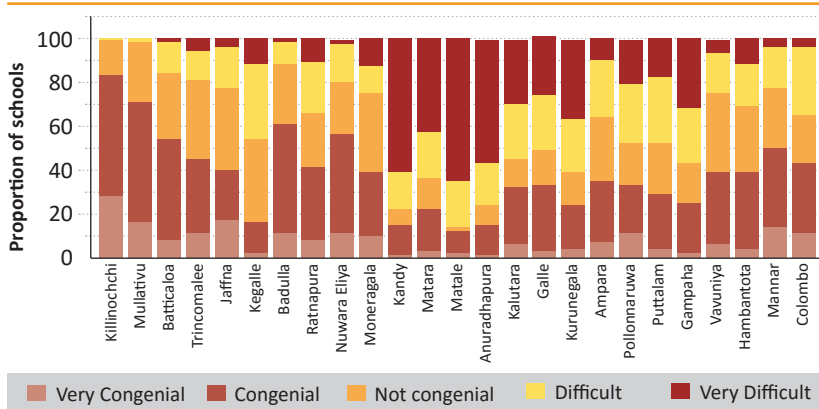
There is also strong evidence that out-of-pocket expenses contribute to this disparity (Pallegedara and Kumara, 2020). Some additional issues that contribute to the disparity are discussed in Box 4. Thus, despite universal provision of education, differences in access to quality education contributes to disparities in educational outcomes across income quantiles.

Box 4: Other inequalities in Education

The other set of inequalities that stand out in our education system are; caste-based issues that hinder educational participation, the compromised upper secondary education options and subjects for children beyond the Western Province, and educational access for children with learning and other disabilities (Sarma, Licht, and Kalugalagedera, 2018; Inadeen, Mahilrajah, and Romeshun, 2014). Disability is the main reason for children reporting that they have never attended school (DCS 2017, Child Activity Report 2016). A number of reports also point to low levels of inclusivity of children with disabilities in the school system, especially beyond 14 years (Muttiah, Dragerl, and O'Connor, 2016; UNICEF/ UNDP, 2020). Low internet connectivity and issues of affordability are noted to have further constrained students when education moved online during COVID-19 related closures (Amarasinghe, 2020; Palansuriya, 2020). A household telephone survey during the initial lockdown period (April – June 2020) found that children from two-thirds of the households accessed online education (UNICEF/ UNDP, 2020). An online survey amongst university undergraduates reported 88% of them attending remote learning (Hayashi et al., 2020). Due consideration to potential self-selection bias should be factored in, in interpreting the numbers of the survey amongst university graduates (online survey).

Whilst equality in learning outcomes is not a goal pursued by any Government, it is important to ensure equality in opportunity. Data from the National Education Research and Evaluation Centre (NEREC), Ministry of Education (MoE), University Grants Commission (UGC) all indicate significant disparities in the quality of schools, resources, teachers, and subject availability etc., disfavoured poorer communities (Figure 5). For example, students from the affluent Colombo District have greater opportunities to follow subjects of their choice (especially, Science) at the Advanced Level classes and have a higher probability of gaining entrance to publicly funded State universities. Additionally, less than 20 % of those qualifying the Advanced Level examination are afforded entry to the (tuition-free) State university system in Sri Lanka. Alternatives for further education remain limited for the poorer segment of the population (Gunatilaka, Wan, and Chatterjee, 2009) with vocational training as the only (tuition-free) alternative. These disparities and institutional hurdles constrict the avenues available for the poor to use education as a tool for economic and social mobility. The challenges in accessing education due to COVID travel restrictions and issues of remote education are likely to further increase the educational attainment disparities amongst children from poorer households.

Figure 5: School Congeniality by District



Source: (Sarma, Licht, and Kalugalagedera, *Educational Inequalities in Sri Lanka: National Data and Local Perspectives on Access, Quality and Learning Outcomes*, 2018)

Further, despite wide geographical coverage of free education and health and their success in reaching the populous (as highlighted in the start of the chapter), education and health remain two of the main contributors to multi-dimensional poverty in Sri Lanka. Some indicators of adverse education and health include the percentage of households with no adults having completed 6 years of schooling, households that consume insufficient nutrition, households with inadequate safe water and sanitation provisions, and poor household air quality (use of firewood) that can add to the disease burden (Silva, 2020; Nanayakkara, 2019a; DCS, 2019). Children in plantation areas have poorer nutritional outcome (height-to-age and height-to-weight) than children in other parts of the country (DCS, 2017d). Wasting is noted to have increased amongst children in the underserved settlement in comparison to pre-COVID (2019) period (Jayatissa et al., 2021)¹⁹. These adverse factors are likely to contribute to long-term poverty effects; for instance, childhood undernutrition is strongly associated with stunting, poor school attendance and performance, reduced economic productivity and amongst women, lower offspring birthweight (Victora et al., 2008; Galler et al., 2012). Thus, measures taken to ensure that all cohorts of society benefit from freely provided education and health is a good start but is evidenced to be insufficient to benefit the more vulnerable in Sri Lankan society. There is thus a need for introspection on the educational and health policies to be more targeted and inclusive in order ensure that health, and especially education, act as an enabler of growth and social mobility for the poor.

There is also a need for the country to build capacity at State institutions to help marginalised and poor communities receive better access to State provisions. Benefits from infrastructure, an enabler, can reduce and diversion of benefits from poor can occur due to weak governance and institutions giving way to corruption, distorted public investment choices, and neglected maintenance

19 The report also notes that obesity amongst children has increased in relation to the baseline survey but notes that the increase in wasting is 'alarmingly' high.

(Ali and Pernia, 2003). Land administration is a crucial area that the State needs to focus on as an area for capacity building at the local administrative bodies. For instance, agriculture continues to be an important economic activity in the Northern Province and land related corruption (Lindberg and Herath, 2014) and instances of gazetting land under forest, wildlife, archaeology and Mahaweli creates conflict over the use of land, on who benefits from it and has negative effects on the lives and livelihoods of those engaged in agriculture and animal husbandry. On the flip side, more recently (November, 2020), a circular (MWFC/1/2020) was published revoking previous circulars (05/98, 5/2001, and 02/2006) that transferred the management of forest land known as “Other State Forests” back to District and Divisional secretariats, with the idea that some of this land can be converted for economic and productive purposes – with a caveat that it must also safeguard the environment²⁰. However, the circular is not clear on who is to be the ultimate beneficiaries, what exactly are permitted actions or how it will actually be operationalized. Consequently, a new policy, and a new management approach is being proposed through the Environmentally Sensitive Areas Management project. This situation exemplifies the tug-of-war for limited land across the country – needed for both conservation and livelihoods but also the manner in which such decisions are taken, with little consultation and no clear direction on operationalization or dispute resolution. The time taken by the legal system to resolve land related disputes (Fonseka, 2008) further aggravates the vulnerability of the poor who are dependent on land for their livelihoods. Contentions are also noted in disputes related to inclusion or exclusion in social protection programmes (Damayanthi and Bandara, 2016). The State thus has an important role in creating a climate in which public services are provided fairly and efficiently and also addresses discrimination and social barriers effectively to enhance social cohesion (Easterly, 2006).

20 Ministry of Wildlife and Forest Conservation (MWFC), 2020. Circular on Other State forests – MWFC/1/2020 available at: <https://ejustice.lk/wp-content/uploads/2020/12/01-2020-1.pdf>

Structural Transformation

Sri Lanka's agricultural sector has been in a decline since the 1970s and the major sectors of contribution to the economy now are the plantations, apparel, and the growing telecommunication, information, and tourism sectors. Structural transformation, in particular the transition of labour from agriculture to industry or services has been slow (Gunatilaka, Wan, and Chatterjee, 2009). The agricultural sector has been the least productive among these three sectors and the poorest communities seem to have been left behind in Sri Lanka's transition from agriculture to manufacturing and services (ADB, 2007). For instance, in the Uva Province, more than half of the employed are in the agricultural sector (53.3 % in 2017) whilst the contribution by Uva's agriculture sector to the Province's GDP in 2017 was only 15 % (DCS, 2019c; CBSL, 2019b). The small size of the farms in the food crop sector, land fragmentation and tenure problems and the inadequate irrigation infrastructure impose severe limits for growth of farm incomes, depletion of natural resources and the persistence of poverty in Uva (Uva Provincial Council, 2019). Further, 88% of the workforce in the agricultural sector work in the informal sector, that increases their vulnerability to poverty (DCS, 2019c). The informal family work contribution in the agriculture sector is very high - in 2019, 62 % of all the contributing family workers were in agriculture, and with 79 % of contributing family workers being women (DCS, 2020) it is gendered, making women's work and contribution in the sector invisible and creating gendered vulnerabilities.

Whilst Sri Lanka has commendably achieved self-sufficiency in its main staple—rice, productivity, profitability and ecological concerns remain, including the excessive use of subsidised inorganic fertilisers and pesticides, and high water usage. Thus, evidenced that most rural communities use agriculture for subsistence rather than a source of livelihood (Balasuriya and Silva, 2009; Rathnayake and Fernando, 2009). Agriculture is climate sensitive and the frequency of natural disasters (i.e. floods, landslides and dry periods) is noted to impact the

long-term resilience of the agricultural population (Ministry of Disaster Management, 2017). Despite crop insurance being made mandatory in 2013, the use of it is extremely low due to poor awareness and the lack of trust on insurance providers (Wickramasinghe, 2019).

Thus increasing risk, and vulnerability of farming communities to climate related events. Even when farmers adopt climate mitigation strategies, including switching to more resilient crop varieties or seeking alternative employment options (either in their own areas or by migrating to other locations) they see these as supplementary or temporary mechanisms that do not insulate them from the long-term concerns (Athulathmudali, Balasuriya, and Fernando, 2011) (Tennakoon, Fernando, and Niles, 2018). Evidence from the HIES data indicate that households without productive assets (e.g. land), engaged in agricultural labour are among the poorest communities in Sri Lanka. A CEPA study demonstrates that agricultural labour²¹ are more likely to report inability to pay back loans, which demonstrates their vulnerability (Romeshun, Gunasekara, and Munas, 2014). The agriculture community remains one of the poorer and more vulnerable communities – at risk to both man made and natural shocks – in Sri Lanka.

Another long-term concern of Sri Lanka is female labour market participation. The Labour Force Participation (LFP) rate of women in Sri Lanka is only 33.6% compared to 73% for men and have consistently remained low over the past two decades (DCS, 2019b). It is also reducing amongst women in the plantation areas, where labour force participation rates have historically been higher than in other sectors (Solotaroff, Joseph, and Sethi, 2020). Women's participation in economic activities is suggested to increase their economic independence, happiness and intra-household bargaining power. Women who are employed are happier on account that their income contributes to their household's wellbeing (Sanjewanie, Silva, and Shivakumaran, 2012).

21 Others being – private and public sector employees; those working on their own lands or owning their own boats

Those who can contribute but are prevented from doing so, rue loss of economic independence and power in decision making (Box 5). The labour participation rates of women in Sri Lanka is notably, low even in spite of their higher educational achievement compared to men. The low women's participation rate is due to complex socio-cultural and economic factors and include household roles and responsibilities, a human capital mismatch and a gender bias in job search, recruitment practices and promotion processes. Marriage contributes to women dropping out of the work force, and having kids even more (Solotaroff, Joseph, and Sethi, 2020). They also curtail women's economic independence and intra-household bargaining power. Whilst there is conflicting evidence of the ability of microfinance to empower women, the current proliferation of lending by commercial micro-lending institutions ostensibly for income generating activities for women, is anything but empowering. Loans are provided within short period of time sans verification and thus are used for consumption and non-investment related expenses. Officials of micro-lending institutions act as powerful enforcers preventing women from leaving the collection centre until all borrowers have settled their dues, and also refusing to leave the residence of female borrowers.

Box 5: Social-Cultural Factors Affecting Female Employment

My husband doesn't want me to do a job, because he wants me to stay home and look after our children, not only that, his parents also. But I did a job before the marriage, at that time I had enough money in my hand to use as my own, but now I have to depend on my husband. If I could do a job, I can help him to share the household expense. But he says he can do that alone.

- Female, 40 years

(Sanjeevanie, Silva, and Shivakumaran, 2012)

Thus women pay-up, including through multiple borrowings (Arambepola and Romeshun, 2019).

To build productive citizens, especially from relatively poorer households, it is important to recognise that their efforts are constrained by socio-cultural factors that prevent their participation in the labour markets. Further, with the onset of the fourth industrial revolution, driven by technology, gender gaps in computer literacy and STEM education will also tend to leave women behind (Institute of Policy Studies, 2019). Thus, it is important to upskill and reskill women already engaged in lower-skilled, labour-intensive work in the manufacturing sector as they are likely to lose their jobs as factory floors become increasingly automated (Arambepola and Fernando, 2020).

A third concern is the misalignment of education and skills of the labour force to the needs of the industry. This is evidenced in surveys and news articles - pre-dating the March 2020 onset of the pandemic - which identified substantial vacancies in the construction, apparel, informational technology, tourism and plantation sectors (DCS, 2017b; Daily News, 2016). Employers question the quality and relevance of general, technical and tertiary education in Sri Lanka on providing up-to-date knowledge or training on relevant skills (Dundar, et al., 2017). Thus, the question arises whether Sri Lanka is in a middle income trap and the country needs to improve its educational, regulatory, legal and financial institutions to create an enabling environment that fosters risk taking, innovation and entrepreneurship (Kharas and Kohli, 2011).

One area there is some evidence of a nexus of three factors — movement out of agriculture, skills mismatch of jobs in the domestic labour market, and the socio-cultural norms that hold back women from working in Sri Lanka—is in Sri Lanka’s labour migration. Empirical studies report that as much as a fifth of Sri Lanka’s working-age population (about half of them women) have provided their labour in foreign labour markets (especially the Middle-East and North

African (MENA) regions) in the last 20 years (Sarma and Parinduri, 2021)²². Women in particular, come from urban, rural and estate sectors and are from poorer backgrounds, some of them also come from families where the spouse has left them without access to alimony or other sources of income. They migrate abroad in search of additional sources of income to support their family —most of them did not work before they migrated and those who did, found the income inadequate to meet family expenditure; Some of them also engage in return migration to keep supporting their families (Sarma and Parinduri, 2015; Gamburd, 2000; CEPA, 2018). State imposed restrictions such as the Family Background Report (FBR), however, restrict women’s ability to migrate for work and contribute to the family’s welfare and curtail their economic independence and intra-household bargaining power (International Labour Organisation, 2018). Such State-imposed restrictions further curtail female labour market participation, as their work is frowned-upon in the domestic market and is made difficult in the foreign labour market due to these hurdles. These restrictions on mobility further increases the vulnerabilities women experience as they attempt to navigate these restrictions by migrating irregularly. They are thus rendered “illegal” migrant workers in the eyes the Government and denied access to support from the Sri Lanka Bureau of Foreign Employment, especially during the pandemic.

While some families have seen a success of this exercise (discussed in chapter 2), many other families have not leveraged migratory exercises for social mobility as remittance income has sometimes become fungible (Sarma and Parinduri, 2016; Gamburd, 2004). For many of those working abroad, especially in the MENA region, there is very little protection from abuse and exploitation (Sarma and Parinduri, 2016). Such vulnerability is perpetuated during crises such as conflicts in the region, or more recently—the pandemic. Many Sri

22 Female migration from Sri Lanka has been on the decline since the introduction of the FBR. The stock of all migrants has declined from a high of two million to less than a million, and female migrants now make up between 35%-40% of migration outflows from Sri Lanka (SLBFE, 2019).

Lankan men and women returning home due to loss of jobs in the MENA region (especially the unskilled and semi-skilled workers) are now poorer and are under- or unemployed in the domestic market. There is, thus, a need for State involvement in providing functioning support mechanisms to help migrant workers who contribute as much as 8% of Sri Lanka's GDP (World Bank, 2020a).

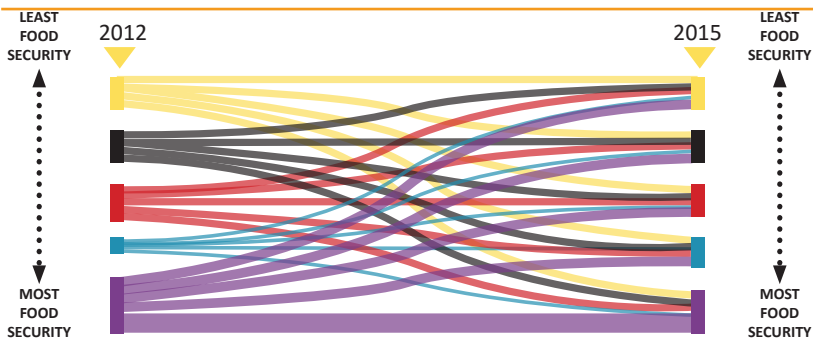
Not addressing these issues is likely to lead to social unrest. For example, educational inequality, social mobility and widening disparity in opportunities for advancement are some of the reasons attributed to youth unrest in 1971, 1987-89 and the long drawn-out war in the North and East of Sri Lanka (Little and Hettige, 2013; Presidential Commission on Youth - Sri Lanka, 1990). The epicentres of the war—the North and East regions of the country, still experience a lack of industrial development, keeping the populous reliant on agriculture and fisheries, dependent on remittances or government jobs. Our work in other provinces indicates similar patterns; showing that while the asset base has improved, many depend on and aspire for government jobs, or migration to other countries for improving household wellbeing. In the estate sector (plantations), issues of dignity of labour within plantations together with improved educational attainment has increased aspirations for work opportunities outside plantations, especially foreign migration, among youth from the plantation areas (Gunetilleke, Kuruppu, and Goonasekera, 2008; Chandrabose). Thus, there is a need for improved job oriented education, facilitation of diversified industrial and economic opportunities, and institutional reform that promotes meritocracy for the wider benefit of rural and estate heartlands.

Protecting the Vulnerable

Since its independence in 1948, Sri Lanka has adopted a largely socialist agenda that includes social assistance, social protection and social welfare (Godamunne, 2019). These assist Sri Lanka in its high achievements in education and health, to provide protection to formal sector employees and assist those requiring welfare assistance. The existing social welfare programmes such as Samurdhi

are often associated with patronage politics and issues of targeting, transparency, accountability, effectiveness, equity and social justice (Gunewardena, Meedeniya, and Shivakumaran, 2007; Damayanthi, 2014) and support to the recipients continues for decades without a graduation process. The question then arises at what stages should social protection be extended to the populous or conversely, whether people and families stay poor throughout their life or whether their vulnerability and/or well-being varies during their lifecycle? Evidence from a CEPA study in Mannar, Jaffna and Trincomalee sheds some light on this. The study surveyed 1,377 households in Mannar, Jaffna and Trincomalee in 2012 and returned to the same households in 2015²³. The study measured well-being using food security and asset indices and finds for instance that the household food security was not static and, in subsequent waves, households report changes to their food security (Figure 6). The example here underscores the importance of regularly evaluating the assistance provided.

Figure 6: Change in Coping Strategies Index (CSI) Over Time, by Quintile

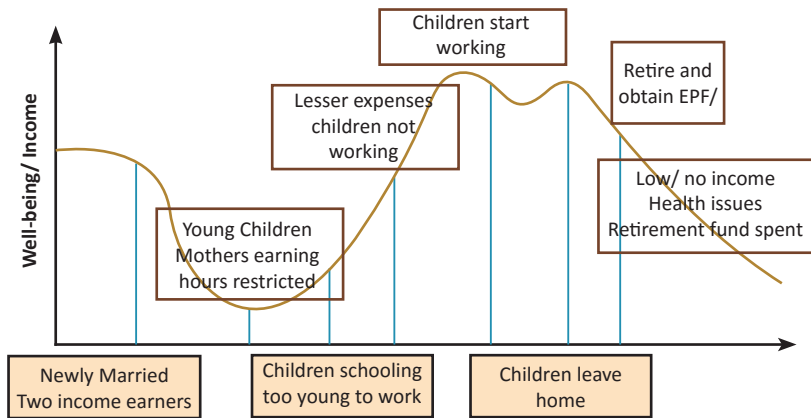


Source: (Maxwell, Mazurana, Wagner, & Slater, 2017, p.5)

23 In 2015, responses from 1,187 individuals were recorded. <https://securelivihoods.org/publication/tracking-livihoods-service-delivery-and-governance-panel-survey-findings-from-the-secure-livihoods-research-consortium/>

It is also important to understand lifecycle stages at which households need assistance. A small sample study amongst households in plantations, considered one of the poorer communities in Sri Lanka, finds that they need not be always poor (Gunetilleke, Kuruppu, and Goonasekera, 2008)²⁴. Evidence from the study suggests there are two stages at which a family's well-being/ income can be low. These are where there are more dependents, e.g. when the family has more than one school going child, or has elderly members. Such vulnerability is observed even though families living in plantations have access to crèche facilities, and school-based assistance (see discussion above) for their children, services of Family Health Workers and those working in the estates have Provident Fund benefits at retirement (Figure 7).

Figure 7: Prosperity/ Vulnerability During Lifecycle



Source: (Gunetilleke, Kuruppu, & Goonasekera, 2008)

Majority of the Sri Lankan labour force (58.7%) is assessed to be in the informal sector (DCS, 2019c). Sri Lankan labour market policies enacted in the mid-70s provide protection to employees in the form of employment stability, but largely covers formal sector employees.

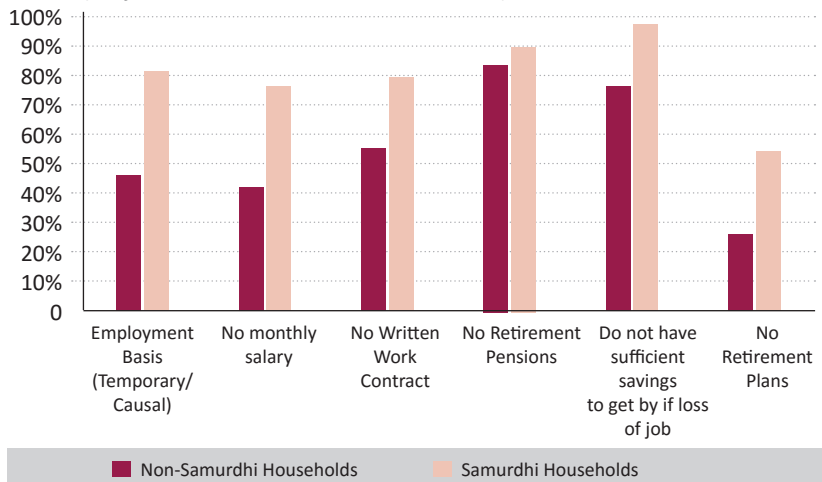
24 <https://www.cepa.lk/publications/the-estate-workers-dilemma/>

Contractual or temporary workers in the formal sector and workers in the informal sector are therefore left vulnerable, especially when they are unable to engage in income generating activities (Sanjeevanie, Silva, and Shivakumaran, 2012; Arunatilake, 2013). Findings from the survey indicate that Samurdhi beneficiaries (poor households)²⁵ were more likely to have temporary/ casual work, do not receive a monthly salary, were less likely to have a written work contract, and did not have social security benefits nor retirement pensions. They also did not have savings to set aside in case of job loss or the inability to work due to health issues.

This was compounded with dependency as they had to rely on their children or other household members in their old age (Figure 8). With an increase in platform-based and gig economy work, informal sector employment is likely to be on the rise. Therefore, there needs to be efforts to extend social protection to those in the informal sector.

Figure 8: Work Related Vulnerabilities

Source: (Sanjeevanie, Silva, & Shivakumaran, 2012)



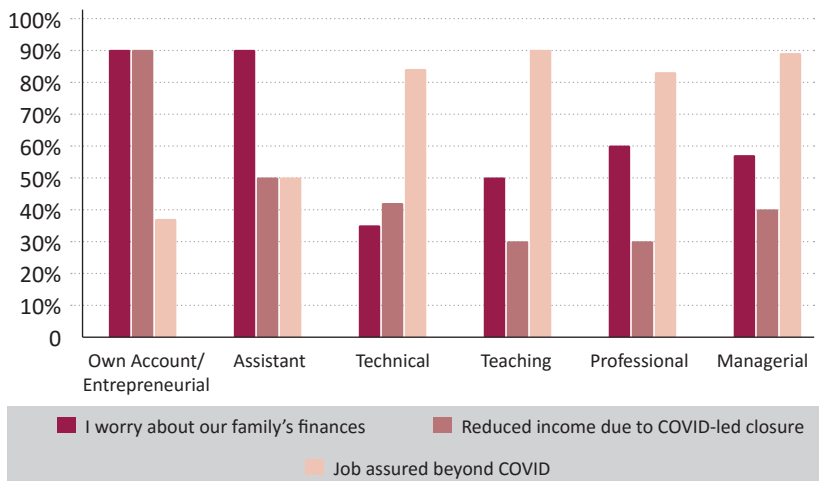
A relatively small online survey (with 432 respondents) done by CEPA

²⁵ More discussion on the Samurdhi programme is available here: <https://www.centreforpublicimpact.org/case-study/samurdhi-programme-sri-lanka/>

in 2020 during the COVID induced lockdown/ curfew period, showed that whilst those in the formal employment were affected in terms of their earning (companies had the option of paying a minimum of 40 %), the most affected were own account workers/ entrepreneurs.²⁶ (Figure 9). A study carried out by the Department of Census and Statistics reported that during the first COVID-19 lockdown in March 2020, the income of 93% of non agricultural self-employed businesses reduced or was completely stopped (DCS, 2022). This indicates the vulnerability of small scale/self employed businesses and their lack of coping mechanisms.

Figure 9: Impact of COVID-19 on income by Job Categories

Source: (CEPA, 2020)



Even with social protection and enablers present, there are likely to be households who are unable to make use of them. The study (Silva et al., 2012) found at least a tenth of the households surveyed in all locations remained chronically poor; they are constrained by relatively poor infrastructure, lower levels of education, alcoholism,

²⁶ Among the own account respondents, more than 50% of them earned less than LKR 10,000 per month or less than \$2 per day.

too many dependents, ill-health/ disability and engagement in low return unskilled wage labour. Similarly in the plantations, 'bottom of ladder' households had higher ratio of dependents to income earners, higher incidence of illnesses, female headship, high level of debt, high likelihood of badly invested Provident Funds, personal attributes (e.g. alcoholism) and living in dilapidated and deteriorating houses (Gunetilleke, Kuruppu, and Goonasekera, 2008). For such vulnerable groups of households, social protection needs to be extended in the long-term to ensure that a vicious cycle of poverty is not extended to future generations. Further, except for the State sector pensions where the monthly receipt is substantial, assistance from Samurdhi, pensions schemes for those from agriculture, fisheries and elders, assistance for people affected by diseases, injuries and disability all amount to less than Rs 5,000 a month per individual/household (see Appendix B). Hence, whilst State sector pensions do have an impact on poverty reduction (DCS, 2017c) all other schemes make little or no impact in poverty reduction. Clearly while universal and targeted welfare provisions have their limits individually, it is imperative that a holistic and coherent approach is taken with regard to social protection programmes, that cover individuals and households through their entire life cycle.

KEY SUMMARY

- Sri Lanka has made significant strides in poverty reduction as measured by the official poverty line. This led to Sri Lanka even climbing to the middle-income level in 2019 on the World Bank's classification of countries by per capita income. However, income inequality, non-monetary deprivations and a significant section of society living on the margins of the official poverty line remain concerns. The vulnerability of focusing on single and monetary measures was exposed when the country was reclassified as a lower middle-income nation in 2020.
- Geographical location tends to be a large predictor of poverty. For historical and political reasons, the commercial capital, Colombo, and adjoining cities in the Western Province tend to enjoy better institutions and provision of services and are therefore more prosperous. This, however, masks the deprivations of the urban poor, who despite their relatively higher monetary income, face significant vulnerabilities.
- A large section of Sri Lanka's labour force works in the informal economy (including in the agricultural sector) or as migrant workers abroad, who are deprived of decent and dignified working conditions, are devoid of social security and safety nets and live in positions of vulnerability precarity — especially during exogenous shocks such as pandemics.
- The changing nature of work and the workplace because of automation, will require reskilling of the work force. Targeted measures to bridge gendered gaps in digitisation and worker protection mechanisms to ensure equitable and just employment opportunities are needed.
- These factors indicate the need to adopt a holistically focused approach on poverty and income inequality to allow targeted

interventions. Interventions rely on measurement; so as a start, there is a need to shift away from using of the official monetary based poverty line as the sole identifier of poverty and move to a more holistic multi-dimensional approach in addressing poverty and inclusion. These should include measures that recognise the interconnectedness of factors needed to end all forms of poverty and reduce income inequality.

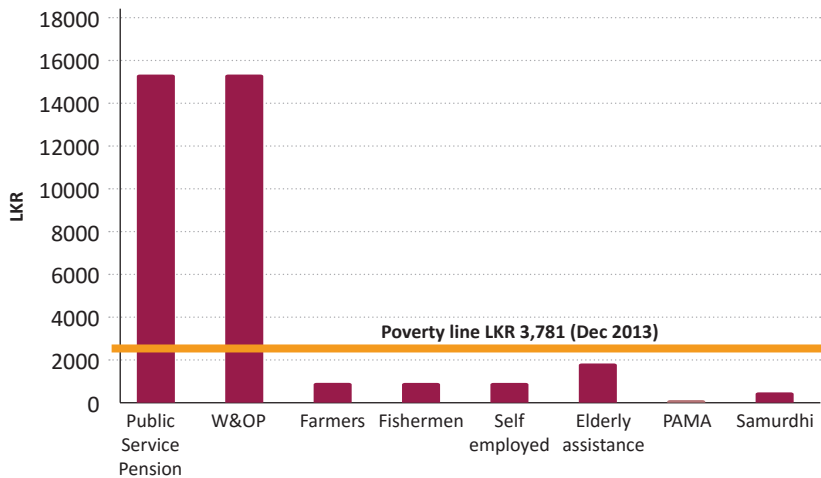
- In this respect, it is important to draw in on quality of work (dignity, security, safety nets), quality of education provision, quality of health provision, quality of infrastructure provision, quality of basic services provision (clean water, sanitation), quality of natural resource management (managing disasters, building resilience in livelihoods), safety nets and access to more just forms of finance as enablers for poorer households to move out of the cusps of vulnerability and poverty towards prosperity. These should be accompanied with a robust strengthening of institutions (State agencies, State programmes, governance structures etc.) to ensure equitable treatment of the populous and fair and just governance that is driven towards equality in opportunities.
- Drawing from CEPA's work, this chapter identifies the provision of quality education, institutional reform across the rural and estate sectors, and the need for sound universal poverty alleviation programmes/ safety nets to provide a decent basic structure of support for vulnerable households.
- It is, however, imperative that targeted programmes are implemented in a manner that complement the universal poverty alleviation programmes in addressing the confounding factors of poverty: The number of dependents in the household, households headed by single mothers, households with disabled individuals, and remoteness.

Appendix A: Determinants of Growth and Employment

District	Growth Elasticity of Poverty (Kakwani, 1993)	Growth Incidence Curve (Ravallion and Chen, 2003)	Determinants of Growth and Employment
Gampaha	High (-3.17) – suggestive of inclusive growth	Positive growth in consumption across all consumption percentiles	<ul style="list-style-type: none"> • Educational attainment has contributed to upward mobility in the labour force • The most important sectors in terms of employment and earnings are manufacturing and other services; however, these sectors seem to be trapping the poor in poverty or attracting mainly poor workers for informal and low return jobs in these sectors • Those employed in the transport, trade and farming sectors have experienced income growth at a higher rate • Access to infrastructure appears to be a key determinant in providing access to employment
Puttalam	High (-2.3) – suggestive of inclusive growth	Positive growth in consumption across all consumption percentiles	<ul style="list-style-type: none"> • The growth in the share of workers with secondary education seems to have contributed to earnings growth • Greater connectivity and integration of markets appear to be associated with a growth in consumption and employment
Nuwara Eliya	Low (0.6)	Negative rate of consumption across all percentiles excluding only the highest consumption percentile	<ul style="list-style-type: none"> • Farming is the most important sector in terms of both employment and earnings, but it has experienced the least growth with most households experiencing negative growth in earnings • Although construction, manufacturing and other services offer twice the median earnings, many workers are unable to access jobs in those sectors due to limited educational attainment
Ratnapura	Low (-0.2)	Negative rate of consumption across all percentiles excluding only the highest consumption percentile	<ul style="list-style-type: none"> • There have been few improvements in educational attainment of the workforce beyond secondary level • More workers engage in farming than before, but household shares of employees in mining, manufacturing and other services have contracted

Source: (CEPA 2011, in Gunasekara, 2015)

Appendix B: Adequacy of Social Protection Programmes



Source: G Tilakaratna (n.d.) Based on UNESCAP (2015)

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Chapter 2

WHAT HELPED TO MOVE PEOPLE OF OUT OF POVERTY

Indika Samarakoon

As explained in Chapter 1, while Sri Lanka has made great strides in poverty reduction at a national scale, with headcount poverty reducing from 6.7 % in 2012/13 to 4.1 % (Romeshun, 2017), regional disparities persist. Understanding the drivers that contribute towards bringing people out of poverty is important, as it often involves a combination of factors as demonstrated through CEPA's research. This chapter highlights some of the key drivers that contribute to upward movement of populations out of poverty, and shows that it does not have a single causal factor or a neat explanation, but is often a combination of relevant factors and conditions (CEPA, 2006). These drivers have been identified and treated separately, although interactions between drivers are also noted.

This chapter synthesizes the research findings of CEPA conducted well a of four different communities – communities directly affected by conflict*, rural and urban. Some of these households were able to move out of poverty due to specific reasons, while some reasons were common to all four communities.

**Note:* Communities directly affected by war, living mainly in the North and East of the country during the three decade long war between the Sri Lanka Government forces and the Liberation Tigers of Tamil Eelam (LTTE).

Migration

Overseas migration has contributed towards boosting household economic wellbeing: The decision to migrate is rarely an individual choice, but a collective social decision taken for the betterment of the whole family (Najab and Munas, 2014). Poverty and conflict have always been the main push factors. Male migrant workers have to finance their migration by borrowing from family and friends but this does not hold true for women who wish to migrate as domestic workers. For women who found themselves in extreme poverty, labour migration was an attractive option, as recruitment agencies pay the prospective domestic worker wishing to migrate to the Middle East a 'commission' for accepting an employment opportunity in the region. Although such payments are disallowed by the SLBFE, the practice continues to thrive, and women use this financial incentive to pay off existing debts including micro-credit debts. Women migrants with low educational attainment and skills are able to earn higher wages as housemaids in the Middle East, than if they had worked in low skilled jobs in the garment and estate sectors in Sri Lanka. In 2011, 84.33% of females who migrated as domestic workers primarily to the Middle East belonged to the most vulnerable and lowest income group (Najab and Munas, 2014). Remittances from these women have seen an overall improvement in their families' wellbeing by contributing towards consumption of food, clothes, children's education and health care. On average, five family members are supported through a woman's remittances earned through foreign employment (Najab and Munas, 2014). For women, migration also provided an opportunity to break away from restrictive cultural and traditional norms, escape from abusive marriages, and the desire for equal opportunity or independence (ibid).

For estate communities, overseas employment mainly in the Middle East was a key agent of change that allowed them to climb the economic ladder, through an extraordinary injection of income. Households where overseas migration had taken place as long as

10 years ago, still considered it a milestone in the development of their family. (Gunetilleke, Kuruppu, and Goonasekera, 2008). High yielding overseas income creates step ups through improved housing and investments in income generating assets, which increases future economic potential. Very few have slipped back into poverty, especially since they are able to secure employment in estates on their return, somewhat maintaining their improved wellbeing (Gunetilleke, Kuruppu, and Goonasekera, 2008; Dharmadasa, Weerahewa, and Samarathunga, 2018)

Members of communities directly affected by the conflict migrated mainly to European and other Western countries (CEPA, 2006), in addition to the Middle East. Remittances from migration provided a safety net for some of the more vulnerable households in affording basic needs including a level of food security that they would not have had if a member had not migrated. This meant that children of these families were less likely to face malnutrition even in welfare camps (Inadeen et al., 2012).

Similarly, the remittances made by diaspora to their families during and after the war contributed towards their survival and was key to households moving out of poverty. It helped increase asset ownership (i.e., land) even at higher prices. For those who owned land, the period during the ceasefire (2002-2006), provided an opportunity to make gains on the sale of land to diaspora or their families who were willing to pay higher prices (CEPA, 2006). An exploratory study conducted by CEPA in 2017

“Husband is abroad, working in Riyadh..... he earns about Rs 18,000 per month and he sends Rs 10,000 home, the majority of which I spend on food and medicine for myself and the child” – female respondent, age 36.

Source: (Inadeen, Krishnaraj, Munas, & Lokuge, 2012)

in Jaffna, examined the motivations for investment by diaspora members in the local tourism industry that found “investors” were largely motivated to do something constructive for their community (Arambepola and Mahilrajah, 2018). Findings showed that small scale guest houses offered some form of temporary or permanent employment opportunities to local residents, but impact of gains was unclear. What was evident was that such business enterprises allowed women to engage in the tourism sector (a traditionally stigmatised industry for women). This was so as businesses are family run, and women were living next door or in the same location. With consumables locally sourced, it is safe to assume that the income circulated locally. However, given the scale of the business and investments, it was unclear how far these investments economically supported the local population.

For the urban poor, foreign employment was a dominant factor in increased savings, enterprise development and improved housing conditions. (Rathnayake, 2014). In Under Served Settlements (USS), migration was a means of reducing income volatility. Women were more likely to migrate abroad than men, with a higher proportion of women from families where traditional and cultural restrictions were imposed on education and work (UN-Habitat, CEPA, and Sevanatha, 2012). The ability to purchase land outside of the settlement was an important incentive for migration, while earning rent from the house within the USS.

However, overseas migration on its own is not sufficient to move households out of poverty. Family unity and cooperation amongst family members for the prudent management of remittances is necessary. Particularly so for family members who remain engaged in livelihood activities within a community or sector that includes channelling remittances into savings and assets. This is a key household characteristic required to move out of poverty (CEPA, 2006).

Employment and Livelihoods

Secure and stable employment, especially in the formal sector was a common factor among households that were able to move out of poverty. In communities directly affected by conflict, public sector work was one of the few sources of stable income that continued during the war. This helped families cushion the shocks that came with war, such as displacement, loss of property and assets etc. (CEPA, 2006). During the post-war period between 2012 and 2013, moving into public sector employment increased food security of households (Sanguhan and Gunasekara, 2017).

While conflict for many represented a major shock, specifically for communities in the North and East, it also created opportunities for some households in the South, where young men who joined military service could earn a regular income (CEPA, 2006). Similarly, in the North and East, conflict created opportunities to join home guard services in predominantly Sinhala villages, often bordering conflict zones. Remuneration to home guards¹ recruited from village communities helped offset economic losses where agriculture and other traditional forms of occupation were threatened either directly by the conflict or indirectly by fear and a sense of insecurity from the war environment. Homeguards had a higher status in society and greater ability to access limited resources, similar to social benefits obtained by youth who joined the LTTE in the North and East (CEPA, 2006).

In rural areas, the wealthier households had stable government or private sector employment (De Silva and Balasuriya, 2009). For households displaced by the Southern Expressway, public sector work allowed for a swifter recovery from the shock of displacement given

¹ Homeguards were auxiliary police recruited from rural communities and given basic training. Their role was to supplement the police and army in providing security to villages, access roads, and other civilian and military infrastructure. (CEPA, 2006)

the stability of employment compared to those who were dependent on agriculture or where wealth was tied to land and property (Jayawardena, 2011). For the urban poor, households who held lower-level formal sector jobs in the port, railways, municipalities etc., were considered to be of a higher economic wellbeing (Rathnayake, 2014).

For estate communities, external employment alone was not sufficient to escape poverty, unless it was long-term. Therefore, at least one member of the household (often women) worked on the estate which was part of the formal economy (i.e., benefit from EPF/ETF) as it contributed to maintaining a stable income (Balsuriya et al., 2013). The length of the period in which a household member is in external employment is a critical factor as it allows to develop a sustainable source of income and networks (Gunetilleke, Kuruppu, and Goonasekera, 2008).

Income diversification helps cope with shocks and move out of poverty, for households directly affected by conflict, rural, urban and estate communities.

In the estate sector, households were able to combine estate work with more financially lucrative forms of employment available outside, while also accessing services and welfare provided by the estate. This diversification involved internal and external migration, and skilled and non-skilled labour (Gunetilleke, Kuruppu, and Goonasekera, 2008; Fernando et al., 2020; Siegmann, et al., 2019). The manner in which the work is divided on tea estates generally results in labour roles done by men having shorter working hours, and this too leads to men having the opportunity to diversify their income by engaging in non-plantation work (horticultural/cultivation activities, wage labourer, or cultivating small scale tea gardens) (Siegmann, et al., 2019). Diversification of livelihoods also ensured longer term employment of the head of household or the partner and was a key factor to sustaining a diversified livelihood portfolio. Moreover, households with multiple income earners had greater upward mobility (Gunetilleke, Kuruppu, and Goonasekera, 2008). This was also the case for families directly

affected by conflict that diversified while retaining strong connections to traditional livelihood systems (CEPA, 2006). Descriptive statistics of the Secure Livelihood's Research Consortium (SLRC) survey show that households that diversified income sources are less likely to be food insecure (Sanguhan and Gunasekara, 2017).

For diversification to be successful however, several other factors were required. Common features across these population groups included formal education, informal training, supportive family and social networks, financial and non-financial external assistance from Government and NGOs, access to markets, opportunities to learn from diverse livelihood experiences often resulting from migration or displacement, and the capacity of individuals to manage their finances through access to credit, mobilization of savings, and investments in productive assets (CEPA, 2006). For example, in Passikudah, Batticaloa district, families that could access micro-credit and leverage the State's support to build skills and capacities for self-employment, were able to scale up beyond subsistence after the end of the war in 2009 (Gunasekera, Phillips and Nagraj, 2016).

Education and Skills Development

Education provides poor households with opportunities to move out of poverty: In estate communities, education is linked to multiple forms of improvement, including chances of more successful external employment, better integration into the national socio-economy which was strongly articulated by the youth, and shedding the traditional features of being 'estate workers' (Gunetilleke, Kuruppu, and Goonasekera, 2008; Siegmann, et al., 2019). Estate households who knew Sinhala or English were able to access better employment outside of the estate (Gunetilleke, Kuruppu, and Goonasekera, 2008). The ambition that education can bring a change in children's future is strongly ingrained in how income is used in the estate sector, although actual experience of this is rare. Estate management also noted that better education contributed towards improving worker-

management relationships, although it has not led to a significant change in upward mobility (Gunetilleke, Kuruppu, and Goonasekera, 2008; Siegmann, et al., 2019). Opportunities for upward mobility – despite better education was also seen as more limited for women (Siegmann, et al., 2019). For rural communities, higher levels of education allowed for access to government and private sector jobs, and was highly correlated to earnings from farm and non-farm sources (De Silva and Balasuriya, 2009).

For communities directly affected by conflict, formal education helped secure jobs in the public sector which provided job stability (CEPA, 2006). Studies also found that households with a higher level of educational attainment were more likely to save, enabling them to plan for long term investments and children’s education (Romeshun, Gunasekera and Munas, 2014). Similarly, households affected by development induced displacement who had members with formal education and access to employment, were able to maintain their standard of living and bounce back despite difficulties associated with displacement and resettlement (Jayawardena, 2011). For post-war communities in Jaffna, education provided an opportunity to blur the lines that have re-emerged in relation to caste and class, with many poor households aspiring to ensure their children are able to gain an education that includes skills in English - to move up the social ladder (Lall, 2016).

The urban poor also view education as a key driver for alleviating poverty. Most school aged children in poor households in under served

“There are children from low-income families who are now doctors and engineers. We give the best to our children though we are poor. Though people are very poor, they do not want their children to be poor. They need to educate their children and keep them up. In some places children work in banks”
– Respondent

Source: A World Class City with Themes, unpublished.

settlements were enrolled in school (UN-Habitat, CEPA, and Sevanatha, 2012). Close proximity to better quality national schools is an important advantage.

Learning livelihood related skills is an important support to lower income households with low education attainment: For communities directly affected by conflict, learning on the job, or gaining practical knowledge while engaged in a livelihood activity provided skills that enabled individuals and households to start their own business (CEPA, 2006). CEPA's findings show that access to skills training enabled urban youth living in USS to reduce the informal and volatile nature of employment earnings, providing them with secure employment opportunities that has scope for upward mobility (UN-Habitat, CEPA, and Sevanatha, 2012). In addition to skills, individual characteristics and positive attitudes are seen to make a difference in the final outcome. (Box 1)

Box 1: Attitudes and motivation as enablers

According to CEPA's empirical research, personal factors such as hard work, motivation, perseverance and the determination to improve wellbeing, have been important enablers in overcoming poverty, in all communities. Those directly affected by conflict, displaced, and in rural, urban, or estate sectors. This has set these individuals apart from those who did not demonstrate some of these characteristics. Attributes such as motivation, self-confidence and the "will to develop" were seen as characteristics of the upper middle and top-level households on estates, and were perceived as factors contributing towards moving these households out of poverty. (Gunetilleke, Kuruppu, and Goonasekera, 2008). CEPA's studies on children directly affected by conflict, demonstrates that their motivation to overcome limitations imposed on them to better their condition and their families, were positive drivers of poverty reduction (Wimaladharma, Silva, and De Silva, 2005).

Productive Assets

Access to productive assets contributes towards income and reducing vulnerabilities: Productive assets help generate income and profits in the future. In Sri Lanka, productive assets such as agricultural land, housing land, housing, gold etc. are largely a product of inter-generational wealth transfers (Kulathantiri, 2015). For the urban poor, owning a three-wheeler or motor cycle provides opportunities to earn an income, with three-wheeler ownership being a dominant mode of employment (UN-Habitat, CEPA, and Sevanatha, 2012) especially among poor urban youth. Similarly, households seek to own land or a second house, where the latter is often used as a second residency to admit children into ‘elite’ schools in the vicinity. A second house also provides an opportunity to earn additional income through rent (UN-Habitat, CEPA, and Sevanatha, 2012, p. 20).

In the South, ownership of assets was seen as a cushioning against shocks such as natural disasters and crop failures (CEPA, 2006), while for communities directly affected by conflict, ownership of land enabled families to weather the shocks of displacement (Inadeen et al., 2012). Land was used to negotiate access to safe zones during the war with the LTTE by wealthier families in the North and East (CEPA, 2011). Those returning to their original land after years of displacement saw it as an important milestone in reclaiming their social identity lost during displacement. It contributed positively towards children’s education as well, as they had experienced discrimination due to the stigma associated with living in a welfare centre (CEPA, 2017).

“When we were in our village – Sampur – we got many fruits like banana, wood apple, jack fruits, papaya, guava from our garden. But after displacement we have to buy all things including village fruits too” – Male respondent, age 62

Source: (Inadeen, Krishnaraj, Munas, & Lokuge, 2012)

In rural areas, ownership of agriculture land in itself may not be sufficient, given productivity depends on access to loans, capital investment, technology and markets. Nevertheless, for agriculture communities, ownership of land was seen as a prime factor contributing towards upward mobility (CEPA, 2006). Access to land ensured a household's food security through home gardens or paddy lands, reducing expenditure on food. This was evidenced in Sampur prior to displacement -- where food security was highly valued (Inadeen et al., 2012), and with households who were resettled under the STDP who were able to cultivate food in home gardens (Jayawardena, 2011). The reason households hold on to small plots of paddy lands is also linked to food security and traditional lifestyles (Balasuriya and De Silva, 2009) .

In the estate community, due to historical factors contributing to disenfranchisement until the recent past, and therefore a lack of inter-generational wealth has led to relatively poor access to productive assets (Kanapathipillai, 2009). The lack of assets in terms of land and housing for estate communities limits economic opportunity and causes mental dissatisfaction that shapes their outlook and behaviour, as it is viewed as an injustice and a right that must be guaranteed (Balasuriya et al., 2013). The ability to extend or purchase land by estate communities using diversified livelihoods or external sources of income enabled them to expand their limited housing space and strengthen their food security (Gunetilleke, Kuruppu, and Goonasekera, 2008).

Productive assets in itself are not sufficient unless there is access to markets: For instance, during the war a new generation of traders had managed to rise from being book-keepers and helpers to firmly establishing their place in the wholesale fish market as traders in Trincomalee, capitalising on the war economy in the area (Lokuge, 2017). During periods of ceasefire in the North and East, free movement enabled new traders to offer market opportunities to farmers and fishermen, enabling free movement of goods, and

people in areas that were formerly restricted due to war (CEPA, 2006). Similarly, after the tsunami and during periods of relative peace in the North and East², an increase in reconstruction saw a demand for bricks. For instance, households in Samanthurai, in Ampara District who produced bricks were able to respond to this demand and move out of poverty (CEPA, 2006).

For the urban poor living in under-served settlements, the economies of scale of being in close proximity to markets and labour supply helped start their own enterprises, either as groups or individuals. For women in particular, proximity to markets provided an opportunity to work in groups or individually (Box 4), while still enabling them to engage in their household and childcare duties without having to incur any additional costs (UN-Habitat, CEPA, and Sevanatha, 2012).

Networks

Social Networks matter in creating economic opportunities for the poor to move up the ladder: In all communities, whether affected directly by conflict, estate, urban or rural communities, CEPA's research findings had a common thread where social networks at community, local or political levels provided a stepping stone for households or individuals to find work, access better opportunities, maintain diverse livelihoods, or even migrate. Networks, whether based on family structures, political and social linkages provide households opportunities to build skills, access new income sources or, more often, cushioned the impact of shocks, provided informal

2 During the span of 30 years of war between Government forces and the LTTE, there were periods in which relative peace existed, especially during the ceasefire period from 2002 – 2005, ending with the change in government that took place in 2005. It was only in 2009 that the war ended with the defeat of the LTTE. Therefore, the post-war period as defined in this narrative refers to the period after 2009.

credit and opportunities to apprentice, and learn new livelihoods (CEPA, 2006; Fernando et al., 2020).

For estate communities that are often disconnected from local and national economies, the most critical factor for moving out of poverty was networks that helped access better education and secure employment outside of the estate. (Gunetilleke, Kuruppu, and Goonasekera, 2008).

For communities directly affected by conflict, social networks and connections were vital in a household's ability to access informal systems when traditional livelihoods were not possible. While it may not have been sufficient to move households out of poverty, it enabled them to earn some income, preventing them from becoming completely destitute (CEPA, 2006). Similarly, for displaced households, social networks with host community members helped maintain livelihoods. For instance, in Sampur, some host community members offered their land for upland cultivation to the displaced without charging a fee based on their social networks (Inadeen et al., 2012). Moreover, during the war, those with better social networks were able to migrate to countries in the West, while others moved to the Middle East (CEPA, 2006). In the directly affected areas of the North and East, networks of people who had migrated before helped facilitate the migration process for others (CEPA, 2006). For instance, CEPA's *Moving out of Poverty Study* found that 15% of Mullaitivu's population migrated, while in Jaffna 15-

"I will go back to Colombo as soon as they call me. If not the same job I can get another job at the food court itself. I know a lot of people there. It is not a problem to find a job at one of the stalls. Getting jobs in Colombo is easy. I got the first job through my brother's contacts in Colombo" – (Male age 19, Regional Plantation Company, Kegalle).

Source: (Gunetilleke, Kuruppu, & Goonasekera, 2008)

20% left through family networks and connections.

In urban low-income settlements, the stability of settlement populations and long residence are important factors that help sustain and develop networks (Gunetilleke and Cader, 2004). These networks promote community cohesiveness, and capacity for collective bargaining to negotiate for better services, tenure, and rights with State authorities. CEPA's work in the Wekanda settlement, Colombo 2, shows that the strength of urban underserved settlements is the social networks and cohesion among households, providing a rich social life that contributes towards their overall wellbeing (Liyanage and Wickramathillake, 2018). The strong sense of community contributes towards settlements being well organized. These, if given sufficient opportunities and support, and allowed to participate in government planning will be able to create their own future. This was seen in CEPA's evaluation of 20 underserved settlements in Colombo, that demonstrated their capacity to work together, create develop, implement and operate urban local development initiatives sustainably (Centre for Poverty Analysis 2010). This community cohesiveness also contributes to safety and security of urban poor communities, enabling them to actively engage in livelihoods and education (CEPA, n.d). Networks are important for women who are often constrained by cultural and social norms and household and childcare duties (see Box 2). In poor urban settlements, networks help women to form collective groups to earn additional income, and provide them an opportunity to socialise. The collective group work enables them to produce a larger quantity of goods, as opposed to working individually (UN-Habitat, CEPA, and Sevanatha, 2012). Furthermore, social networks provide security to women and children, and enable female headed households to engage in livelihood activities (UN-Habitat, CEPA, and Sevanatha, 2012).

Box 2: In fast food business

Fathima has three kids, one daughter and two sons. The daughter has studied up to General Certificate Examination (Ordinary Level – 11 years of education) but does not have good enough results to proceed with the next education cycle in a school, and wants to learn computer programming. The other two sons are small and go to school. Her husband died two years ago and she thus has to earn a living.

She does so by preparing short-eats during the day time and selling them during the evening in the front portion of her mother's house, which adjoins her house, hence comes to her rent free. Whilst her husband was alive she used to do this during the festival period_ thus something she was familiar with. One of her nephews also takes some of her produce to Colombo Fort to sell. When it rains, her business for the day is poor, but she earns sufficient income to sustain her family. She is keen to expand her shop to operate it throughout the day, for which she is seeking a loan. But there are no neighbourhood microfinance schemes which could assist her.

She lives in a small house but feels secure because her mother and the extended family are neighbours. This helps her with managing the business and children and also gives her a sense of security. If she decides to move elsewhere, then she has to establish herself all over, and probably rent a shop if she decides to continue to sell her produce. She would also need to move close to her extended family which is a source of security as a widow.

Source: (UN-Habitat, CEPA, and Sevanatha, 2012)

How stable are these gains?

While there has been gains in poverty reduction in different segments of the country's population through mechanisms discussed above, questions such as how stable these gains are in a national context of rapid change needs to be considered. The discussion below highlights several factors that can threaten these gains, and indeed contribute to widening inequality among the poorest households' and their ability to escape poverty. As such, many of these challenges are dealt in more detail in Chapter 3.

For post-war communities, several challenges persist such as the creation of High Security Zones (HSZs) which prevents access to property and natural resource-based livelihoods. Areas afflicted by conflict are also still marked by a lack of economic opportunities, limited capital investment towards (primarily rural) infrastructure, and limited access to markets. These factors are magnified for households that lost their main income earner to death or disability. Households that have been unable to return to their original lands due to HSZs or other reasons, find themselves competing with host communities who already enjoy formal or informal rights of access to productive resources. Resettlement in new areas can also mean household members are forced to adopt new lifestyles and livelihoods which will have a bearing on their caste and class in populations where these are important social identities. It also means they may face discrimination in accessing quality service provision such as education and health. There are instances where post-war resettlement and 'well intended' development measures by the government and non-government agencies have in fact, created enclaves of marginalised communities in the North and East. Those who returned to their original lands lack the equipment (means of production) to continue with their livelihoods themselves. Those who returned to their land and those who resettled in government provided land have increasing levels of debt, complicated by construction of houses and slow livelihood

restoration in the directly conflict affected areas. Furthermore, poorer households are likely to struggle to afford land, as land prices in the North and East move up. They would, for example, be outcompeted by households receiving foreign remittances.

Some of these issues are shared with households relocated due to infrastructure projects, as well as, the urban USS subjected to relocated housing. In the former instance, there has been a failure to institute and follow resettlement policies and processes that recognise the multi-faceted impacts of displacement. The current focus is mainly on replacing land and housing, but not the less visible factors needed to secure adequate livelihoods that can undermine the true recovery of affected households. In rural areas, relocation has sometimes placed households in unfavourable environmental contexts marked by a lack of drainage and extension services that has especially impacted smallholder households. Receiving such unproductive land has forced households to depend more on wage labour or other means for food and income. Similar to moving to unproductive land, moving from larger to smaller spaces can hamper land-based and off-farm businesses, while informal businesses are more vulnerable to relocation as they may lose their customer base. Women are especially impacted given their tendency to engage in livelihoods as a group, in rural and urban settings. The elderly are also affected by a loss of social networks and sense of place. These factors aggravate the economic loss incurred as a result of under-compensation for their original land. Other aspects of well-being such as social networks and access to schools, health care and other services are additional risks households face during relocation.

In the case of some urban re-housing projects that locate households in apartments, the elderly and physically challenged may find their mobility impaired, while women and children may find personal security an issue in common areas. Disruption of social networks negatively impacted urban communities, as it disrupted social structures and community cohesiveness. For female headed households, losing the extended family support that is critical to

engage in livelihoods or business activities is an added issue. The trend towards rapid urbanisation such as that which is underway in the Western Province since the end of the war in 2009, has also created significant land use changes affecting the poor disproportionately, pushing them into marginal areas that are more vulnerable to floods and other hazards.

While the above issues may be shared among some population groups, some factors are shared more broadly. A key challenge is the rising cost of living, including in food prices that outpace increased earnings. For displaced communities, this aggravates the loss of productive land and off-farm businesses. Inflation is acutely felt by the urban sector given the commoditisation of all aspects of life. For all groups, inflation exacerbates existing financial burdens such as housing repayments and debt servicing.

Indebtedness, in fact, is another important common feature across population groups. It appears to be rooted in excessive borrowing, driven partly by a desire to elevate their social status, and failing to prioritise spending. These include attempting to access better health and education services as well as responding to gaps in consumption created by a lack of sustainable livelihoods (Arambepola and Romeshun, 2019). Thus, households borrow to settle existing debt creating multiple borrowings that outstrip their earning capacities. Another contributing factor is financial illiteracy that hinders sound management of incomes and remittances, and ability to understand the financial terms of loan repayment and interest rates. Rising debt has forced households to reduce expenditure on education, health and food consumption with women and elders becoming the most food insecure.

Inflation also has a serious impact on a household's health and associated productiveness and demands on income. In an aging population, the elderly, with insufficient pensions are especially vulnerable. The elderly in rural areas are disproportionately affected by the inaccessibility of health services. The negative side of female migration is borne disproportionately by children who fail to attend

school, fall ill due to lack of food and nutrition, and suffer physical and sexual abuse by family members.

Degradation of especially the rural environment and natural resources is now seen as a major threat through land degradation, water pollution and an erosion of ecosystems. This will further compound the problems of the poor, who are more vulnerable given rural livelihoods still depend heavily on natural resources. Thus, climate change acts as a threat multiplier that exacerbates current socio - economic and political causes of poverty. These include added pressure due to the effects of rising sea levels, increase in temperatures, longer drought periods, floods and erratic rainfall patterns. The impacts on agricultural production can be severe, resulting in reduced income, and food insecurity. Storm surges, changes in salinity levels in estuaries and lagoons, depletion of wetlands, loss of beach area due to coastal erosion threaten coastal fisheries and livelihoods of coastal communities. As scarcity of resources increases, the chances of conflict over resources – based on who has access and control and how it is managed become key development challenges associated with poverty and vulnerability.

The following summarizes the aspects that aid people to come out of poverty:

KEY SUMMARY

Key drivers that contributed towards households in different communities moving out of poverty:

- **Overseas migration** played a catalytic role in all communities as remittances coupled with good financial management were used to purchase basic food items, educate children, and improve asset base, housing and land ownership.
- **Secure and stable employment** enabled households in all four communities to cushion against shocks during times of war or resettlement and as a means to supplement other income sources. In the majority of households, employment in the formal sector provided a stable income source.
- **Diversified livelihood portfolios** enabled households to have greater upward mobility. However for diversification of incomes to be successful other factors were important, and common factors that contributed towards a diversified income portfolio included formal education, informal training, supportive family and social networks, financial and non-financial assistance, access to markets etc.
- **Education and skills development** played a catalytic role in all four communities as it enabled households in which individuals who had formal education secure public sector jobs, language skills enabled communities such as estate households to access employment opportunities. For those with lower formal educational attainment, skills training either through apprenticeship or on the job training also contributed towards individuals accessing better jobs.

- **Access to markets** for rural communities and those directly affected by conflict with improvements in infrastructure (roads, transport, utilities, bank services) enabled access to employment, and expand non-farm activities , while for urban communities close proximity to markets and value chains facilitated enterprise and employment opportunities.
- **Social networks** and strong family connections helped develop alternative livelihoods during the war for communities directly affected by conflict and migration out of the country, while in plantation communities social networks helped people find jobs in urban centers. Cohesive social networks were noted to increase bargaining power amongst urban low-income settlements in securing improved services, tenure and rights. In addition, childcare provided by neighbours enabled women in low-income settlements to engage in employment. Further, networks helped women to form collective groups that engaged in livelihood activities to earn additional income, and socialize.
- **Enablers** that contribute towards households moving out of poverty include government financed welfare programs in health, education, and anti-poverty programmes such as Samurdhi, while attitudes and motivation of individuals and households played a pivotal role in enabling them to move out of poverty.

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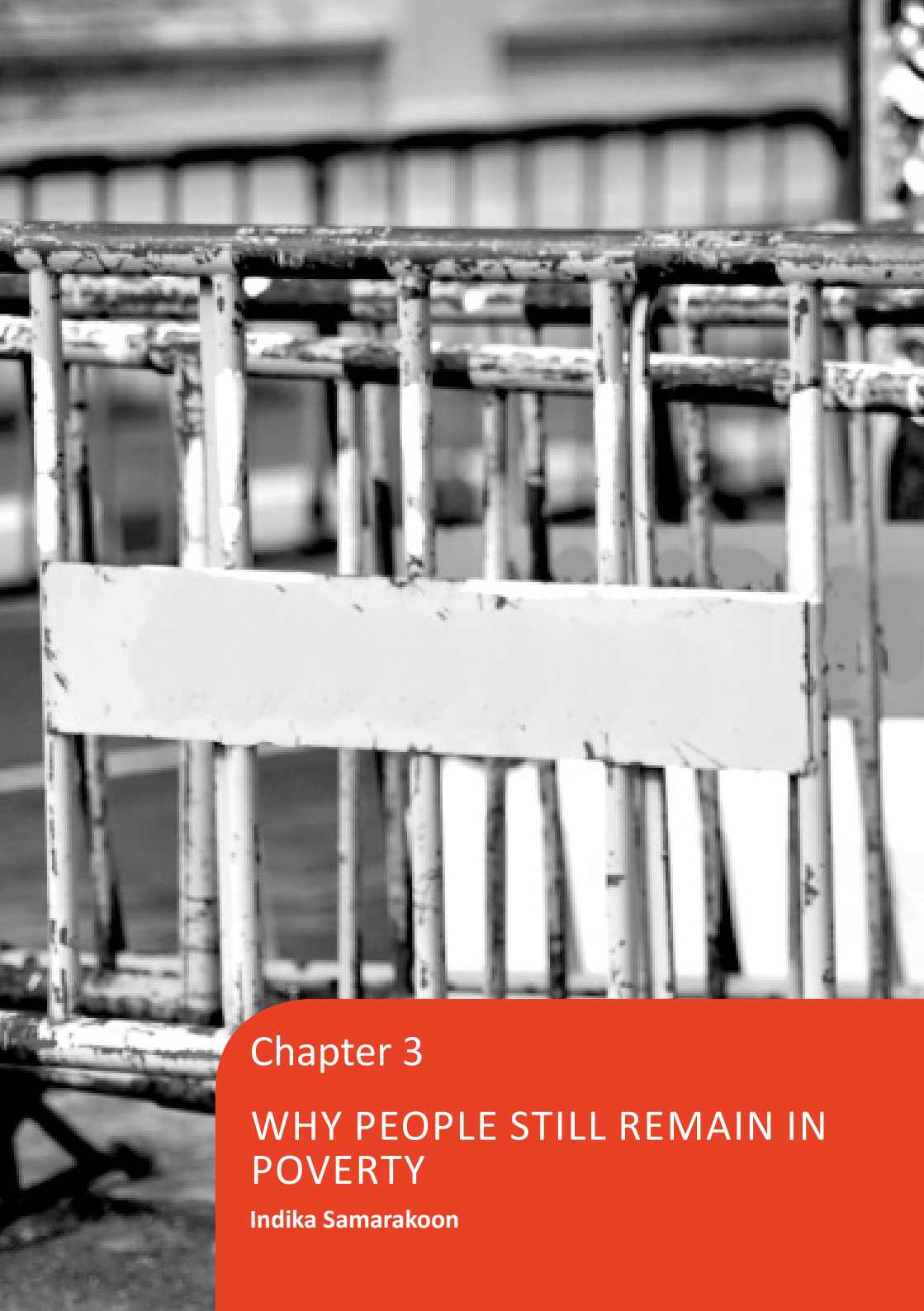
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Chapter 3

WHY PEOPLE STILL REMAIN IN POVERTY

Indika Samarakoon

While Chapter 2 outlined the key drivers that have enabled poor households to move out of poverty, with the end of the conflict, Sri Lanka has seen rapid growth but also widening inequalities. As noted in the UN report *Humanity Divided*, growing inequality is detrimental to economic growth, and in particular to the kind which reduces poverty and enables social mobility (United Nations Development Programme, 2013). Inequalities undermine social cohesion; they can increase political and social tensions, and in some circumstances, they can drive instability and conflict (ibid). As Sri Lanka looks towards creating an environment where all its citizens have the opportunity to achieve higher income and better standards of living (Government of Sri Lanka, 2017), it must also consider how to address the reasons why the poorest and most disadvantaged communities still remain in poverty. It must also consider moving beyond only the base levels of addressing poverty and move towards higher levels of wellbeing. This is important when looking at achieving prosperity. Adapting the UN framework for inequality, this chapter explores some of the drivers contributing toward inequality in terms of income, basic services, socio-political exclusion, discrimination and access and control of natural resources that prevent some communities from moving beyond poverty.

Moderating Income Inequality

According to the UN report *Humanity Divided*, extreme income disparities limit the ability of individuals and households to get ahead in life, moderating income inequality is then necessary for accessing opportunities that promote human wellbeing (United Nations Development Programme , 2013). This chapter explores the reasons why the poorer households have been unable to close the gap on income inequality.

Curtailement or limitations on access to assets aggravates inequality.

Assets are commonly used for economic activities (i.e land), as collateral for credit or protect households during unexpected economic shocks and is even more important for households whose main income source is directly linked to these assets (United Nations Development Programme, 2013). When access to such assets is lost, it tends to push households further into poverty. For instance, communities directly affected by conflict were impacted by multiple displacements during the war, affecting their ability to access land and natural resources. This was further exacerbated, especially so with restrictions imposed by Sri Lankan armed forces, and government sanctioned land acquisition for Special Economic Zones (SEZ). Their ability to earn an income was further curtailed with issues of ownership of assets impacting, food security, nutrition, mental wellbeing and health. The controlled movement of people in Sampur, Mullaitivu and Mannar curtailed households' ability to engage in productive livelihoods, especially when passes were required to access land in HSZs, military zones and SEZs. For instance, during the conflict fishing was confined to specific time periods by heavy surveillance and restrictions imposed by both Sri Lanka Army and the LTTE. This also affected women travelling etc etc. women travelling to markets to sell produce, affecting communities' ability to earn an income.

Paddy farmers (specifically small holders) who lost land to the Southern Expressway saw a decline in food and income security, losing self-sufficiency in rice and a supplementary income source, resulting in increased spending on food (Jayawardena, 2011). For small holder farmers recovery is estimated to take 3-4 years, even though compensation was provided for paddy land. The low valuation and payment of compensation in instalments by Government, coupled with rising land prices made replacement of agricultural land unaffordable debt for small holders (Ibid). The impact of development induced displacement is felt most acutely by informal businesses and women who relied on home-based livelihoods and livestock rearing,

as lack of space in resettled sites impede their ability to earn an income (Jayawardena, 2011).

In a post war context, limitations on access to assets through government economic development plans such as implementation of tourist zones and urban regeneration created inequalities that marginalized the poorest households. The creation of tourist zones in Passikudah has seen the exclusion of communities' access to beaches, fishery landing sites and coastal resources as they compete with wealthier and powerful fishing vessels who have political backing to access resources, leading to the curtailment of traditional livelihoods and limited employment opportunities

(Gunesekera, Phillips, and Nagraj,

2016). Increased capital investment flows into the North and East resulted in rising land prices, making land for housing and agriculture unaffordable for poor communities (CEPA, 2006). The urban regeneration and subsequent gentrification resulted in forced evictions of the poor and upgrading of common spaces that further marginalized and excluded the poorest, while driving up land prices beyond the reach of the urban poor, pushing them to low lying or State land that is prone to flooding, without rights to ownership and

“Our earning capacity went down completely when our land was taken over, because we lost our business. Now I’m dependent on my children and the government. At that time my income was over Rs 500 a day from the business, now there is nothing. Even if we were earning Rs 1000 it won’t be enough for the medicines. Now we also cannot fulfil our obligations. When there is a funeral or a pinkama we can’t do anything to help and we can’t go either. We cannot help our neighbours. Those days it was not like this. We were able to do everything without any shortcomings” – Business owner, male, age 80, 2006.

Source: (Jayawardena, 2011)

access to basic services (Gunetilleke and Cader, 2004; CEPA, 2010; Rathnayake, 2014; CEPA, 2015).

For the poorest, maintaining secure livelihoods is a challenge: In many parts of the country, CEPA research has found that the rural poor are more dependent on casual wage work whether agriculture or non-agricultural (De Silva and Balasuriya, 2009). Environmental threats affecting the agriculture sector, i.e. continuous drought and failure of monsoons has forced farmers to take on manual work in the construction industry, migrate to other areas or depend on government and NGO handouts (Romeshun, 2017; Tennakoon et al,2018). Similarly, for farmers and small businesses in the North and East, the opening of the economy has made it difficult to compete with larger players and military who engaged in formal sector work, making it difficult to sustain livelihoods (Saparamadu and Lall, 2014; United Nations, 2015), while traditional fishermen find it difficult to compete with larger fishing vessels for finite resources (Gunsekera, Phillips, and Nagraj, 2016). For instance, fishermen in Passikudah are unable to capitalize on selling to the hospitality sector as they must supply through intermediaries who control the local supply chain, while having to contend with importers who diversified into the hospitality sector via the Ceylon Fisheries Corporation or independent commercial networks after the war ended in 2009 (ibid). In addition, foreign investment in infrastructure projects in the North by countries such as China who brought their own labour, has affected employment opportunities for local households (Saparamadu and Lall, 2014). For women in a post war context who engage in self-employment and micro enterprise development (Gunsekera, Phillips, and Nagraj, 2016) only broadens informal market activity, but does not provide secure livelihoods, and lacks social safeguards and safety nets (Lokuge, Senn, and Ranawana, 2019) . While women who lack education are limited to domestic services, clothing, manufacturing, home based livelihoods and wage labour that does not provide a secure income (CEPA, 2006; UN-Habitat, CEPA, and Sevanatha, 2012; Gunsekera, Phillips, and Nagraj, 2016).

For the urban poor, work in the informal sector includes challenges such as seasonality of work, excess supply of labour, low health status, substance abuse and weak networks which make wage labour and earnings volatile (Gunetilleke and Cader, 2004; UN-Habitat, CEPA, and Sevanatha, 2012).

Even when the poor are engaged in formal sector work (i.e., street cleaners, tourist hotels) there is no stability and dignity in their work, with no opportunity to engage in dialogue with employers and are vulnerable to exploitation as they are deprived of benefits (Jayasekera and Gunasekera 2015; Gunasekera, Phillips, and Nagraj, 2016). While certain jobs in female dominant, labour-intensive sectors such as the apparels can offer higher than minimum wages, better social protection and improved working conditions, these are not industry-wide practices. The wages also are not a living wage and savings is complicated by the young women having to support themselves as well as their families back home. Women who have to migrate out of their homes/geographic areas to secure these jobs tend to treat them as temporary, as they face difficulties setting down roots in the new areas. These jobs sadly still come tainted with social stigma¹. However, this was not the case if the women were able to stay in their locations, travel from home and work in the apparel industry (Fernando et al., 2020).

Location matters to poor households: For poor households, location has strategic importance whether displaced by conflict or development, in rural or urban settings. Proximity to work, markets, enterprises and education form the basis of most poor households' ability to earn a livelihood or gain access to skills/education and better opportunities. For example, displaced communities of Sampur in temporary camps found distance a barrier to paddy and fisheries livelihoods despite access provided by military (Inadeen et al., 2012). Similarly, when displaced communities were resettled in their original

1 However, the study found that this was not the case if the women were able to stay in their locations, travel from home and work in the apparel industry

lands, households delayed re-location until children completed the school year to minimize disruption. Families chose to do this mainly because, infrastructure such as schools, roads, and utilities were damaged in their village of origin (CEPA, 2017). For the urban poor, resettlement in new locations away from schools, markets, and work, created hardships (UN-Habitat, CEPA, and Sevanatha, 2012). For women in particular, location, access to markets, networks and family support matter, as the absence of these factors curtails their ability to earn an income (UN-Habitat, CEPA, and Sevanatha, 2012; United Nations, 2015). Distance and mobility constraints affected Female Heads of Households' (FHH) access to markets, suppliers and raw materials (United Nations, 2015). Small businesses that relocated due to the Southern expressway lost their client base and access to materials (Jayawardena, 2011).

Stagnant income growth affects poor household's ability to meet their basic needs: Regardless of geography or sector, CEPA studies have found that the poorer households were largely involved in the informal sector and were therefore burdened by factor prices and income growth falling far-behind inflation. This was a negative driver for the poor, as it aggravated the ability of households with insecure income sources to meet their basic needs and save for the future, which were further aggravated by loss of subsistence farming, loss of agricultural land, and climate change (Gunetilleke, Kuruppu, and Goonasekera, 2008; Jayawardena, 2011; Inadeen et al., 2012). For urban households where money is the primary variable, rising commodity prices and stagnant income resulted in a large proportion of their income being spent on food, with the balance going towards housing, utilities, fuel, education, transport and clothes, leaving hardly any income for savings and future investments (UN-Habitat, CEPA, and Sevanatha, 2012; CEPA, unpublished). The lack of regulation and protection for those in the informal sector means that this is a recurring problem that perpetuates vulnerability.

Rising issue of debt in post war communities *affects the ability to move out of poverty*: While poverty has seen a decline according to the HIES 2016, the inadequate income of poor households to meet expenses is important to consider (Romeshun, 2017), especially in the context of rising inflation, lack of industry in the North (Romeshun, 2017) and reliance on agriculture and fisheries that face its own challenges. For instance, in Vavuniya while the poverty headcount ratio in 2012/13 HIES was a low 3.4, over 83 % of the non-poor in Vavuniya were indebted. 62 % of them were resorting to pawning jewellery (Romeshun, 2017). For post war communities who lack productive assets, engagement in casual labour means insufficient income. Thus, trying to re-establish their lives has required them to borrow for consumption and housing (Romeshun, Gunasekera, and Munas 2014). According to findings by CEPA, the two main reasons for post war communities to borrow in the North was housing construction and livelihoods, while health, education and food expenses followed (ibid). This has been compounded by the proliferation of microfinance² institutes in the North and East, with easy access to credit lines regardless of socio-economic status that often target women³ (Romeshun, Gunasekera, and Munas, 2014; Gunasekera, Najab, and Munas, 2015; Arambepola and Romeshun, 2019).

A survey of 'Owner Driven Housing Programmes' (ODHA) found, 73.5% of households borrowed money from banks, pawning agencies, private money lenders, communal credit arrangements, or leasing institutions that accrue high interest payments. 12.4% of households borrowed from family, friends, *chittu* and other informal sources of lending, with no accrued interest. Households use various

2 According to a study done by CEPA in 2014, there has been a 600% rise in the density of lending institutions per square kilometer in the Northern Province, and easy access to microfinance for micro and small enterprises (Munas and Lokuge, 2016).

3 Women are perceived to be more responsible for loan repayment and are able to access credit easily (Romeshun., Gunasekera. and Munas, 2014).

forms of collateral for their debt with 37.2% using gold (Romeshun, Gunasekera, and Munas, 2014).

Reasons for default and further debt among post war households who have insecure livelihoods were found to be proliferation of loans not accounting for household income earning and financial management capacities; inability to understand financial terms of loan repayment and interest rates; weak financial management not accounting for unexpected costs (i.e. funeral, medical, emergency); borrowing to settle existing debt; desire to build larger houses to elevate social status; cultural and traditional norms; and inadequate costing of housing by donor and government programmes that led to increased debt (Romeshun, Gunasekera, and Munas, 2014; Gunasekera, Najab, and Munas, 2015; Gunasekera, Phillips, and Nagraj, 2016).

The policy that post war communities contribute cash and labour towards construction, in housing programmes implemented by the government and donor community failed to take into account the insecure livelihoods of these households, and rising inflation that impacted on material and ancillary costs (labour, transport, food). This left households with no choice but to borrow. Even when financial counselling was provided, CEPA research found that it had no impact on borrowing (Gunasekera, Najab, and Munas, 2015). The impact of debt on household wellbeing is that it curtailed educational support, reduced food intake indicating dire financial difficulty with women and elderly often being the most vulnerable (Romeshun, Gunasekera, and Munas, 2014). Female heads of households struggled to provide labour and cash from one income source, compelling them to borrow. This has resulted in risks to their physical wellbeing and that of dependents as cases of violence, exploitation and abuse were reported due to loan default and difficulty meeting labour costs (United Nations, 2015).

Another factor contributing towards housing construction related

debt was the timing of the housing programme in the North. It commenced soon after the termination of the World Food Programme (WFP) initiative to distribute dry goods to families, which aggravated the situation for household dependent on agriculture, as families were food insecure (Romeshun., Gunasekera, and Munas, 2014). Had these programmes operated in parallel to housing construction, it would have contributed to reducing the

hardships families faced in meeting basic needs and construction costs (Romeshun, Gunasekera, and Munas, 2014). Similarly, weak coordination of resettlement process by State – lack of information on when or timeline for receiving permanent housing caused difficulties for families who had contributed finances for transitional housing in resettlement process, but were later provided with permanent housing, as they struggled to complete construction in allocated time frame, risking debt (CEPA, 2017). If there had been better coordination and timely information provided in the resettlement process, recipients would have been able to make informed decisions (Ibid). The issue of debt even warranted a visit by then Governor of the Central Bank to the Northern Province to review the status (Romeshun, 2017).

“I am facing some difficulties in providing meals for the masons. What we do? They came from far away and did not know place in here. They worked 20 days. I have spent Rs 16,000 for labourers’ meals. For foundation, took six days and for construction of wall took 10 days” – Interview, female, age 43 Mullaitivu.

Source: (Romeshun.K, Gunasekera.V, & Munas.M, 2014)

Closing (widening) Gap on Basic Services

Improved outcomes with respect to education, health and nutrition leads to improved growth prospects (United Nations Development Programme , 2013). For instance, quality education and good health allow individuals to increase their productivity and contribute to economic growth (Ibid). However, when access to education, health and nutrition is curtailed, it affects the overall wellbeing of the poorest households, and their ability to secure stable livelihoods. The lack of access to quality services resulted in households (rural, urban, plantation, or communities directly affected by conflict) being unable to move beyond poverty; as CEPA findings below demonstrate.

Inequalities in access to education reduces ability to access stable income sources: Education is acknowledged by the poor to be a driving factor to move out of poverty. However, distance from urban centres, poor quality of education, lack of teachers and facilities for teaching maths and science, weak infrastructure facilities, limited vocational training opportunities are common to rural, conflict, post war and estate communities (Wimaladharma, De Silva, and De Silva, 2005; CEPA, 2006; Gunetilleke, Kuruppu, and Goonasekera, 2008; De Silva and Balasuriya, 2009). This reduces opportunities to access jobs and pushes them into wage labour that provides limited security and no safety nets (Ibid). Specific barriers faced by children directly affected by conflict include frequent displacement, curfews/hartals, teacher absenteeism, under development or destroyed infrastructure, resulting in higher dropout rates as recorded in the Eastern province, where 70% of those in the 19-25 age group had dropped out of school before completing 10 years of education (Wimaladharma, De Silva, and De Silva, 2005). Completion of education despite the war did not guarantee jobs either, given limited opportunities, restricted mobility and weak networks (ibid).

For post war communities, lower levels of education is a contributing factor for a large proportion to be engaged in casual labour with no guarantee of a secure income. Thus, a lack of livelihood opportunities and individual capacity to rebuild a sustainable income means they are unable to save, and earn significantly less than the national

averages (Romeshun, Gunasekera, and Munas, 2014). For instance, youth in Passikudah who have lower education levels, no access to hospitality training, weak English and Sinhala language skills, are unable to access jobs in the area's tourism sector. They are compelled to work as wage labourers or are subject to exploitation by employers (Gunasekera, Phillips, and Nagraj, 2016).

The lack of access to vocational skills and foreign employment services in rural areas is a disadvantage to potential male migrants seeking alternate opportunities for work. Services tend to be concentrated in urban areas such as Colombo and suburban districts creating uneven access for peripheral areas (Najab & Munas, 2014). However, even when access to such vocational skills training and higher quality of education are available, for urban poor⁴, high costs and unaffordability related to education and transport act as barriers (UN-Habitat, CEPA, and Sevanatha, 2012).

For instance, among the urban poor, the large population of 5–18-year age groups with low educational attainment excludes them from engaging in technical fields of study that ensures higher income (UN-Habitat, CEPA, and Sevanatha, 2012).

Health status and access to health care matters for family well-being: Health of family members, specifically the main

“The [employees] are eligible to receive EPF/ETF after three months. We do not want to immediately give them EPF/ETF until they have proven themselves and we can be sure they will not suddenly leave. The labour department only inspects every three months, so they do not know that we hold off on giving EPF/ETF” – local guesthouse owner, interview.

Source: (Gunasekera, Phillips, & Nagraj, 2016).

⁴ In urban poor households only 5% of the adult population have completed 11 years or more of education compared to the national average of 18%, while 66% of men and 87% of women lack formal or on the job training (UN-Habitat, CEPA, and Sevanatha, 2012)

income earner is critical to the household economy of the poorest, as death or illness regardless of geography or sector can erode household income with rising health expenses. A serious illness could kick start a cycle of indebtedness, affecting extended family and trap households in a stagnant/deteriorating position for long periods of time (Gunetilleke, Kuruppu, & Goonasekera, 2008).

Although Sri Lanka has universal health care services, its distribution in rural and estate sectors has been inequitable, impacting the overall health status, specifically physical and mental wellbeing of the poorest. The elderly in rural areas are negatively impacted by distance, lack of transport and mobility issues, which are further aggravated by the fact that government healthcare facilities although free, routinely ask patients to purchase medication and supplies due to insufficient stocks from underfunding (Taylor, Perera, and Storey, 2012). A World Bank report suggests that 70% of visits to health care facilities by the elderly are to public sector services and almost a third require medical care but cannot afford it (World Bank 2008). The inequitable access to medical services affected communities during periods of war impacting on the health and nutrition of children, women and the elderly (Wimaladharma, De Silva, and De Silva, 2005). Similar inequality is noted in health services provision in the estate sector after the privatisation of estates as the integration of plantation health services into the national health system has not progressed as expected (Gunetilleke, Kuruppu, and Goonasekera, 2008; Periyasamy, 2018). Among the urban poor, factors such as low education, poor nutrition, reliance on fast food, low incomes, lack of basic services (water, sanitation), and congested living spaces undermine their health (CEPA, 2009; UN-Habitat, CEPA, and Sevanatha, 2012; Rathnayake, 2014).

Lack of access to safe drinking water exacerbate women's household work-load and further marginalises excluded communities from development processes.

Lack of social safety nets makes the poorest vulnerable: Those engaged in casual wage labour in rural, urban, estate and post war communities, lack access to benefits that are available to workers in

the formal economy such as EPF/ETF benefits and pension schemes (Taylor, Perera, and Storey, 2012; Romeshun, Gunasekera, and Munas, 2014; Gunesequera, Phillips, and Nagraj, 2016). However, the informalization of formal sector work, has also led to the poorest being deprived of benefits afforded to the formal sector economy despite being hired through contracts, such as street cleaners hired by a private company in Colombo (Jayasekera and Gunasekera). The bending of labour laws and regulations by informal guest houses and larger resorts who have power and political patronage, leads to exploitation of people who are unaware of their labour rights and lack voice. This results in the non-payment of EPF/ETF, taking advantage of loopholes in labour laws, failure to register or inform of new employees to Department of Labour, enforcement of different hours for regular and off-season work creating inconsistency in working hours, salaries and benefits (Gunesequera, Phillips, and Nagraj, 2016).

The lack of spread of Samurdhi in the North and East during periods of conflict deprived communities' access to welfare benefits and loan schemes that some Sinhala communities had in times of conflict (Basith Inadeen, 2012). The existence of Samurdhi programmes conveys official recognition of deprivation and poverty that exist and often triggers other types of assistance by private and CSO organizations (Petesch and Thalayasingham, 2010).

"Among us 50-100 persons are in a difficult condition and the poor are facing many difficulties here rather than when they were in Sampur. Those who were a member of "Samurdhi Samithi" in Sampur are capable to get a loan" – male respondent, age 62.

Source: (Inadeen, Krishnaraj, Munas, & Lokuge, 2012)

CEPA found that these poverty alleviation programmes were viewed as means to achieve common development goals of communities and lack of access disadvantaged the poor and elderly (CEPA, 2006). For elderly, exclusion from national Samurdhi programmes and lack

of better financial security programmes puts them at risk to living in poverty (Taylor, Perera, and Storey, 2012).

Box 1: Government financed programmes helped contribute towards the overall wellbeing of communities.

Greater institutional provision of health, education and welfare services in both the state and non-estate sector are drivers for household wellbeing improvements. (Gunetilleke, Kuruppu, and Goonasekera, 2008). The Samurdhi anti-poverty programme in a community conveys official recognition of the deprivation and poverty that exists, and often triggers other types of assistance to Samurdhi recipients from NGOs and private organizations. CEPA studies found that access and presence of Samurdhi was viewed by communities differently. For those directly affected by conflict, Samurdhi represented a stamp of citizenship, government recognition and belonging that was more significant than the modest grant, loans and other projects (Petesch and Thalayasingham, 2010)

Similarly, pension schemes used by the formal sector, both private and public are unavailable for informal sector workers who earn a daily wage. Although pension schemes for farmers and fishermen, and the self-employed exist, fixed payment schedules result in a high level of default (Taylor, Perera, and Storey, 2012). For the country's ageing population, especially those engaged in informal sector work, the lack of such social safety nets increases their vulnerability.

Lack of secure land tenure increases vulnerability of households:

The loss/lack of legal documents such as deeds, civic documents (birth, death or marriage) makes proving ownership to land or obtaining copies of lost documents from government difficult (CEPA, 2011; Saparamadu and Lall, 2014; United Nations, 2015). Those

who are most vulnerable are returnees, widows, orphaned children, elderly and disabled who face barriers such as lack of marriage or death certificates required to prove succession rights; challenges with mobility that make it difficult to exercise their rights to land; issues related to illegal encroachers; and informal land transactions that add costs to already stretched incomes (CEPA, 2011; United Nations, 2015). Even when households have returned or resettled, the lack of documentation or delays in re-issue of new deeds for original lands has been a critical issue

“None of these villagers have the deeds for their land in this village at the moment. Someone said that the deeds are available in the DS office and the name list is available there. According to that list I have received the deed for ½ acre of the land. I think this deed is for the land that we cleared before and not for this 10 perches where I live. I am afraid to go and ask for the deed in the DS office. I asked the GN and he said that he will get the deed for me” – Individual Interview, Musali.

Source: (CEPA, 2011)

as noted in Mannar which witnessed large scale displacement (CEPA, 2011) and Sampur where delays in reversal of gazette notifications risks the validity of claims for original land (CEPA, 2017).

Absence of legal documents is further aggravated by the informal land distribution and transaction methods practiced during the war, i.e. redistribution of land owned by evicted Muslims and displaced Tamils from the North to the poorest who lacked assets to escape the war by the LTTE, Japan deeds, *Kaithundu*⁵, and informal land mortgage practices with money lenders that lack any legal documents (CEPA, 2011). These issues make households vulnerable, as they are not able

5 An informal practice that records land related transaction details such as the cash value of the exchange. It is not considered a valid legal document. A term used for false deeds in the North.

to prove ownership, risk becoming landless and are unable to access housing programmes, while government is faced with the challenge of regularizing land (CEPA, 2011).

“There is not enough State land to distribute among them (families returning). We gave land to (some) women headed households who are landless, even though there is not enough land to provide landless people” – Government representative

In Jaffna, where displacement spanned nearly three decades

Source: (CEPA, 2017).

during which period families expanded, those returning were at risk of being landless. Especially the poorest with no means to purchase land were unable to resettle or receive assistance, as proof of ownership for families who inherited land is a challenge due to absence of evidence to prove the transfer of land during displacement period. This is further aggravated by the lack of sufficient State land, making it challenging for the Government to provide land to extended families (CEPA, 2017).

Similarly, in development programmes initiated by successive governments whether it was for resettlement of conflict or development affected households, the government’s non –issuance of legal documents risks displacement and any investments that resettled communities have made to develop the land and livelihoods. For instance, resettled households in Ralkuli, Sampur and those affected by the 2004 Tsunami were not provided with legal documents by government to prove ownership (CEPA, 2011; Inadeen, Krishnaraj, Munas, and Lokuge, 2012), while in the village of Kondachikuda, Musali DS division, households lack deeds and there is reluctance to clarify or seek assistance from government officials regarding promised deeds (CEPA, 2011). The urban poor have similar experiences where they benefitted from government housing programmes in the 1970s, 80s and 90s, providing affordable

“In this programme we had one major fault line. I would like to apologize on behalf of the agency that worked with the people, for this major lacuna in this programme. Perceptually they had the right to tenure there was no issue regarding tenure, but we all know that happened during the last regime. Because, people didn’t have the piece of paper to go to court and say: ‘We have a deed, we own the land, we own the house, which we have built. Some of us have repaid the full amounts of the loans we took to build the house, which we have built. An anti-poor state just came and bulldozed them and used the army against them. And I am afraid the state of fear in the country was such that no one opened their mouths – either from the State sector or from the non-State sector. They were a lone voice. So that was a huge fault line. We never thought it would become an issue. There was a perceived tenure as far as we were concerned and we were working so much round the clock with the programme that we never sat back and realized that there was one major final step which had to be taken as a part of the housing process, that is to issue the permanent deed”

– Susil Siriwardena, Advisor, Ministry of Housing and Construction, Housing as a Right – The Million Houses Programme and Beyond.

Source: (CEPA, 2015)

housing loans to improve housing conditions, but failed to issue legal documentation to demonstrate proof of ownership, making them vulnerable to forced evictions in subsequent urban regeneration programmes (CEPA, 2015). Landlessness is a prominent issue raised by the estate community as one being linked to their marginalization; and one that had for many years limited their rights as citizens; it also continues to affect their ability to sever bonds with the plantation companies (Siegmann, et al., 2019).

The above examples demonstrate that lack of secure legalized tenure makes the poor vulnerable, specifically in the light of weak governance and rule of law.

Lack of a land database and regularizing documentation adds further barriers: Lack of comprehensive land registry means that there is no systematic issuance of documents or record keeping of permits and grants in Divisional Secretariat (DS) offices, making it difficult for private owners of land and local divisional secretariats who lost land related documents due to war, to obtain documents; resulting in fraudulent practices of duplicate permits and grants being issued (CEPA, 2011). For instance, returnees who owned or had permits for land found that a subsequent grant of permit was issued for the same land (Ibid). Added to this is the lack of inter-linkage and coordination between State Departments, ministries and banks (in relation to mortgaged land where documents were lost). This aggravates the issue of obtaining copies of legal documents and delays regularizing issued documentation in parallel to resettlement of post war communities. (CEPA, 2011).

Poor infrastructure, public services and transport facilities stifles economic activity and poor households' wellbeing: the lack of roads, transport, electricity, cold storage, improved technology, maintained irrigation systems, hampers agriculture dependent households' ability to optimize yield and improve incomes. This also affects diversifying livelihoods into value added and non-farm business. It in turn hampers the overall wellbeing of the poor - including children's education and health as well. (Wimaladharm, De Silva, and De Silva, 2005; CEPA, 2006; De Silva and Balasuriya, 2009). Access to electricity enables a poor household to engage in business, but also allows children to study for longer hours and improve their ability to qualify for higher education (Wimaladharm, De Silva, and De Silva, 2005). Lack of cold storage facilities and technology which are only possible with access to electricity are critical for agriculture dependent communities to diversify their livelihoods into value addition and

non-farm related businesses (CEPA, 2006; De Silva and Balasuriya, 2009). For communities directly affected by conflict, dilapidated infrastructure such as roads, hospitals, and schools affected the overall development of households, acutely affecting children's health and education, severely affecting those living in remote areas who experienced conflict (CEPA, 2006). Displaced returning to their original land faced similar challenges regarding poor/damaged infrastructure creating instability in their economic situation, as they have to seek alternate forms of employment or learn new skills, re-establish markets or demand/clientele (CEPA, 2017).

For the urban poor, access to basic services such as water is often through public standpipes, given congested house spaces not conducive to individual connections, but also limitations on ability to pay for the service. The lack of access to safe drinking water and sanitation in underserved settlements severely impairs economic and social development, and undermines the living conditions and health of the poor (CEPA, Consolidated Final Report: Survey on Willingness and Ability to Pay for Pro Poor Household Water Connections , 2009).

Those adversely affected by the lack of access to water and sanitation are women, children and the elderly, but mostly women as the burden of collection falls upon them as part of their household duties, reducing time and effort available to engage in other productive activities (CEPA, 2009). Living and working in an estate exacerbates women's unequal access to water, as according to the Department of Census and Statistics, Demographic and Health Survey (DHS, 2016), in the estate sector, access to safe drinking water (43%) is more than 50% less, compared to the national level access (90%) and compared to urban (99%)

"Our common tap was closed by the Water Board few days ago, so now we bathe at the common well which is located nearby. The water is very dirty, but still, we have to use it as we haven't any other option at the moment". – Female, Dehiwela-Mt. Lavinia, age 50.

Source: (CEPA , 2009)

and rural (91%). As a result, women who live and work in the estates, shoulder the burden of spending additional time sourcing water, while engaging in the main economic activity within an estate household, which is tea plucking. Such issues contribute to aggravating existing income inequalities as noted by a report by the UNDP (United Nations Development Programme , 2013).

Socio-political (social) Exclusion and Discrimination

Processes of social exclusion – driven by multiple economic, social, political and cultural factors – prevent individuals and groups from meaningfully contributing to the shaping of their environments and from living a life of their own choosing. Disproportionate economic power of those at the top who wield more political power can skew public resources toward their own group and away from middle and lower income groups, contributing to worsening inequality and perpetuating poverty (United Nations Development Programme 2013). CEPA's research findings below explains how some of these processes of social exclusion contributes to keeping households in poverty.

Cultural and social norms create inequalities for women and their ability to access employment and education: Cultural and social norms, traditional family values, patriarchal attitudes and skewed gender relations create inequalities in women's ability to engage in employment, access education and services, engage in income generating livelihoods and face wage disparities regardless of geography or ethnicity. Women face challenges that are specific to their gender

“Samthuwaminmai [no equality]. But here we feel inequality much less. In the case of wages, it is different from male to female” - FGD, Female, Mannar Sammenthivu.

Source: (CEPA, 2006)

such as Gender Based Violence (GBV), sexual harassment during travel and in work places, discrimination, and exploitation (United Nations, 2015). Power dynamics within communities and households' limits women's participation in decision making processes (CEPA, 2006). Female headed Households, who are assigned a lower social status (CEPA, 2006), and elderly, single women and those married without civic documents tend to be excluded given the lack of a consistent definition (United Nations, 2015), impacting their ability to access productive assets such as land. Not having ownership of the land, therefore also denies women of access to farmer groups, fertilizer subsidies or other extension support (FAO, 2018).

Displaced and female heads of households directly affected by conflict face multiple challenges such as lack of knowledge on land rights and procedures, accessing civic and land documents, proving succession rights to land, accessing government services that risks them being marginalized during resettlement processes (CEPA, 2011; Inadeen et al., 2012). They are further challenged by low skills and education, cultural and social norms, stigma and marginalization by communities restricting them to either wage labour or home-based livelihoods which are often inadequate to meet household needs (CEPA, 2006; United Nations, 2015). Women in the North face barriers related to customary land laws such as the Thesawalamai, which provides women ownership of land and property assets, but discriminates against them. Written consent is required from their husbands to use, sell, mortgage or dispose of property even if acquired by both husband and wife during marriage - making it difficult for female heads of households to enforce their rights if they lack evidence regarding the death or missing spouse (United Nations, 2015).

Muslim women in Ampara faced barriers to mobility related to cultural and social norms, and discrimination of their community - affecting their ability to access education and employment during times of conflict (Petesch and Thalayasingham, 2010). However, Muslim women from poorer communities in certain parts of

Trincomalee, had carved out a space for themselves in the lagoon systems, gleaning for clams, catching prawns and crabs, through which they were supporting not only their families, but saving for the future as well. The social stigma of the ‘mud smell’ that clung to them, nevertheless, was a constant part of their lived realities (Lokuge and Hilhorst, 2017). Women working on estates face barriers to accessing opportunities outside the estate given long working hours, lack of upward mobility within the estate structure, marriage and expectation of domestic responsibilities (Siegmann, et al., 2019). Resettled households in urban areas noted safety and security issues related to apartments and common areas for women and young girls as barriers to attending school and work (CEPA, unpublished). The lack of freedom, desire to escape from domestic violence or marriage and breakaway from skewed gender norms are push factors for women to migrate, albeit even as domestic workers (Najab and Munas, 2014). However, they are often vulnerable to trafficking, prostitution, have no free time and are disempowered as they lack protection given the inadequacy of labour laws (Najab and Munas, 2014).

At the same time, government regulations and policies that attempt to protect women who migrate by ensuring higher minimum wages, restrictions on age and location to which women migrate, could in fact have unintended negative consequences that worsens inequality (Najab and Munas, 2014). CEPA’s recent work is showing the vulnerabilities women encounter in terms of new regulations in place to govern the labour migration process of women seeking overseas employment. The regulations require—all prospective female migrant workers first to be “cleared” by the Government to prevent women with children under five years from migrating for work overseas (ILO, 2018). In practice, the government circular in force applies mostly to low income earning women who seek work as unskilled labour overseas (Arambepola, 2020) and creates further barriers for the poorest to move out of poverty.

Access to formal sector employment, especially through the apparels

sector mostly located in the Export Processing Zones (EPZs), is available for young women. A significant proportion of their monthly incomes are directed towards educating younger siblings, supporting their parents and helping build a house for the family etc. However, they continue to experience marginalization. While some of these workers may earn wages above the stipulated minimum, the social stigma attached to “garment girls” continue to persist. As temporary migrant workers in these Zones, the young women lack legitimacy and visibility in public spaces and experience barriers to accessing support services, including protection of the Police. The sub-standard living conditions further exacerbate these marginalities as the young women cannot access public services as they are not considered residents of the “zones” (Fernando et al., 2019).

Even when women had enrolled in Tertiary, Vocational, Education and Training (TVET) institutes, a study by CEPA noted that despite the ratio of women to men enrolled being 42% to 58%, women’s employment rate was significantly lower across all nine provinces (ADB, 2018). This is reiterated by Gunawardena (2016) who indicates that despite significant progress made in female educational outcomes in the past two decades (even at degree and post graduate levels), and women’s education levels being on equal standing as men, it has not translated into improved labour force participation and employment outcomes for women. The lower female labour force participation in all sectors⁶ considered maybe attributed to limited job opportunities available to women given the socio-political barriers such as acceptable jobs for women, social norms and attitudes, and factors related to personal safety, transport and accommodation (Gunawardena, 2016).

Therefore, jobs seen as acceptable for women are influenced by factors mentioned above and any shift from established gender roles are viewed as unacceptable (CEPA, 2006; Gunetilleke, Kuruppu, and Goonasekera, 2008; Najab and Munas, 2014; Gunesequera, Phillips,

6 Building and Construction, Hotel and Tourism, Information Communication Technology, Metal and Light Engineering, Other.

and Nagraj, 2016). For instance, public sector jobs are acceptable as it allows women to attend to household and child care duties while providing job security. Women's employment in the tourist economy is restricted by stigma associated with the sector, local lack of knowledge and understanding of the industry (Gunesequera, Phillips, and Nagraj, 2016).

For instance, the complexities of a protracted civil war that saw deep divisions between Tamil, Muslim and Sinhalese communities, especially in the Eastern province where Muslim civilians in nearby Kattankudy and Eravur were massacred; the expulsion of Muslims from the Jaffna peninsula by the LTTE; and post war disputes over land and resources created deep divisions and tensions between communities (Gunesequera, Phillips, and Nagraj, 2016). Therefore, within this context any relationships between Muslim and Tamils as a result of women working in the tourism industry, specifically in Passikudah provoke emotions that prevent women from accessing employment opportunities (ibid).

Social identity and norms act as barriers to the poor's ability to move out of poverty: Caste and class play a role in marginalizing the poorest in society, which can trap them in a cycle of chronic poverty and social exclusion

from which it is difficult to escape, limits opportunities to access education, employment, places of worship, services and community life (CEPA, Fresh Perspectives , 2007).

“No woman would go and work in hotels out of choice. But if the family is in dire need of income or if the husband is alcoholic and wastes money, then the woman might have to go and work in a hotel. Some younger women willingly go, but married women don’t go”
– female, FGD with women, 2015.

Source: (Gunesequera, Phillips, & Nagraj, 2016)

In Jaffna, past policies and attempts by the LTTE to weaken caste identity achieved a certain amount of equality during the war, but in a post war context division along caste are re-asserting itself as evidenced in CEPA's own research on access to education (Lall, 2016). The Parayar caste living in Harinagar, Jaffna are identified by residential location, and children are stigmatized and harassed when they go outside of their place of residence to attend schools that provide better quality education, or find it difficult to gain admission to schools outside their area of residence (Lall, 2016). As a result, there is a higher dropout rate of children after O/Levels as they opt to work in the Jaffna Municipal Council where they are provided opportunities to work as sanitation workers (Ibid).

Displaced children living in welfare camps experienced discrimination and marginalization, and were referred to as 'camp boy' or 'camp girl' when attending schools while in displacement, which led to some children dropping out of school (CEPA, 2017).

The resettlement of households in the North and East (where caste and class are part of the community structure) away from their original lands, created a shift from being land/boat owners to wage labourers/hired help, that temporarily risked overturning class and maybe caste structures (Inadeen et al,2012). CEPA's more recent research on communities directly affected by war who accepted the government offer for resettlement (i.e. Ralkuli, Sampur) were facing various forms of social exclusion based on their caste and class within the wider society, as these newly resettled households were considered as landless prior to displacement and were viewed through that lens even though resettled in new settlements. Rural middle class families who were resettled during the construction of the Southern Expressway, found the replacement cost of assets and property were inadequate to resume the lifestyle they had, and felt their identity in relation to home, family and community removed by displacement and struggled to maintain their social status (Box 2) in the resettlement process (Jayawardena, 2011).

Class and social standing tend to marginalize the urban poor's access to education, employment and services based on where they live and occupation. For instance, street cleaners in Colombo whose uniform symbolized their occupation experienced stigma when accessing healthcare services (Jayasekera and Gunasekera). Similarly, the urban gentrification process in Colombo negatively impacts the human

Box 2: Moving, however close by, is too far to go.

Guneratne* and family had been living in a substantial old-style two storeyed walauwa house inherited from his grandfather, on 230 perches of land, including 30 perches of coconut. His income, was derived from a paddy mill he owned close by. The extended family, of a high caste and social status, owned much land in the neighbourhood.

Since most of his land was acquired for the Colombo-Matara Expressway and the house was demolished, Guneratne and family were living, extremely uncomfortably, in a small makeshift house put up with the held of relatives, within sight of the ruins of their former house... he bought some adjacent land from this relatives with the compensation he received but complains that the amount left over is insufficient for him to build a house; that his house, which was in a good enough state of repair for another generation or two, was undervalued as being old. He was reluctant to re-locate away from his ancestral village and extended family, especially to a lower caste area, and wanted to remain close to his paddy mill – his main source of income.

Source: (Jayawardena, 2011) *name has been changed

development aspects of the poorest communities' livelihoods, social/cultural, capital / structures, education, development of youth, right to land, right to information, and affordable housing when areas cater to higher income groups, excluding the poorest as noted by CEPA

studies of urban low-income communities in Wekanda, Colombo 2 (Liyanage and Wickramathillake, 2018).

Groups and individuals could be treated differently as a result of belonging to a particular ethnic group contributing to deepening inequalities (CEPA, 2006).

During conflict periods, ethnicity affected the ability of communities' access to development assistance or government programmes and was influenced by political affiliations as noted in the case of Sinhalese and Tamil communities who were able to benefit or access assistance, markets, wage work, credit and external partnerships as opposed to Muslim communities who had relatively weak political power and affiliations at the time (Petesch and Thalayasingham, 2010). Estate communities faced marginalization when it came to employment and education in relation to ethnicity, identifying as Indian Tamil and as an estate worker (Gunetilleke, Kuruppu, & Goonasekera, 2008). In Passikudah, cases of discrimination were noted in both low skilled and skilled labour in the tourist sector where Sinhalese were given better positions as opposed to Tamils (Gunesekera, Phillips, and Nagraj, 2016). At the same time, youth who experienced the conflict and ethnic

“They treat us differently when they know that we clean the streets. Even the way the attendants and the nurses speak to us changes. They think we’re dirty. They don’t speak to others like that” – female street cleaner, Colombo MC.

Source: (Jayasekera & Gunasekera)

“My supervisors are mostly Sinhala but there are some Tamils. The cleaning department and lower levels of employment include a mix of both locals and outsiders. However, outsiders, who are usually Sinhala, occupy the higher positions” – interview, A woman employee of a Passikuda Resort.

Source: (Gunesekera, Phillips, & Nagraj, 2016)

marginalization that occurred were reluctant to work in resorts in Passikudah where majority employed were Sinhala, demonstrating the need for reconciliation among ethnic groups (ibid).

Disruption of social and family networks creates vulnerability by making it difficult to access work and collectively bargain:

Family and social networks provide economic security as family members' earnings contribute to common consumption, provide opportunities to obtain informal credit, access employment, apprenticeships and cushion economic shocks. Absence or breakdown of networks and structures during conflict, displacement or resettlement makes households vulnerable,

creates insecurity and weakens community cohesiveness (UN-Habitat, CEPA, and Sevanatha, 2012). In Sampur, household food security was affected; paddy farmers affected by the Southern expressway lost networks related to employment, while female heads of households/ women who relied on networks and family support to earn an income or run a business in urban low income settlements risked losing their income

through re-settlement (CEPA, 2006; Jayawardena, 2011; Inadeen et al., 2012; UN-Habitat, CEPA, and Sevanatha, 2012).

Urban communities resettled in high rise apartments experienced anxiety and insecurity caused by the disruption of social structures (Perera, 2015). Households affected by the Southern Expressway felt

“Normally when we were in Sampur, we faced food shortages during the rainy season which is from November to January. During this season we borrowed rice and money for interest from the rich people. After harvesting starts we will return it. They also give without saying anything because it comes every year” – female respondent, age 57.

Source: (Inadeen, Krishnaraj, Munas, & Lokuge, 2012)

the loss of social networks and productive activities, specifically the elderly who felt the impact of disrupted traditional extended family networks, as some found themselves living alone at a time when they require support (Jayawardena, 2011).

Lack of social capital, networks and cohesion prevents recently resettled from lobbying for basic services and livelihood support:

Resettling and returning communities in the Northern and Eastern Provinces have been in displacement sometimes for three decades. Apart from loss of lives and property due to the war, lack of access to quality basic services, challenges in rebuilding houses and livelihoods, psycho-social trauma associated with war related violence in general shaped peoples' experiences. Despite the many years since the end of the armed conflict people still struggle with broader socio-economic trends such as market constraints, inadequate and sometimes inefficient public service provision and other social tensions that impact their ability to stabilise their livelihoods. Some of these processes, such as demanding services requires action at a collective level rather than at an individual or household level. However, intra-community divisions such as caste (Silva, et al., 2018) are hindering collective action.

Weak responsiveness of Government, and lack of legal reforms to land legislation impacts the poorest households right to access land:

Matters related to land still remain under central government where it retains rights related to land tenure, transfer and alienation of land, land settlement, land use and land improvement . Provincial governments have very little power regarding land use given the failure to implement the 13th Amendment, which has implications for communities' in the North and East (CEPA, 2011; Saparamadu & Lall, 2014). This is further compounded by the lack of independence of institutions that oversee land issues due to political interference, i.e. decision making related to land alienation, development and resettlement in the North by the Presidential Task Force (PTF), and commissions related to land hearings that involved military

personnel (Saparamadu and Lall, 2014). The complexity of legal/policy frameworks, multiple legal and administrative provisions, and the lack of uniform regulatory framework and redress mechanisms creates barriers to address the land rights issues of conflict affected communities. (CEPA, 2011). For instance, Muslims claim to land in the North from which they were evicted in 1990, runs the risk of causing inter-communal tensions in places like Mannar, if mediation/conciliation processes and land regularization is not done properly. Muslims who were not able to claim land demarcated as being in the buffer zone after the 2004 Tsunami due to their absence also risk being landless, unless a new process for land alienation is not developed (CEPA, 2011). They are further marginalized by GOSL decisions to prioritize Tamil communities named as new IDPs due to conflict, over Muslims who were considered old IDPs evicted in the 1990s (Ibid).

The above issues are further aggravated by archaic laws such as the Prescription Ordinance No. 22 of 1871, an extremely important law in the context of armed conflict and displacement, as it sets out the time period after which a landowner may lose title due to ‘adverse possession’ of land in question by a competing claimant. If the GOSL does not make amendments to the law that exempts those displaced due to conflict or natural disasters, it runs the risk of making internally displaced Muslim and Tamil communities affected by forced evictions, and landlessness (CEPA, 2011).

The release of new regulations and circulars by central

“The knowledge and awareness about the land laws and rules is lacking here and we are not sure where to go to resolve our issues. We did not have the environment to learn about the land laws such as Thesewalamai. We only heard the noise of explosion. We want to learn about them. There were no land issues in Kallappadu North and South before” – FGD, Maritime Pattu.

Source: (CEPA, 2011)

authority, poor coordination between the centre and province, compounded by lack of knowledge on State laws and weak capacity of local officials, causes confusion and affects interpretation of new circulars and regulations that cause delays in addressing land disputes of communities living in the North and East (CEPA, 2011).

Communities' lack agency and voice when it comes to development agendas that directly impact their wellbeing: A key factor that is repeated is the lack of community participation in development related projects which creates inequality and marginalizes poor communities whether it is in relation to development induced displacement or creation of special economic zones and tourist zones in a post war context (Inadeen et al., 2012; Gunsekera, Phillips, and Nagraj, 2016). Lack of participation and consultation by government not just weakened community voice and affected their economic and social wellbeing, but further marginalized the poorest communities as noted in CEPAs research on Sampur's displaced communities, Passikudah tourist zones and urban low income settlements (Inadeen, et al., 2012; Saparamadu and Lall, 2014; CEPA, 2015; Gunsekera, Phillips, and Nagraj, 2016). Centralized decision making processes on resettlement and land alienation in the North by the Presidential Task Force (PTF) lacked transparency, participation of communities and stakeholders, and accountability given its non-official standing resulting in the government not taking displacement related vulnerability of IDPs into account when resettled or returned to their original lands (Saparamadu and Lall, 2014). Similarly, the lack of consultation, knowledge and centralized decision making by government that excludes the urban poor resulted in construction of apartment blocks that left communities' needs for collective spaces unmet, creating a built environment that was not conducive to nurturing a sense of community, enhancing personal and household wellbeing (Rathnayake, 2014; CEPA, 2015). The exclusion of the urban poor in planning processes that were geared towards systematizing of services and infrastructure, gentrification of urban areas for an expanding city to facilitate economic growth, further marginalized the urban poor (Rathnayake, 2014).

The lack of information, weak knowledge on rights and entitlements affects communities agency and voice making them more vulnerable to exploitation, as is the case with migrants seeking work overseas and in relation to land rights and tenure (Najab and Munas, 2014; CEPA, unpublished; Saparamadu and Lall, 2014). The lack of transparency, non-adherence of government to laws (i.e. using verbal communication methods that ignore land acquisition law requirements for adequate formal notice) also contributes towards compromising communities ability to voice opinions to gain adequate compensation for land, livelihoods and assets, such as Government's lack of commitment for public discussion regarding economic development, displacement and resettlement in the cases of Sampur resettlement, land allocation in the North and urban households in Colombo (Inadeen et al., 2012; Saparamadu and Lall, 2014; CEPA, unpublished).

Access and use of natural resources

The poor are more vulnerable to changes in environment whether due to climate change or other drivers:

Agriculture, which is the mainstay of food security and employs a large proportion of the rural population, relies on the environment for basic raw materials (i.e. land – soil, water and climate) for production of food (Fernando and Balasuriya, 2009). The degradation of our natural resources due to improper land/water management,

“At the previous location we used to keep our doors open. There were many (known) people around and there were no thieves. Now, there aren't very many people who open their doors. Although we keep our doors open it is scary since there are many thieves in the flat. If people keep their doors open and if people hang outside as previous location, thieves will not come” – FGD, Female – adults in Muwadora Uyana.

Source: (CEPA, unpublished).

heavy reliance of chemical additives to increase productivity, and climate change negatively affects the poorest households who rely on agriculture and natural resources to generate food and income (ibid).

Drought, severe rain and disruption in weather patterns adversely affect paddy and tea cultivation which impacts household income drastically. This is further exacerbated by current practices of input/output mono crop type cultivation that aggravates land degradation - while leading to climatic change impacting food security as well. (Gunetilleke, Kuruppu, and Goonasekera, 2008; Athulathmudali, Balasuriya, and Fernando, 2011). Recurring and increasing weather events are making agriculture livelihoods much more unstable. This means that they are not able to recover their investment, remain debt ridden and reliant on hand outs. Temporary migration – by the main income earners /typically the male farmer to nearby towns and cities further afield is becoming more common as a coping mechanism. This is helping to some extent with the short-term economic fallout but leading to disrupting family life, increasing incidences of substance use (Tennakoon et al, 2018). It is also increasing the burden, mainly of the women – who stay behind to manage families and look after the farms/other income sources. (Chandrarathna, et al., 2021),

Coastal communities are affected by storm surges, coastal erosion, and changes in salinity levels in estuaries and lagoons, depletion of wetlands, with the most vulnerable being beach seine fishing communities, near shore and traditional fishermen (Athulathmudali, Balasuriya, and Fernando, 2011). The vulnerabilities faced by fishers due to erratic weather conditions exacerbates existing issues among fishers – that are based on types of fishing practices, how regulations are enforced, the type of networks and influence each group can wield as well as transboundary politics.

Man-made impacts in the form of increased consumption patterns, poor waste management and enforcement of environmental laws to prevent pollution, increased urbanization and economic development negatively impacts the poorest household's health and wellbeing. In

Passikudah, the unregulated extraction of ground water resources by large scale resorts has affected the communities' ability to access water, with roughly 30% of households in Koralai Pattu having no access to water resources within 250 meters, while destruction to coral reefs affected fishery stocks and traditional fishermen's ability to earn an income (Gunsekera, Phillips, and Nagraj, 2016). Similarly, in Beruwela, Kalutara district, pollution of inland waters and beaches due to weak waste collection, seasonality/weather conditions have impacted tourism in the area, affecting informal tourist operators such as guest houses, souvenir sellers and tour operators' income (Athulathmudali, Balasuriya, and Fernando, 2011).

While climate adaptive livelihoods provide the poor with the ability to improve their income earning capacity, CEPA research found that household's short-term economic needs override other factors and make them unwilling to take risks related to switching to Climate Adaptive Approaches (CAA)., For example fishermen in Kalpitiya who received training in alternative non-destructive fishing techniques saw their income fall, while only paddy farmers who had bigger tracts of land were willing to experiment with traditional rice varieties, as they were able to absorb the risks (Athulathmudali, Balasuriya, and Fernando, 2011). Therefore, without adequate government support, adequate financial benefits, policies, resources and access to markets, the poor are less likely to consider CAA approaches (ibid).

As climate shocks and other environmental threats continue to take place it also leads to scarcity of the resources. As these resources fulfil multiple needs and for multiple stakeholders, scarcity can lead to conflict – when it is charged with other socio-economic and political conditions. Water is a prime example where scarcity is leading to increased insecurities and conflicts over sharing the resource. These can be for a specific time frame, within certain communities (i.e farmers in the dry zone during a drought) or they can span over districts over access and control (of irrigation water). They are also taking place when some have greater decision-making power than

others (caste/class dynamics in decision making fora, elite capture of resources). These tensions are fuelled not just by exposure to threat but also by the type of responses or adaptation strategies employed to deal with the problem in the first place. Thus addressing adaptation/building resilience have to be multi-pronged - addressing scarcity of the resource, equity of distribution and effective governing structures to manage the resource and reduce conflicts.

Concluding Remarks

From the above it is clear that poverty has many drivers and remains entrenched as a result of a convergence of factors across individual and household traits, as well as broader structural and governance features. While the combination of factors and their specific impacts on different demographic groups may vary, these bring out the complexity and multi-dimensionality of the drivers of poverty, and specifically inequality. Of particular note are the multiple impacts of social identities such as caste, ethnicity and gender that drive divisions both within and between communities. Such differentiations are seen in access to natural resources including land rights, key services such as education, development aid and critically, to opportunities to voice their needs in processes such as resettlement. It may be argued that the predicament of women is further intensified by their multiple marginalised identities of gender and ethnicity, etc. Such impacts also operate across scales, from gendered differences within households, to differences in how marginalised groups link with broader governance structures and processes.

The lack of social safety nets for the poor, specifically the elderly is a cause for concern as Sri Lanka's elderly population (60+ years) is expected to increase to 22 % by 2050 (Priyadarshana, 2012). For those who are casual wage labourers, the lack of pensions or social security will impact their ability to pay for medical care and daily living expenses as they age. As the country looks towards attracting foreign

direct investment, the poorest will need to compete for access to land, markets and employment, and the lack of power and agency will act as further barriers that widens inequality. Weak participation in development and planning, poor governance, lack of rule of law and weak responsiveness has affected the poorest, making it harder for them to benefit from economic growth. While the government in its Vision 2025 plans to improve education in the country, unless sufficient resources, infrastructure, and quality education and vocational training is provided to youth and children living in rural and remote areas, they will be unable to access the formal economy, pushing them further into poverty as they rely on casual labour. As demonstrated from CEPA's findings above, the multi-dimensionality of inequality is complex and requires a holistic approach to address the multiple factors that cause inequality and keeps households in poverty. As Sri Lanka looks towards increasingly becoming a part of a global economy, ensuring the poor can benefit from economic gains will be critical.

KEY SUMMARY

- ***Communities' limitation on accessing productive assets such as land pushes households further into poverty.*** Assets such as land act as collateral for credit, and protect households during unexpected economic shocks, and is important for households whose main source of income is directly linked to such assets. The loss of assets due to war, forced or voluntary resettlement, or development of infrastructure has negative impacts on overall wellbeing of households, and affects food security, income, health and in some cases education of children. Limitations on access to assets from economic development and urbanization has resulted in curtailment of traditional livelihoods, limited employment opportunities that create inequalities that marginalize the poorest households.
- ***Maintaining secure livelihoods remains a challenge for the poorest households*** due to lack of productive assets such as land. They are also noted to leave the formal educational system early (15-16 years) and this does not allow them to achieve adequate foundational skills to get to the more sophisticated technical jobs. Thus they are dependent on casual wage work whether agriculture or non-agriculture sector. Increased competition from larger and powerful economic players has marginalized poorer households as they are unable to compete. Even those working in low skilled formal sector work face insecure livelihoods and lack opportunities to engage in dialogue with employers.
- ***Location is of strategic importance to poor households*** as proximity to work, markets, enterprises and education form the basis of most poor households ability to earn a livelihood or gain access to skills/education and better opportunities. For women in particular distance and constraints on mobility affect their ability to access markets, education, jobs and livelihood opportunities.

- ***Inflation affects the poorest households adversely and contributes towards increased debt.*** As poor households are unable to save and invest in the future given rising inflation, inadequacy of income has led in many cases where households have borrowed beyond their means, increasing their debt.
- ***Weak access to education services, facilities, poor infrastructure, and high cost of vocational training and education*** means that the poorest households are unable to access these services. Inequitable access to education services for the poorest means that they are relegated to casual wage labour that provides insecure livelihoods.
- ***There are inequities in the distribution and access to health services for the poor.*** Although Sri Lanka has universal health care services, there are disparities in its distribution and access, thereby impacting the overall health status, specifically physical and mental wellbeing of the poorest households. The elderly are the most disadvantaged as they are negatively impacted by distance, lack of transport and mobility issues which are further aggravated by the fact that the poor are unable to afford medicines and health care.
- ***Weak social safety nets.*** As informal sector workers, the poor lack social safety nets such as retirement schemes, while the poorest who are engaged in formal sector work due to lack of knowledge on labour laws and their rights are unable benefit from formal sector schemes. The bending of labour laws by entities with more power and exploitation are some of the challenges faced by the poorest. Inequitable spread of Samurdhi schemes has also deprived communities in the North and East of access to welfare benefits and loan schemes.
- ***Weak government responsiveness, confusion regarding land tenure rights, interpretation of laws and regulations,*** and delays in re-issue of legal documentation to prove ownership of land has

left the poorest households who were directly affected by war and in the estates, vulnerable. Female headed households, widows and orphaned children are the most vulnerable as they are unable to secure their rights to land. This is further aggravated by the lack of a comprehensive land registry, as no systematic issue of documents and record keeping of permits and grants in DS offices happen, leading to delays and confusions regarding ownership of land.

- ***The lack of basic services and poor infrastructure widens inequality.*** Poor access to roads, transport, electricity, and water stifles the ability of the poorest households whether in rural, urban, estate or directly affected by conflict. The lack of infrastructure such as electricity affects education, health, and economic activity of sectors such as agriculture as they are unable to capitalize on cold storage facilities and other technology. Poor access to water affects the health and wellbeing of the poorest households, specifically women, children and the elderly.
- ***Cultural and social norms, traditional family values, patriarchal attitudes and skewed gender relations creates inequalities in women's ability to engage in employment, access education and services, engage in income generating livelihoods and face wage disparities regardless of geography or ethnicity. They also face challenges such as Gender Based Violence (GBV), sexual harassment at work and travel, impeding their ability to engage in employment and access education. Women face challenges in accessing productive assets given customary laws that discriminate against women, weak knowledge, lack of mobility and difficulties in accessing government services due to social norms. Laws that attempt to protect women also tend to have unintended consequences of worsening inequality as it prevents women with low education from accessing employment through migration. Socio-political barriers of what is acceptable employment for women also prevents them from accessing jobs in sectors such***

as tourism. Such cultural and social norms prevent women from accessing education and employment, delegating them to home based livelihoods and wage labour that acts as barriers to move out of poverty.

- ***Social norms and identity in terms of caste and class play a role in marginalizing the poorest in society***, which can trap them in a cycle of chronic poverty and social exclusion from which it is difficult to escape, limits opportunities to access education, employment, places of worship, public services and community life.
- ***Weak social networks and community cohesiveness worsens inequality***. Family and social networks provide economic security as family members' earnings contribute to common consumption, provide opportunities to obtain informal credit, access employment, apprenticeships and cushion economic shocks. Absence or breakdown of networks and structures during conflict, displacement or resettlement makes households vulnerable, creates insecurity and weakens community cohesiveness. This in turn weakens communities' voice and agency, when networks are disrupted. The lack of information, weak knowledge on rights and entitlements, compounded by the lack of transparency and non-adherence of government to laws, exclusion of communities from development programmes also contributes to weak agency and voice of the poorest communities.
- ***Centralized decision making on land rights impacts the poorest communities***. Complex legal/policy frameworks, multiple legal and administrative provisions, weak uniformity in regulatory frameworks and redress mechanisms, archaic laws, the lack of independence of institutions responsible for land issues, new regulations and circulars issued by central government, poor knowledge, coordination and capacity of government officials on State laws act as barriers to the poorest communities, specifically those who were directly affected by conflict from accessing land.

- ***The poor are more vulnerable to changes in environment whether due to climate change or other drivers.*** Degradation of our natural resources from improper land/water management, heavy reliance of chemical additives to increase productivity, and climate change negatively affects the poorest households who rely on agriculture and natural resources to generate food and income. Climate change acts as a threat multiplier to existing issues and further aggravates existing vulnerabilities or can create new ones if responses are not put in place with due consideration to a range of direct and indirect vulnerabilities. Although climate adaptive approaches to livelihoods can provide poor households with the ability to improve their income earning capacity, the risks of adopting these approaches are high, making households who are already poor unwilling to take on risks without adequate government support, without adequate economic incentives, policies, resources and access to markets in place. These interventions also have to be multi-pronged - addressing scarcity of the resource, equity of distribution and effective governing structures (to manage effectively and reduce conflicts)

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