

Poverty Issues in Southern Sri Lanka

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Foreword

This series of Poverty Briefs (No. 1 to 10) was produced for OXFAM Great Britain (GB) by the Centre for Poverty Analysis to provide a macro overview of key thematic areas relating to poverty, of relevance to Oxfam GB's work in Sri Lanka. They are specifically designed to provide Oxfam GB programme staff with insights into the major issues, concerns, and debates within these themes and their linkages and effects on poverty in Sri Lanka. They also aim to highlight potential areas for policy advocacy by Oxfam GB. This input was used in staff preparation for Oxfam GB's Strategic Review in August 2004.

Oxfam GB's mission is, to work with others to overcome poverty and suffering. Its current programme focus is on: Livelihoods and poor people's access to markets; Gender equality, empowerment and ending violence against women; Public health promotion and access to quality water and sanitation facilities; Emergency preparedness and response; Relationship building between and within communities; and Empowerment of the poor through building of Community Based Organisations.

The views and opinions expressed in the Poverty Briefs are those of the authors and do not necessarily reflect those of Oxfam GB or the Centre for Poverty Analysis.

This series of Poverty Briefs was prepared in mid 2004, prior to the events of the Tsunami on 26th December 2004. The context and issues discussed in some of the Briefs could have changed since then.

Poverty Issues in Southern Sri Lanka

1. Introduction

This brief¹ seeks to improve the understanding of poverty in the South by providing an overview of poverty indices and related aspects, impact chains, socio-economic indicators, key issues and trends and development interventions. The brief will look at the Southern Province as a whole, but will place particular emphasis on the districts of Moneragala and Hambantota.

The points of discussion in this brief encompass the characteristics of poverty in the region, reasons and causes of poverty, vulnerable groups and factors contributing to the persistence and/or reduction of poverty. It will also briefly analyse trends and challenges faced due to poverty, gaps in service provision and infrastructure. An analysis of relevant policies will be discussed in the latter part of the paper followed by recommendations and possible areas for advocacy.

2. The Region

The operational definition of ‘South’ within the parameters of this brief includes the districts of Galle, Matara and Hambantota which form the Southern Province and the district of Moneragala which is part of the Uva Province.² The Region comes under the purview of a designated ministry, the Ministry of Southern Region Development. At a macro level the administration of the Province is in the hands of the Southern Provincial Council (Moneragala comes under the Uva Provincial Council). However at meso and micro levels the central government agencies namely the District and Divisional Secretariats are responsible for administration.

¹ This discussion is informed by focused key person interviews with government officials in the Region which attempted to explore salient issues in detail.

² In this brief ‘Region’ refers to Galle, Matara, Hambantota and Moneragala whilst ‘Province’ refers to Galle, Matara and Hambantota

2.1 Livelihoods

Livelihoods in the Southern region are basically dependent on natural resources for sustenance. Ecologically, the districts of Galle and most of Matara in the west lie in the wet zone, Hambantota and part of Matara lies in the intermediate and dry zones, whilst Moneragala in its entirety lies in the dry zone.

Agricultural activity is carried out in tea smallholdings, rubber and cinnamon plantations in the hilly areas, coconut plantation and allied industries, i.e. - coir production, oil etc near the coast and paddy cultivation in river valleys and irrigated lands. Within the region a wide range of cropping systems reflect the climatic, soil and range of topographical variability. Agriculture which is carried out under major irrigation schemes or rain-fed conditions is the mainstay of the Southern economy. The percentages engaged in the agriculture, forestry and fisheries sector (classified as one sector in the Labour Force Survey) out of the total employed population in Galle, Matara, Hambantota and Moneragala are, 31.5%, 44.1%, 48.3% and 70.6% respectively.³ Country-wise the highest percentage for this sector is recorded in the Nuwara Eliya district (75.6%) and the lowest in the Colombo district (2.3%). Other subsystems in the region include home gardens and chena (slash and burn) cultivation. Fisheries are widespread along the coastal areas. Hambantota has the highest incidence of livestock rearing activity in the country. Moneragala is, for the most part, dependent on subsistence agriculture.

A few large and medium scale industries such as garment factories, cement, hydrated lime, brick and tile making, rice milling and plantation processing facilities and small-scale cottage industries (such as pottery and lace) are functioning in the region.

Chronic unemployment, low levels of income and high incidence of poverty, especially in the interior areas, characterise the Region. Despite recording the highest incidence of poverty in the country Moneragala has the lowest rate of unemployment at around 5.2%.⁴ The highest rate of unemployment in the island is recorded in Hambantota with a rate of 13.3%. Small scale land based agricultural activity is widespread in Moneragala owing to

³ Annual Report of the Sri Lanka Labour Force Survey, Department of Census and Statistics (DCS), 2002

⁴ Ibid

availability of arable land. In contrast salinisation and limited means of irrigation hinders the use of land in Hambantota.

Unlike the Western, Central and North Western provinces the Southern Province did not benefit from state implemented large-scale anchor projects which were part of the post 1977 phase of rapid economic growth. (Marga Institute 1988). The SIDA / NORAD funded Integrated Rural Development Project (IRDP) targeting Matara, Hambantota and Moneragala enjoyed a level of success and currently a substantial number of large-scale development interventions are on- going / in planning.

2.2 Demographics

As can be observed in Table 1 the population density is lower in the districts of Hambantota and Moneragala as opposed to the more developed districts of Galle and Matara where the density is much higher. The population of all four districts is predominantly rural.

Table 1: Population distribution and Human Development Index (HDI) Rank

District	Land area (Sq.) Km	Urban population '000/ 2001	Rural population '000 / 2001	Total population '000 / 2001*	Population Density (per sq. km), 2002**	HDI Rank 1994
Galle	1,617	110.7	879.9	990.5	618	11
Matara	1,270	64.5	696.7	761.2	606	15
Hambantota	2,496	21.7	503.7	525.4	212	9
Moneragala	5,508	-	200.6	396.2	73	16

Notes: *includes the estate sector. **provisional.

Source: various

From the 17 districts in Sri Lanka, for which information is readily available, Moneragala ranks the lowest in human development followed by Matara. The rankings of all four districts are lower than the national average.

2.3 Comparison of Poverty in the Southern Region

Headcount Index (HCI) measures the percentage of individuals in a given population whose standard of living lies below the poverty line. The Poverty Gap Index (PGI) measures the average shortfall between an individual's level of consumption and the poverty line.

As can be observed in Table 2, both the depth (PGI) and incidence of poverty (HCI) is the highest in the district of Hambantota. The districts in the Region reflect a high percentage of poor households when compared to the national average (it must be highlighted, though, that the computation does not include the districts in the North East) with the rate for Moneragala being the highest at 32.4%. As a whole the percentage of poor households in the Region has decreased. This trend excludes Hambantota, which shows marginal increase from 26.2% in 95/96 to 27.8% in 2002. In the Region both the depth (HCI) and incidence (PGI) of poverty are higher than the national average, except for Galle. There is wide variation across districts in the incidence of poverty (HCI) with Galle at 21.6%, Matara the next highest at 33.9% and Hambantota at 42.9%. There is no evidence of a wide disparity in depth of poverty.

Table 2: Poverty indicators

District	Percentage of poor households*		Poverty (2002)**		Mean per capita monthly income and expenditure for poor HHs per month in SLRs**	
	95/96	2002	HCI	PGI	Income	Expenditure
Galle	25.5	21.7	21.6	25.8	Rs. 1427	Rs. 1173
Matara	29.5	23.2	33.9	25.9	Rs. 1266	Rs. 1244
Hambantota	26.2	27.8	42.9	28.4	Rs. 1348	Rs. 1176
Moneragala	48.4	32.4	37.1	26.2	Rs. 1738	Rs. 1150
Sri Lanka	24.3	19.2	27.9	23.6	Rs. 1341	Rs. 1258

Source: * Official Poverty Line for Sri Lanka, DCS, June 2004

** Household Income and Expenditure Survey, 2002 (excluding North and East)

2.4 Comparison in Terms of Social Services

The distribution of primary health facilities is considerably widespread in the region but availability of auxiliary facilities (laboratories, clinics, pharmacies) especially in rural areas is limited. Though there are no great disparities in literacy rates, the quality

of education is not on a par with the more developed Western Province.

Table 3: Access and coverage of services

District	Infrastructure		Health		Education	
	% of HHs using electricity in 2002	Roads (A&B class), kms, 1995	Number of government health facilities, 2001	Medical Officers, Curative Services, per 100,000,	Adult literacy rate 2001	Number of schools, in 2002
Galle	70.3	468	30	412	92.9%	449
Matara	74.5	358	23	222	89.8%	381
Hambantota	53.7	386	23	134	89.1%	321
Moneragala	29.3	342	18	91	85.8%	259
Colombo	88.5	414	26	2466	93.6%	418
Sri Lanka	65.7	n/a	n/a	n/a	90.7%	n/a

Source: various

Table 3 shows that the Galle district has a higher number of roads than the Colombo district although it must be noted that Colombo has a greater number of A class roads. Likewise, in terms of health facilities Colombo has a higher number of teaching hospitals and beds. The wide disparity in the provision of health services is evident in the distribution of Medical Officers. Moneragala has 91 medical personnel per 100,000 whilst the most developed district, Colombo, has 2466. Moneragala records the lowest percentage of population using electricity in the country.

3. Poverty

3.1 Causes

Persistence of poverty in the agricultural sector can be attributed to the continued dependence on traditional means of livelihoods, lack of water for cultivation, limited impacts of irrigation schemes, seasonality of income and poor money management / reinvestment. Additionally growth in the sector has been slow, hampered by fragmented production, distorted and fluctuating market prices and inadequacy of water for irrigation especially in the dry zone areas of Hambantota. Escalation of social conflict after 1983 significantly slowed growth in the region and impacted negatively on employment owing to the subsequent decline of tourism. Another significant

reason for the persistence of high levels of poverty is the under developed infrastructure network in the region which limits the outreach of development interventions and retards growth of the industrial sector. Income generation is additionally hampered by the absence of effective institutional mechanisms to address credit needs and marketing arrangements.

3.2 Vulnerable Groups

Those living in rural areas in the Southern Region remain marginalised. High levels of unemployment among educated youth continue to impede the progress of this productive human resource. Continued deprivation has caused women to migrate internally or to the Middle East in search of employment with the accompanying social disruptions this produces. The innumerable small scale garment factories in the Region are another important source of employment for women but remuneration does not match the workload. In the tea small holdings sector, minimum wages and the labour intensive nature of work have led to poor standards of well being for workers. Unlike the large scale organised sector in the Central province, lack of trade unions means that wages, compensation, leave etc. are left to the discretion of the owners who in many instances try to circumvent stipulated laws. In the non-plantation agriculture sector landless labourers remain socially and economically marginalised. These groups have benefited little from improvement in aggregate macroeconomic conditions.

3.3 Impacts

Impacts of poverty are felt through limitations in access to basic amenities such as potable water, sanitation and energy, increased vulnerability, relatively high rates of morbidity and mortality and inability to obtain maximum benefits of state sponsored assistance schemes. Social marginalisation and restricted mobility results from the limited capacities of the unskilled workforce to move from traditional livelihood sources into more profitable areas of work, i.e. the service sector.

3.4 Trends

The growth of the southern economy in the early 80s led by the boom of tourism came to an abrupt halt with the onset of the separatist conflict, and the insurgency of the late 1980s. This had adverse negative effects on all sectors of the economy and livelihoods, disrupting production, marketing and industry. The conflict created a need for service personnel and, combined with the crippled local economy, led to an exodus of unemployed youth joining the armed forces. Today remittances from those employed in the armed forces form a considerable fraction of the income base of the southern (primarily rural) population.

3.5 Persistence of Poverty

The persistence of poverty in the Region can be attributed principally to a failure of irrigation schemes, natural shocks such as droughts (in the late 1990s) and floods (in 2003) and a failure of the existing economic policy framework to address regional level development. In non-plantation agriculture, gaps in the provision of services, low levels of access to technology, high prices of fertiliser and pesticides, fragmentation of land and distorted and unstable output prices have continued to keep returns of traditional agricultural crops low contributing to the persistence of poverty in rural areas.

4. Key Issues and Challenges

4.1 Economy

Weak economic levels in Moneragala, Hambantota and Matara can be attributed to the physical distance from Colombo which is the economic hub of the country. This is compounded by inadequate physical infrastructure, especially road networks and electricity which is a necessity for industries and production. The non-availability of sufficient markets and efficient channels of distribution are the key limiting factors faced by the production oriented rural development programmes implemented in the agriculture and industrial sectors. The absence of a lead investment project targeting the Southern region has been a constraint to harnessing the use of natural resources. In terms of livelihood assets human, social and in many instances natural capital is available but

their use is restricted owing to the lack of financial and physical capital. The economy of the Galle district, which is dependent on tourism and the port, was stagnant but now enjoys a boost after the influx of tourists following the signing of the MoU in 2002;⁴ growth escalation on such a scale is not recorded in the other districts.

4.2 Human Development

Human development has traditionally been high in Sri Lanka but intra province variations remain stark. For example the indices for Galle and Hambantota show wide disparities (See Table 1). Constraints such as weak infrastructure in roads and electricity, hampers coverage and access to services. Human Development Index rankings⁵ for the region are 0.736 for Galle, 0.705 for Matara, 0.742 for Hambantota and 0.692 for Moneragala which are all below the national average of 0.753. Moneragala ranks 17th in the country (the lowest). Provincially the Western province ranks 1st whilst the Uva province ranks 7th (excluding the North and East).

4.3 Unemployment

Unemployment rates are high in the region with the highest concentration among educated youth. The private sector is reluctant to diversify into the south as conditions are not conducive to the setting up of commercial activity. The Region lags far behind the Western province in terms of technological sophistication, communications and IT. Attempts made by the government to stimulate industrial growth have not had the desired effects. Avenues for self-employment and small-scale production cannot be fully explored owing to lack of support for such initiatives from lending institutions.

4.4 Isolation and Resultant Poverty

Those resident in the interior areas especially in the Hambantota and Moneragala districts and workers in the tea smallholdings sector, often remain outside planning

⁵ <http://www.srilankatourism.org/stats.asp>

⁶ National Human Development Report, UNDP, 1998 (excluding the North and East)

and aid distribution as the sector is not geographically contiguous, a factor which also constrains access to services such as health care and education which in turn exacerbates social exclusion. They are characterised by poor living standards, high drop out rates among the schooling population and limited social mobility.

5. Poverty Issues in the Moneragala and Hambantota Districts

5.1 Moneragala District

Moneragala and Badulla make up the Uva province which is at the bottom of the scale in relation to the Human Development Index and Components of Human Poverty.⁷ The district which is the second largest in Sri Lanka has a relatively low population density and an overwhelmingly rural population.

The principal reasons for the high levels of human poverty are unsustainable livelihoods, consistent exclusion from development processes owing to geographically separated settlements, lack of adequate social provisioning in electricity (the district reports the lowest percentage of households using electricity in the island), water and sanitation. The electricity supply network (national grid) has been slow to expand to the more remote areas of the district. The geographical climate of the district which is a dry zone area with low rainfall results in scarcity of water for drinking and agriculture. Despite this a majority of the population (74%) engages in farming activities which are dependent on rainwater, as ground water is scarce and not suitable for cultivation. Many are engaged in subsistence agriculture, predominantly paddy cultivation. Other cash crops include lime, bananas, cocoa, sugarcane and pepper. A sizeable percentage also engages in chena cultivation.

Deprivation combined with a lack of viable income generation avenues has resulted in people resorting to illegal activities such as cultivation and sale of cannabis, illegal felling of timber and brewing of moonshine.

In addition, the villages of Lahugala, Siyambanduwa, Kahambana, Buddhama and Athimale bordering the Ampara district were adversely affected by the secessionist conflict. Residents of these villages have been internally displaced as they moved to

⁷ Ibid

the interior to escape from terrorist attacks and skirmishes between the Army and the LTTE. Long term impacts of displacement are still felt as this populace deals with loss of livelihoods, land, resources etc.

The district has the largest concentration of NGOs (54 as of September 2003) but effects of development interventions have been minimal. A lack of awareness by the target populations of available assistance was cited as a reason for the ineffectiveness of these interventions.⁸ Problems of accessibility, connectivity, non-availability of quality infrastructure and poor quality of economic services contribute to both the persistence of poverty and low rates of success of development programmes that have been implemented. The district remains underserved because of lack of political representation. The government, in collaboration with the private sector, is exploring the potential for rubber cultivation as a means of optimising land use. At present a large percentage of arable land remains unused.

5.2 Hambantota District

Within the Southern province, the district is the most underdeveloped. Its location in the arid zone with the lowest levels of rainfall in the country means that it is subject to frequent and prolonged droughts. In 2001 alone, 105,001 families were affected by a severe drought. Over half (55%) of the population is dependent primarily on agriculture (97% of the total population in the district is rural). Many people cultivate seasonal crops and rear livestock as their main source of economic sustenance. Technical and financial support for allied industries (e.g. - curd production) is a much-felt need. Economic isolation from the rest of the country results from seclusion from main markets, poor quality infrastructure and service provision and poor equity and inclusion. In addition, restricted mobility hampers links with markets outside the district. A government official cited 'lack of water for farming, lack of knowledge, information and technology, low prices for production, limited access to markets and poor infrastructure, i.e. road network' as key causal factors for the persistence of poverty.

⁸ Field studies in Moneragala, Centre for Poverty Analysis (CEPA), various, 2003/2004

The district was the most affected by the JVP insurrections in 1971 and 1987. Approximately 20,000 women⁹ were widowed between 1987 and 1989 because of this conflict. The Ministry is currently drawing up plans for assistance programmes for this district which focus on support for small scale income generation activities.

The development and promotion of rural industries and service activities is required to develop the economy of the district. Successive governments have discussed construction of a port in the district but no work has commenced on this project. The port would open up opportunities for export-orientated production, which are now lacking because of the remoteness from the Colombo harbour and the poor roads linking Hambantota to Colombo.

At the meso level the Hambantota District Chamber of Commerce has 'Enterprise Development' as one of its focus areas. Other actors include the Janashakthi Banking Societies, Farmer Organisations and the Social Mobilisation Society. An industrial park and mini-export promotion zone have been established but the potential of these two ventures has not been fully exploited.

6. Policies and Interventions

The Ministry of Southern Region Development is responsible for identifying development needs in the region, developing policy and collaborating with donors. The Southern Development Authority is an autonomous body which is responsible for implementing state sponsored programmes and works at a micro level. The Export Processing Zone (EPZ) in Koggala and industrial estate in Weligama were established by the government in order to stimulate industrial growth.

The state sponsored social assistance scheme 'Samurdhi' (prosperity) initiated in 1995 is the frontline national poverty alleviation programme. In 2001 the percentage of families receiving Samurdhi allowances in the region are: Galle - 48.16%, Matara - 54.01%, Hambantota - 59.54%, Moneragala - 62.33%, (ADB, 2001). Moneragala has the highest percentage of Samurdhi recipients in the country.

⁹ Findings of a survey conducted by the Ministry of Southern Region Development

Politicisation of the programme, bias in selection of recipients and managerial inefficiencies weaken the success of the programme island wide. Revamping the programme is on the agenda of changes to be implemented by the newly elected government.

Particular development initiatives for the Region are detailed below:

- The Regional Rural Development Banks Scheme sponsored by the Ministry of Finance and Planning and the Central Bank, cater to the credit needs of rural farmers and entrepreneurs; banks have been established in all districts of the region.
- The ADB/JICA funded Southern Transport Development Project which was approved in 1999 commenced the construction of a new southern highway linking Colombo with Galle and Matara. The project is due for completion in 2008. The ADB also funded the Southern Province Regional Economic Advancement Project (SP-REAP) to stimulate economic growth and create income and employment opportunities. Objectives include providing enterprise development services and micro finance, upgrading and maintaining roads and market infrastructure essential for development. The project is due for completion in 2008.
- Implementation of the Second Revolving Fund Credit Scheme of the Southern Province Rural Development Project (SPRDP) commenced in 2003 with an allocation of SLRs 200 million for refinancing of Participatory Credit Institutions (PCIs). The Scheme is intended to continue the credit activities of the ADB funded SPRDP which was completed in 2000.
- The first phase of the Community Development and Livelihood Improvement 'Gemi Diriya' project funded¹⁰ by the World Bank intends 'enabling the communities of Uva and Southern provinces to build and maintain accountable and self-governing institutions and to manage sustainable investments.' At a glance the focus and methodologies seem to be influenced by the participatory paradigm which is at the forefront

¹⁰ Loan date – March 30, 2004, though not explicitly stated implementation is subject to approval by the new government

of the current local development discourse. Whilst the positives of ‘participation’ remain undebated, it should be channelled more towards actual activation and implementation.

- The UPFA government has outlined its development plans for the South, which focuses on small-scale development projects, land allocation, provision of market facilities and support for value addition of exports. The government states that the benefits of macro level interventions will need at least a three-year span for impacts to be felt, hence they have focused on domestic level development based on immediacy of need.

7. Recommendations and Potential Areas for Advocacy

Improvement of Rural Credit Facilities

Poor and unsteady incomes and low savings make the dependency on credit a necessity. Despite the availability of government financial facilities and institutions, preference for the informal sector remains high owing to the documentation and collateral needed by state institutions. Private commercial banks are widespread but are reluctant to grant loans to farmers and small holders; their participation and arrangements for a more flexible line of credit will support and sustain rural income generation activities.

Ensuring Equitable Access to New Technologies and Markets

Availability and implementation of new, technologically advanced methods would help SMEs to improve and upgrade their products thus putting them on a level playing field with their competition. Ignorance of market conditions and strategies, owing to poor availability of communication channels keeps them within the framework of local markets and does not permit access to niche markets, which are vital especially to the extensive crafts industry in the region.

Infrastructure Development

Development and expansion of existing physical and institutional infrastructure is necessary to encourage the interest and participation of the private sector and raise the standard of living. It will create opportunities for production and optimise use of resources i.e. - natural assets, educated human capital.

Small / Micro Enterprise Development

The south is known for entrepreneurship and this attribute should be capitalised. A comprehensive assistance approach that integrates technology transfers, training of skills, provision of credit, quality control and support for marketing is required. Inter-sectoral linkages between small, medium and large-scale enterprises, banks and other organisations would further strengthen this sector, which is already active.

Optimisation of Resources

Lack of water for cultivation and even for consumption in areas such as Moneragala highlights the need for a systematic plan for increasing the viability of the network of small tanks and reservoirs. Development of large, presently under-productive lands by increasing cropping intensity and yields is key to increasing agricultural production and rural incomes. The Ministry has outlined plans for the development of tourism capitalising on the Region's archaeological sites such as the Fort and temples, waterfalls, places of worship and wildlife and bird sanctuaries.

A Bottom up Approach in Policy and Planning

Development interventions are macro in focus and this means that often pockets of poverty are overlooked. Specificities of target areas such as population composition, geography and ethnicity should be taken into account in project planning.

References/ Further Reading

GTZ - PCIA Study, Southern Project, IMCAP, Development Studies Institute, University of Colombo

Southern Province in Figures - 2000, Provincial Planning Secretariat, Southern Provincial Council

