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# Poverty Situation and Policy in Sri Lanka

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## Abstract

The paper looks at the current poverty situation in Sri Lanka and shows that poverty has declined little during the 1990s. Poverty is characterized by regional and sectoral variation with marginal decline in income inequality. Despite the existence of a number of safety nets for the lower income groups, the poor seem to be highly vulnerable to income fluctuations. The paper looks at the problems of existing poverty-related strategies and the political economy factors that are influencing them. The impediments for the effective operation of poverty-related strategies are both structural and political and are also due to inadequate market liberalization. Due to the prevailing macroeconomic situation and the on-going war, the government is reluctant to undertake reforms that may be costly in the short run. Depoliticization of the poverty program and structural and market reform will go a long way in making the existing poverty-related programs more effective and in addressing the problem of poverty in Sri Lanka. There seems to be a recognition of this fact in the government's latest "Framework for Poverty Reduction" policy paper.

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