

# Universal Child Benefits: transforming the lives of children across South Asia

Stephen Kidd, Diloá Athias and Anh Tran

Working Paper  
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# UNICEF REGIONAL OFFICE FOR SOUTH ASIA

## **Universal Child Benefits: a proposal to transform the lives of children across South Asia**

Working Paper

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# **Universal Child Benefits: a proposal to transform the lives of children across South Asia**

Working Paper

## Summary

Across South Asia, children are largely excluded from national social security systems. As a result, families are unable to adequately support the development of their children and are vulnerable to the daily crises that threaten to undermine their standards of living. Indeed, most families in South Asia have been unable to weather the shock of the COVID-19 crisis, which has resulted in a significant deterioration in child wellbeing through the region and threatens to reverse many of the gains made in growth and prosperity during recent years. Countries in South Asia risk undermining their economies if they do not invest in children. If the health, nutrition and learning of children is to be enhanced, it is critical that an imaginative solution is found to the challenge of widespread low incomes.

This paper presents analysis that demonstrates the urgency of all countries in South Asia to invest in social security for children, in line with the Convention on the Rights of the Child. It presents options for Universal Child Benefits (UCBs) across Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka, with simulations of their potential costs, coverage and impacts on poverty and consumption. While the best UCB option would be to offer it immediately to all children (0-17 years), this is unlikely to happen due to concerns about fiscal space. However, a feasible approach would be to introduce a UCB initially at a relatively low cost, by providing a benefit to the youngest children, with the age of eligibility expanding over time: no child would be taken off the scheme until they reach their 18<sup>th</sup> birthday. This paper presents three options based on different eligibility ages in the first year of implementation: 0-2 years, 0-5 years, and 0-9 years.

This paper shows that it is possible for all governments in South Asia to introduce a UCB immediately. The impacts on child wellbeing would be significant amongst the poorest families but also among those on middle with low and insecure incomes. In all countries, the UCBs would reach a high proportion of the population – either as direct or indirect recipients – given that children are found in most households. This would vastly improve food security among recipient households and have significant impacts on national child poverty, while reducing inequality across the region. If families spent the benefit only on children, this could make a major difference to their lives, improving their nutrition and enabling families to invest in other activities that are conducive to children’s learning, including their home environment, thereby enhancing educational outcomes.

## *Summary*

The COVID-19 crisis makes it vitally important for countries to find the fiscal space to invest in UCBs, as it would support both economic recovery and provide essential financial assistance to families across South Asia. For countries with relatively low gross debt, such as Bangladesh and Nepal, borrowing to finance a UCB could be a sensible investment, given the benefits that countries would derive from its implementation. Furthermore, if countries borrowed to fund the first year of the UCB implementation, increase in gross debt would be negligible (without significantly worsening countries' finances or debt servicing requirements) and the economy would be boosted as consumption increases.

The benefits of a UCB would go beyond those directly experienced by children in the short-term. Its introduction would provide a short and long-term boost to national economies and the national level impact will be the strengthening of national social contracts. Given that most households will begin to receive cash on a regular and predictable basis, their trust in government will grow. As has happened elsewhere, this should result in a stronger social contract which, over time, is likely to encourage citizens to pay higher taxes. As government revenues grow, they will be able to increase their investment in all public services, in particular in health and education.

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## Acronyms

4P	Pantawid Pamilyang Pilipino Program (The Philippines)
ADB	Asian Development Bank
AHS	Annual Household Survey (Nepal)
BDT	Bangladeshi Taka
BF	Bolsa Família (Brazil)
BISP	Benazir Income Support Programme (Pakistan)
CA	Childcare Allowance (Uzbekistan)
CGE	Computable General Equilibrium
COVID-19	2019 Novel Coronavirus Disease
CRC	Convention on the Rights of the Child
CSO	Central Statistics Organisation (Afghanistan)
DA	Disability Allowance (Sri Lanka)
DFID	Department for International Development
FA	Family Allowance (Uzbekistan)
GDP	Gross Domestic Product
HIICS	Household Integrated Income and Consumption Survey (Pakistan)
HIES	Household Income and Expenditure Survey (Bangladesh, Maldives, Sri Lanka)
ICF	Inner City Fund (ICF International Inc.)
IHDS	India Human Development Survey
IIPS	International Institute for Population Sciences (India)
IPC-IG	International Policy Centre for Inclusive Growth
ILO	International Labour Organization
IMF	International Monetary Fund
INR	Indian Rupee
LKR	Sri Lankan Rupee
MBS	Mi Bono Seguro (Guatemala)
MOH	Ministry of Health
MoHFW	Ministry of Health and Family Welfare (India)
MVR	Maldivian Rufiyaa
NCD	Non-Communicable Disease
NFHS	National Family Health Survey (India)

## Acronyms

NIPORT	National Institute of Population Research and Training (Bangladesh)
NIPS	National Institute of Population Studies (Pakistan)
NPR	Nepalese Rupee
NREGA	Mahatma Gandhi National Rural Employment Guarantee Act (India)
NSAP	National Social Assistance Program (India)
NSER	National Socio-Economic Register (Pakistan)
NSIA	National Statistics and Information Authority (Afghanistan)
Nu.	Bhutanese Ngultrum
OAP	Old Age Pension (Bangladesh)
OAA	Old Age Allowance (Sri Lanka)
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OPHI	Oxford Poverty and Human Development Initiative
PESP	Primary Education Stipend Project (Bangladesh)
PKH	Program Keluarga Harapan (Indonesia)
PKR	Pakistani Rupee
PPP	Purchasing Power Parity
Rs.	Indian/Pakistani Rupee
SDG	Sustainable Development Goal
SESP	Secondary Education Stipend Project (Bangladesh)
Tk.	Bangladeshi Taka
UCB	Universal Child Benefit
UDHR	Universal Declaration of Human Rights
UNDESA	United Nations Department of Economic and Social Affairs
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Fund
US\$	United States Dollar
WEO	IMF World Economic Outlook (database)
WFP	World Food Program
WHO	World Health Organization



# 1 Introduction

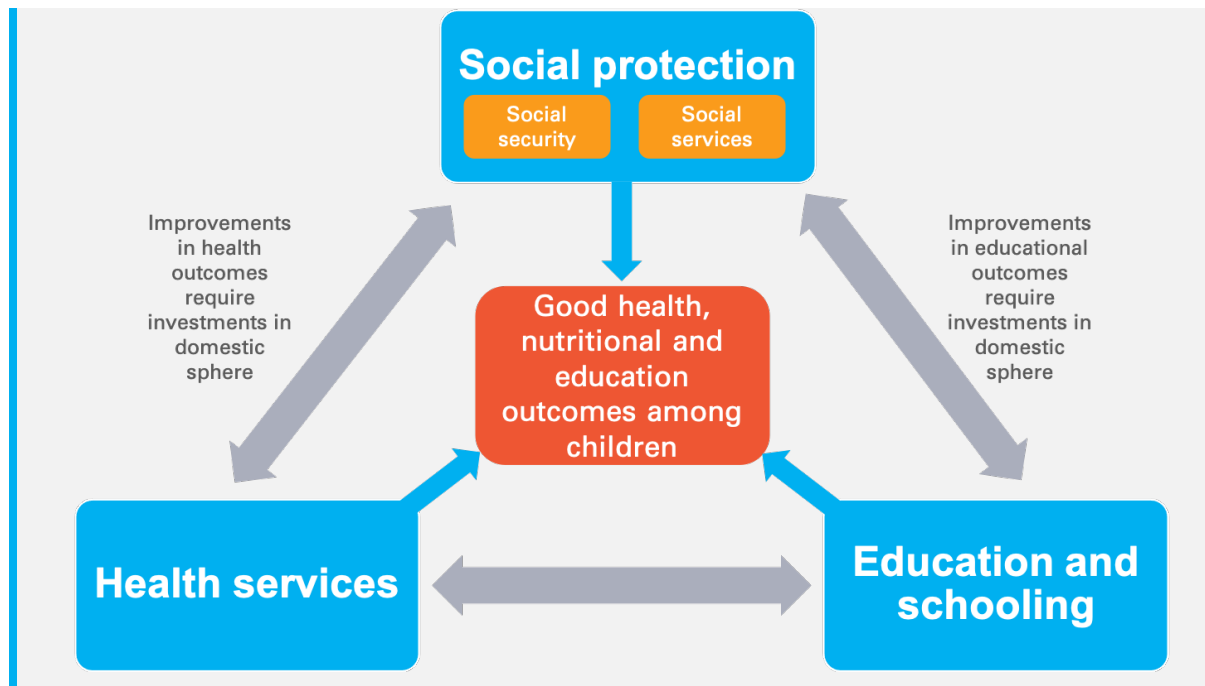
In the 21<sup>st</sup> century all children should be given the opportunity to flourish and no child should grow up hungry. Yet, in too many countries children do not benefit from a healthy diet, good quality education and a protective, caring home environment. In 1948, nations came together and agreed the Universal Declaration of Human Rights which stated: ‘Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.’<sup>1</sup> Over 70 years later, much still needs to be done to ensure that all children benefit from every right to which they are entitled.

It also makes economic sense for countries to invest in their children. Countries depend on a healthy population and skilled workforce to be competitive in global markets and achieve sustainable economic growth. Investments in children, through public services such as health, education and social security, enable children to maximise their potential in education and the labour market. Indeed, as Figure 1-1 indicates, if countries wish to achieve good education and health outcomes among children, they must also invest in social protection, including both social security and social services. While it is essential to ensure free access for all children to high quality schooling and health services, this alone will not achieve adequate health and education outcomes if families lack sufficient income to invest in their children’s wellbeing. The poor diets experienced by many children globally undermine both their health and education and in addition, if parents are too poor to offer their children time and attention – as well as activities to stimulate their minds alongside a peaceful home environment – child development will be hindered. The most vulnerable children – in particular those with disabilities – also require additional support from social services, including trained social workers.

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<sup>1</sup> United Nations (1948).

**Figure 1-1: Investments by government in core public services to achieve health, nutritional and education outcomes among children**



Source: Development Pathways

There exists a wide body of evidence on the positive impacts of social security and higher incomes on child development. Indeed, the Convention on the Rights of the Child (CRC) has stated clearly, in Article 26, that it is the right of every child to access social security while Article 6 sets out that: “States Parties shall ensure to the maximum extent possible the survival and development of the child.”<sup>2</sup> So, when families are unable to obtain sufficient income from the fruits of their labour to provide their children with an adequate standard of living – another basis human right which is stipulated in Article 27 of the CRC – it is the obligation of the state to step in and offer families additional income from social security.<sup>3</sup>

One of the most effective means of supplementing family incomes to underpin an adequate standard of living is through child benefits, which enable the State to provide parents (or caregivers) with a regular and predictable cash income to invest in and care for their children. The only way of guaranteeing that all children are reached, including the poorest, is through a Universal Child Benefit (UCB). Children with disabilities, who face the greatest challenges, should also be able to access Universal Child Disability Benefits.

<sup>2</sup> UNICEF (1989).

<sup>3</sup> UNICEF (1989).

## 1 Introduction

However, as this paper will show, across South Asia most children and their families are unable to access any form of social security, despite the vast majority living on low and insecure incomes. As a result, families are unable to adequately support the development of their children and are vulnerable to the daily crises that threaten to undermine their standards of living, never mind large-scale shocks affecting whole regions or nations. Indeed, most families across South Asia have been unable to weather the shock of the COVID-19 crisis, which has further undermined child wellbeing.

Building on a previous paper published by the UNICEF Regional Office for South Asia which built the case for emergency UCBs during the COVID-19 crisis,<sup>4</sup> this paper presents analysis to demonstrate the urgency of all countries in South Asia to invest in social security for children, in particular through UCBs. Section 2 examines the rationale for UCBs in South Asia, focusing on the challenges faced by children and their families. Section 3 looks at the extent to which children can access current social security systems in the region while Section 4 briefly summarises the global experience with UCBs, following their first use by a country in 1944. Evidence on the potential costs and impacts of UCBs on South Asia's children are presented in Section 5, while Section 6 considers how the fiscal space can be found for their introduction. Section 7 concludes the report.

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<sup>4</sup> See Kidd, Athias, et al. (2020), available at: <https://www.developmentpathways.co.uk/publications/emergency-universal-child-benefits-addressing-the-social-and-economic-consequences-of-the-covid-19-crisis-in-south-asia/>.

## 2 The rationale for Universal Child Benefits in South Asia

There are around 600 million children in South Asia, most of whom live in families struggling to give them the upbringing they deserve.<sup>5</sup> This section examines the rationale for investing in UCBs across the region, focusing on the challenges experienced by children across South Asia and the potential demographic dividend that could be achieved if governments were to allocate adequate resources to the region's children.

### 2.1 Challenges faced by children across South Asia

This section examines the challenges of low incomes, undernutrition and poor health, as well as inadequate educational outcomes experienced by the children of South Asia. It also considers the specific challenges faced by children with disabilities.

#### 2.1.1 Low incomes among South Asia's children

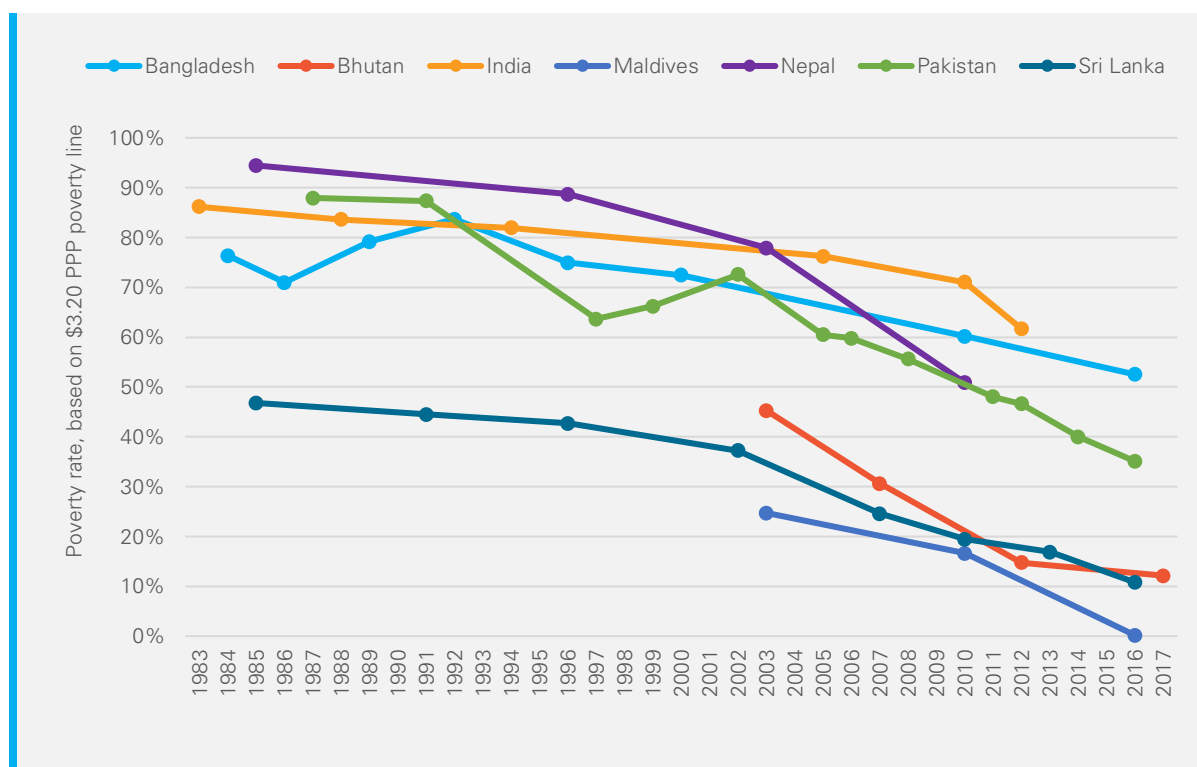
In recent decades, South Asian countries have made good progress in tackling extreme poverty. Figure 2-1 uses the international US\$3.20 per day poverty line, in purchasing power parity (PPP) terms, to show poverty rates since the early 1980s across most of the countries in South Asia. In all countries, there has been a positive downward trend, which means that the lives of many children have improved. Nonetheless, it is noticeable that Bangladesh, India and Nepal have not yet reached the level that Sri Lanka was at in 1985.

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<sup>5</sup> UNICEF (2020).

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-1: Changes in poverty rates across South Asia by year, using the US\$3.20 (PPP) poverty rate**

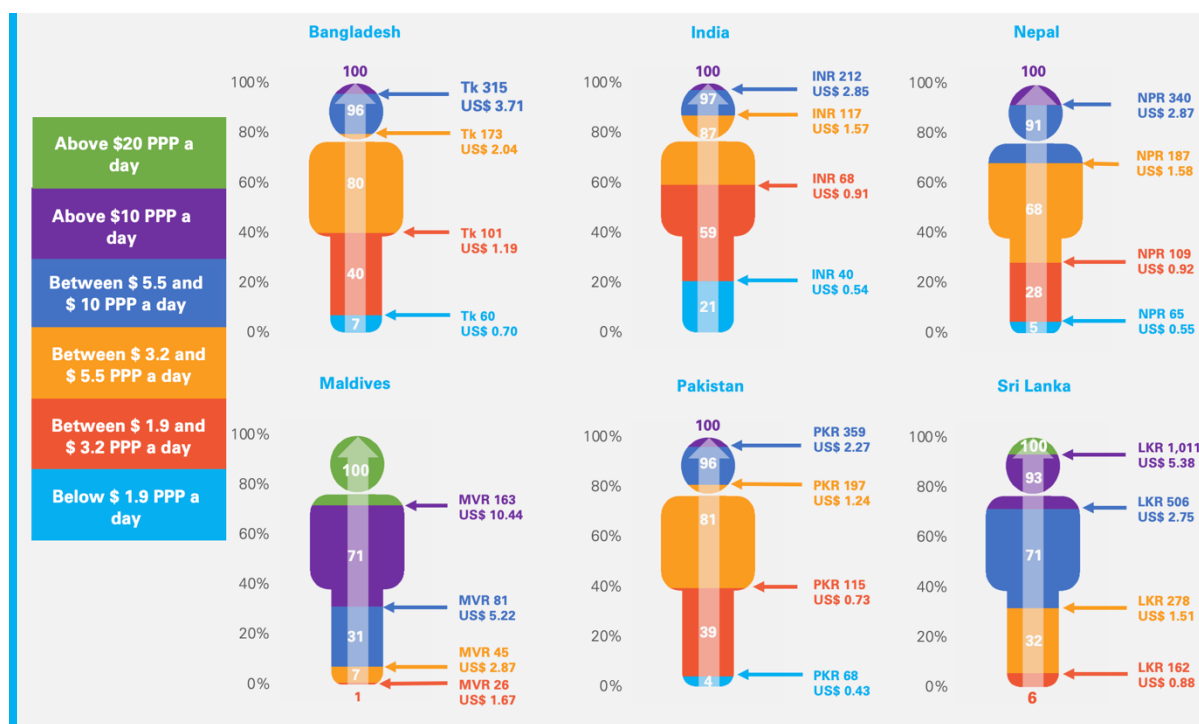


Source: World Bank Povcalnet, available at: <http://iresearch.worldbank.org/PovcalNet/>.

Despite this encouraging progress, the vast majority of children in South Asia are still being raised by families living on low incomes. As Figure 2-2 shows, across almost all countries, most children are living under US\$5.50 per day when measured in terms of purchasing power parity (PPP). While this may seem relatively high, when it is translated into national currencies and actual dollars, it seems a lot less. For example, in India, 90 per cent of children live on less than US\$1.57 (INR117) per day, in Bangladesh, 80 per cent live on less than US\$2.04 (Tk173) per day, and in Sri Lanka, 75 per cent live on less than US\$2.87 (LKR506) per day (which, in the case of the latter, is the equivalent of US\$10 PPP). Most children live with families who are in precarious employment in the informal or subsistence economies, resulting in incomes that are low and highly insecure. As will be discussed below, these incomes have fallen considerably during 2020 as a result of COVID-19.

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-2: Proportion of children living under different levels of per capita consumption across a selection of countries in South Asia<sup>6</sup>**



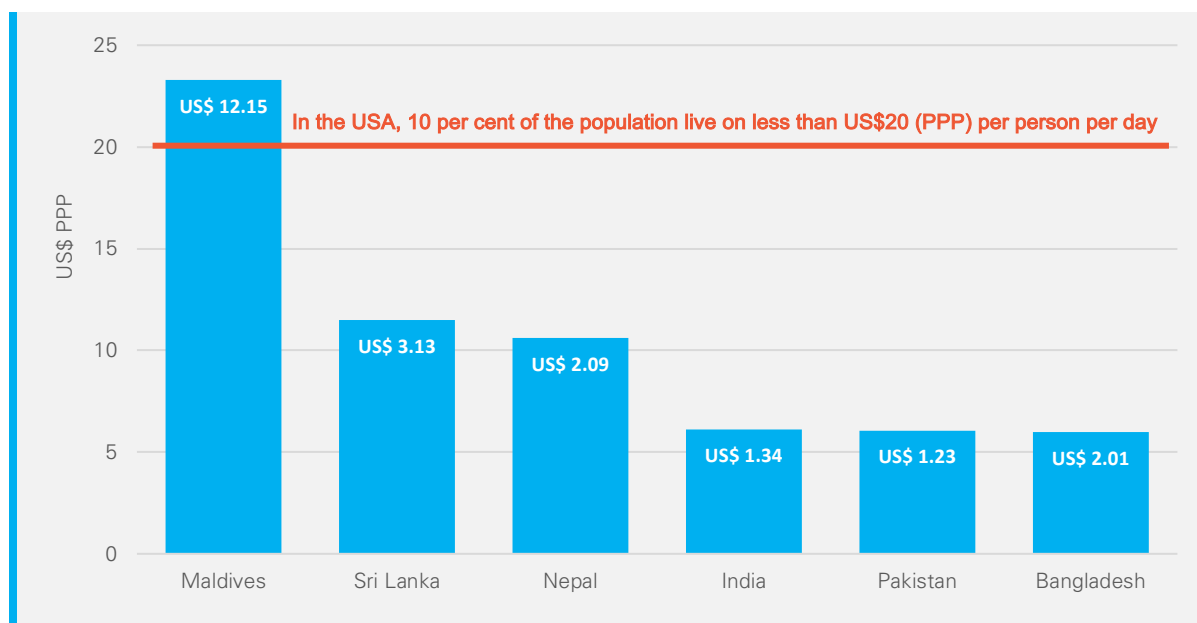
Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

Another way of looking at the challenge of widespread low incomes across South Asia is to compare those considered to be the region's richest families with the poorest families in high-income countries, such as the United States. Figure 2-3 indicates the per capita daily consumption in purchasing power parity (PPP) dollars of those who were living on the 75<sup>th</sup> percentile across seven countries in South Asia prior to COVID-19, comparing it to the per capita daily consumption at the 10<sup>th</sup> lowest percentile in the United States, which is around US\$20 PPP. It shows that the vast majority of the population in South Asia is living on much less – in comparable living standards terms – than the very poorest families in the United States. Yet, it is widely recognised that the poorest families in the USA are in desperate need of social security.

<sup>6</sup> Different thresholds are used to assess the proportion of children living under different levels of per capita consumption in the Maldives and Sri Lanka, starting from \$3.20 PPP and \$20.00 PPP, in comparison to the other countries in the region where the proportion living above \$20.00 PPP is too small to include.

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-3: Per capita daily consumption figures – in PPP dollars and nominal dollars (in white text, within the bars) – for those at the 75<sup>th</sup> percentile of the population for countries in South Asia, compared to the consumption of those at the 10<sup>th</sup> percentile in the USA**

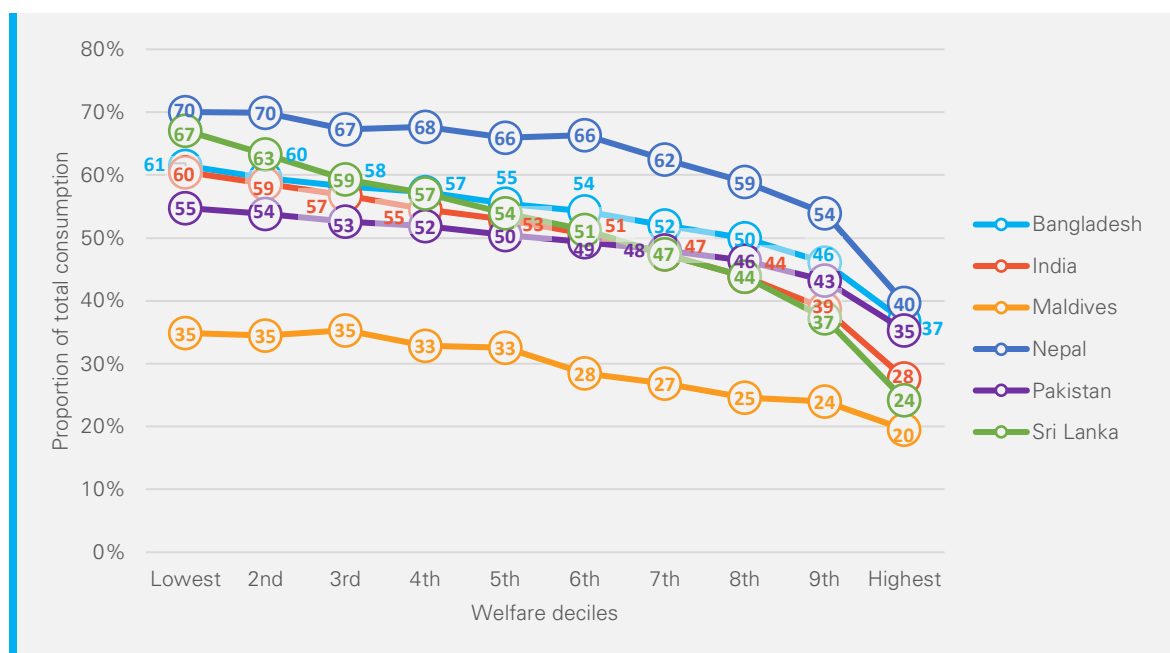


Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

A further indication of South Asia's widespread low incomes is the proportion of overall expenditure that households consume on food. In most high-income countries, households spend, on average, less than 15 per cent of their income on food. Yet, across South Asia, the proportion is much higher among households with children: it is 48 per cent in Bangladesh, 43 per cent in India, 25 per cent in the Maldives, 62 per cent in Nepal, 30 per cent in Pakistan and 39 per cent in Sri Lanka. Further, as Figure 2-4 indicates, it is only among the richest 10 per cent of the population that the proportion comprising food expenditure falls although, even then, it is still much greater than in high-income countries, indicating that it would be premature to refer to everyone in this group as 'rich.' Among those in the poorest half of the population in Bangladesh, India, Nepal, Pakistan and Sri Lanka, food consumption is above 50 per cent of household expenditures. As a result, families have little available to invest in their children beyond basic (and often inadequate) nutrition.

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-4: The proportion of total consumption spent on food across households with children, by welfare deciles**



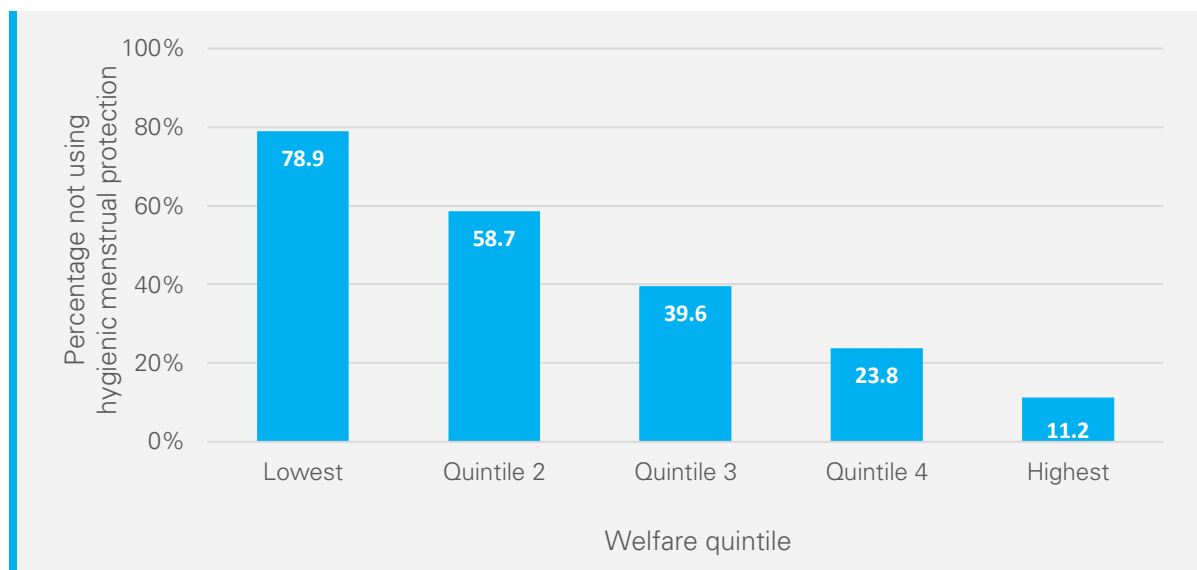
Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

A particular challenge facing girls in South Asia – although one that is rarely discussed – is access to adequate menstrual protection. In India, for example, 42 per cent of girls aged 15-19 years do not use hygienic menstrual protection, and the proportion may well be higher among younger girls.<sup>7</sup> This is likely due to the cost of purchasing menstrual protection, given that there is a strong correlation between a higher rate of hygienic menstrual protection and greater wealth, as indicated by Figure 2-5. Among Indian families in the lowest wealth quintile, nearly 80 per cent struggle to regularly purchase good quality sanitary products for their daughters. Inadequate menstrual protection can also be a reason for girls not attending school, so it is particularly important to address if they are to realise their full potential. One answer is to increase family incomes through a UCB.

<sup>7</sup> IIPS & ICF (2017)



**Figure 2-5: Proportion of girls in India aged 15-19 years not using hygienic menstrual protection, by welfare quintile**



Source: IIPS & ICF (2017)

### 2.1.2 Nutrition among children

It is well-established that the first 1,000 days of life (roughly between conception and the second birthday) are critical to a child's development.<sup>8</sup> It is a unique window of opportunity when the foundations of optimum health, growth, and brain development across the lifespan are set. However, if, during this period, children suffer from poor nutrition, which causes them to be stunted, research indicates that they may never fully recover and will experience, on average, a 26 per cent reduction in lifetime earnings. In some contexts, this can lead to a loss in gross domestic product (GDP) that is double what some countries currently spend on healthcare.<sup>9</sup> Other research has indicated that scaling up effective interventions in early childhood development in countries across the Global South to address malnutrition is likely to yield long-term benefits of US\$3 for every US\$1 invested.<sup>10</sup> A UCB is a very effective means of tackling stunting.

Prior to COVID-19, children throughout the region were already facing the detrimental effects of poor nutrition. A total of 7.7 million children below the age of 5 years in South Asia suffered from severe wasting while 33 per cent, or 56 million, were stunted, with 40 million living in India (see Figure 2-6).<sup>11</sup> As discussed in Section 2.1.5, the COVID-19 crisis

<sup>8</sup> Cusick & Georgieff (n.d.)

<sup>9</sup> Richter et al. (2017)

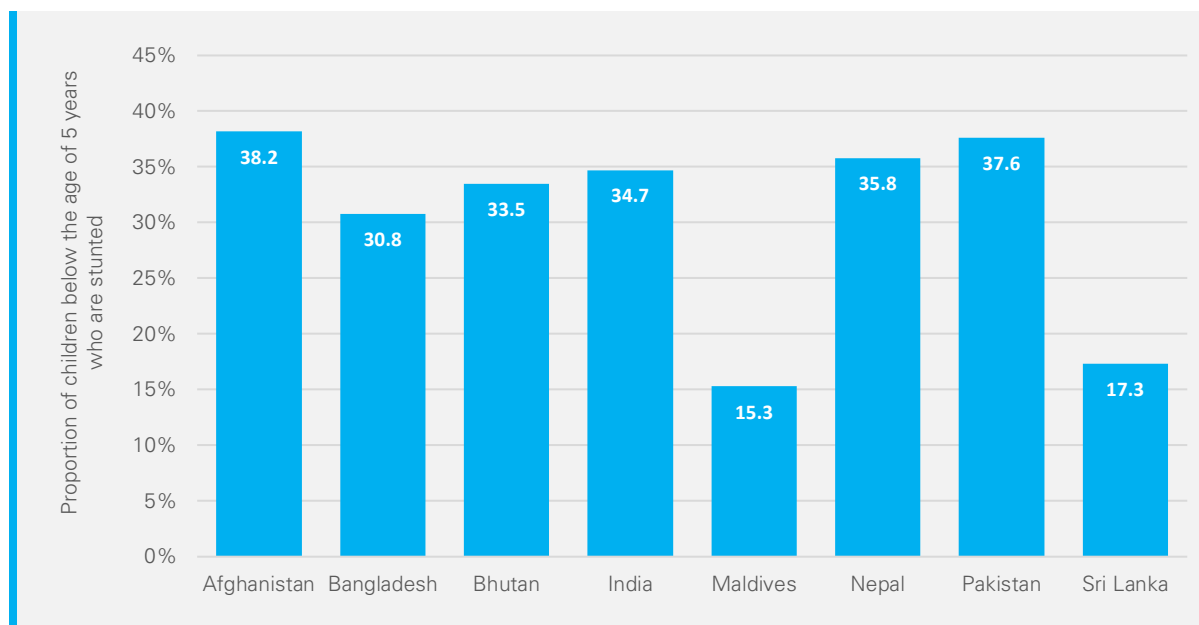
<sup>10</sup> Fink et al (2016).

<sup>11</sup> UNICEF (2020).

## 2 The rationale for Universal Child Benefits in South Asia

will likely lead to a significant further deterioration, with family incomes falling dramatically. In Afghanistan, for example, the number of children experiencing severe wasting rose by 15 per cent during 2020.<sup>12</sup>

**Figure 2-6: Percentage of children below the age of 5 years who are stunted, by country**



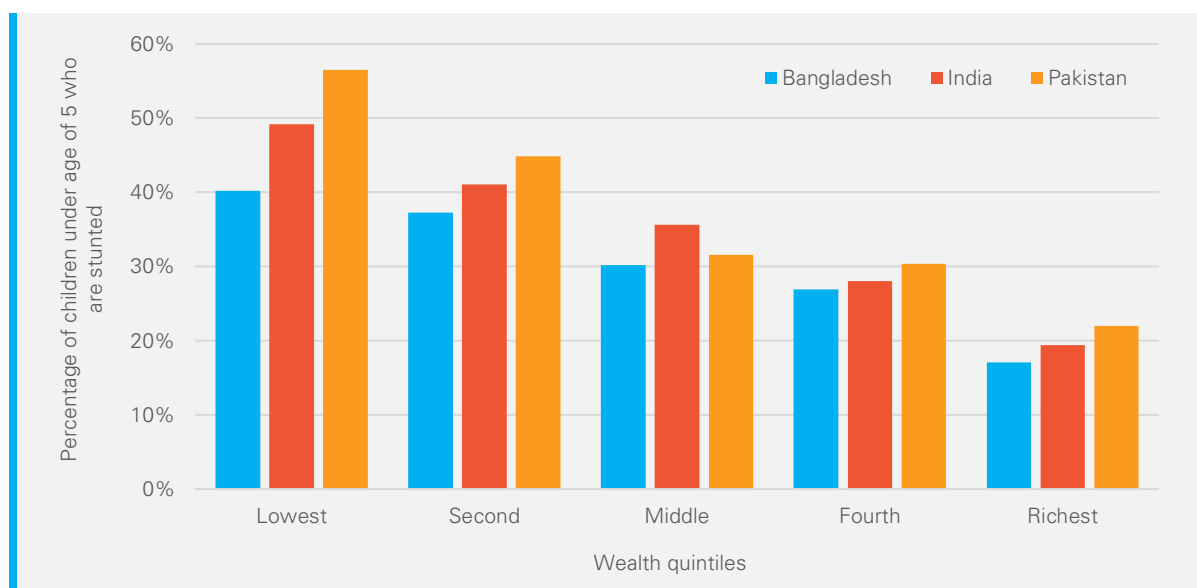
Source: UNICEF Multiple Indicator Cluster Survey (Afghanistan, Bangladesh, Bhutan, India, Sri Lanka); MOH Nepal et al. (2017); MOH Maldives & ICF (2018); and NIPS & ICF (2019)

It is important to note that stunting affects children across all economic classes, as shown by Figure 2-7 which examines Bangladesh, India and Pakistan (and a similar pattern can be found in other countries in the region). This is further evidence that incomes are low across most families in South Asia and demonstrates the need to provide financial support, not just to the poorest children, but to all children.

<sup>12</sup> UNICEF (2020).

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-7: Stunting rates across the welfare distribution in Bangladesh, India and Pakistan**



Source: UNICEF data, retrieved from: <https://data.unicef.org/topic/nutrition/malnutrition/>; MoHFW India et al. (2019); NIPORT & ICF (2019); and NIPS & ICF (2019).

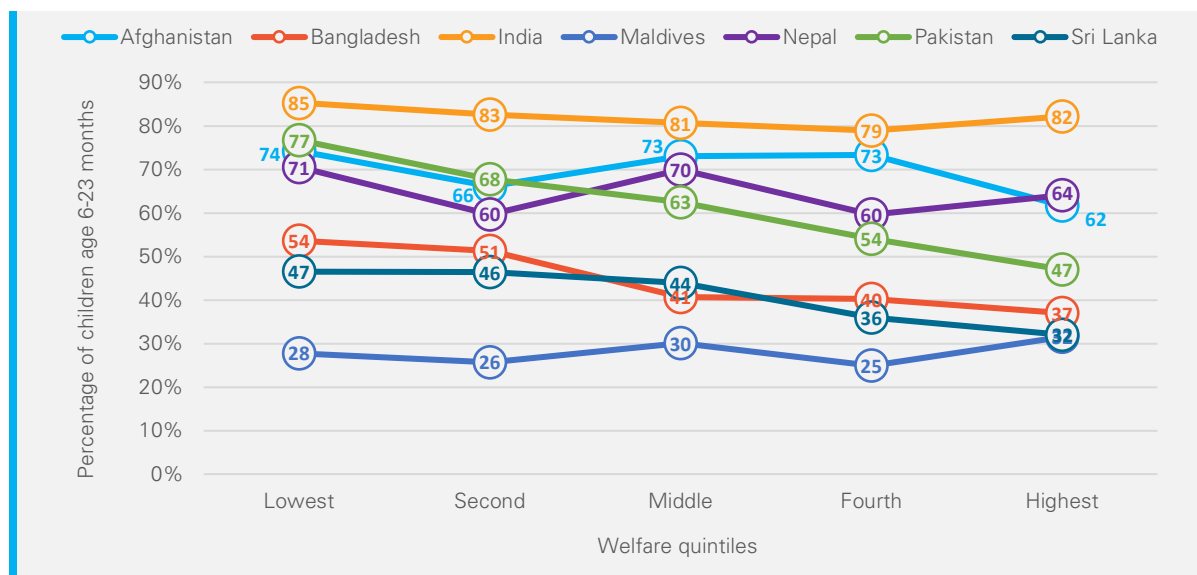
Similarly, micro-nutrient deficiencies can also damage child wellbeing and development. For example, across six separate studies in low-income countries, infants with iron deficiency anaemia were found to have mental capacity scores that were between 6-15 percentage points lower than their non-iron-deficient peers.<sup>13</sup> Across most countries in South Asia, on any given day the majority of children do not consume foods rich in iron and, in some, the proportion is particularly high: for example, in India, the proportion is 82 per cent of children while in Afghanistan it is 70 per cent.<sup>14</sup> Even in Sri Lanka, where incomes are higher, 41 per cent of children each day are unable to consume sufficient iron. As Figure 2-8 shows, the proportion of young children not consuming iron rich foods in the previous day does not differ significantly across the welfare distribution, again potentially indicating the impact of widespread low incomes. It is fair to assume that the impacts of low iron consumption on child wellbeing and cognitive development across South Asia could be significant.

<sup>13</sup> Walker et al. (2007).

<sup>14</sup> CSO et al. (2017) and IIPS & ICF (2017).

## 2 The rationale for Universal Child Benefits in South Asia

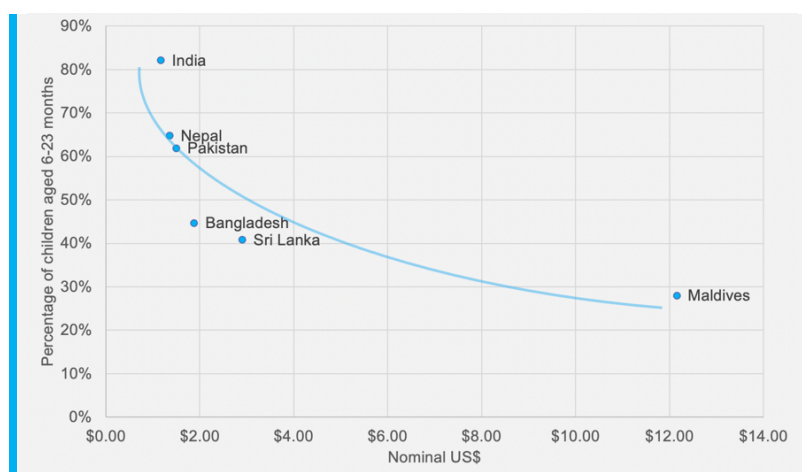
**Figure 2-8: Percentage of children aged 6-23 months who did not consume foods rich in iron in last 24 hours, by country and wealth quintile**



Source: NIPORT et al. (2016); CSO et al. (2017); IIPS & ICF (2017); MOH Nepal et al. (2017); MOH Sri Lanka & ICF International (2017); MOH Maldives & ICF (2018); and, NIPS & ICF (2019).

Looking across countries in South Asia, it is possible to discern further potential evidence of the link between family incomes and micro-nutrient deficiency. Figure 2-9 demonstrates a strong correlation between daily per capita expenditures across South Asian countries at the 75<sup>th</sup> percentile – in nominal dollars – and the proportion of children not consuming iron-rich foods in the previous 24 hours. There is a marked improvement when expenditures – and, therefore, incomes – are higher.

**Figure 2-9: Relationship between percentage of children aged 6-23 months who did not consume foods rich in iron in the previous 24 hours, and the daily per capita consumption of those living at the 75<sup>th</sup> percentile of the welfare distribution**



Sources: NIPORT et al. (2016); IIPS & ICF (2017); MOH Nepal et al. (2017); MOH Sri Lanka & ICF International (2017); MOH Maldives & ICF (2018); NIPS & ICF (2019); and World Bank Povcalnet, available at: <http://research.worldbank.org/PovcalNet/>. Note: Data is unavailable for Afghanistan and Bhutan.

## *2 The rationale for Universal Child Benefits in South Asia*

Diet and nutrition play a key role in brain development throughout childhood, and not just in the first years of life. Iron deficiency during school age has been linked with lower test scores at school.<sup>15</sup> Further, undernutrition in adolescence is associated with impaired cognitive functioning, school absenteeism and psychological stress.<sup>16</sup> As global expert Dr Neville Golden has noted: “If [teens] don’t eat right, they can become irritable, depressed [and] develop problems such as obesity and eating disorders – and those have a whole host of psychological morbidities.”<sup>17</sup>

A good indication of how undernutrition continues throughout childhood in South Asia is in the height of 19-year-olds. Figure 2-10 shows the average height of 19-year-olds across a range of countries – the bottom 50 countries, plus a range of others for comparison – and their global rankings, from tallest to shortest. All countries in South Asia are ranked in the bottom fifty of countries worldwide, for both males and females. The shortest 19-year-olds in the region are found in Nepal for males and Bangladesh for females. For example, a 19-year-old male in Nepal is, on average, 19 centimetres shorter than a Dutch male of the same age, while the difference is 18 centimetres among 19-year-old females from Bangladesh. Of particular concern is the fact that, among girls, Nepal and Bangladesh are ranked 2<sup>nd</sup> and 3<sup>rd</sup> lowest globally. Girls in South Asia are in a worse position than boys: the average ranking, out of 200 countries, across South Asian countries for girls is 186<sup>th</sup> and for boys it is 176<sup>th</sup>. The continuation of undernutrition throughout childhood among the majority of children in South Asia will have negative consequences on their development. This could, however, be addressed in part by access to a UCB.

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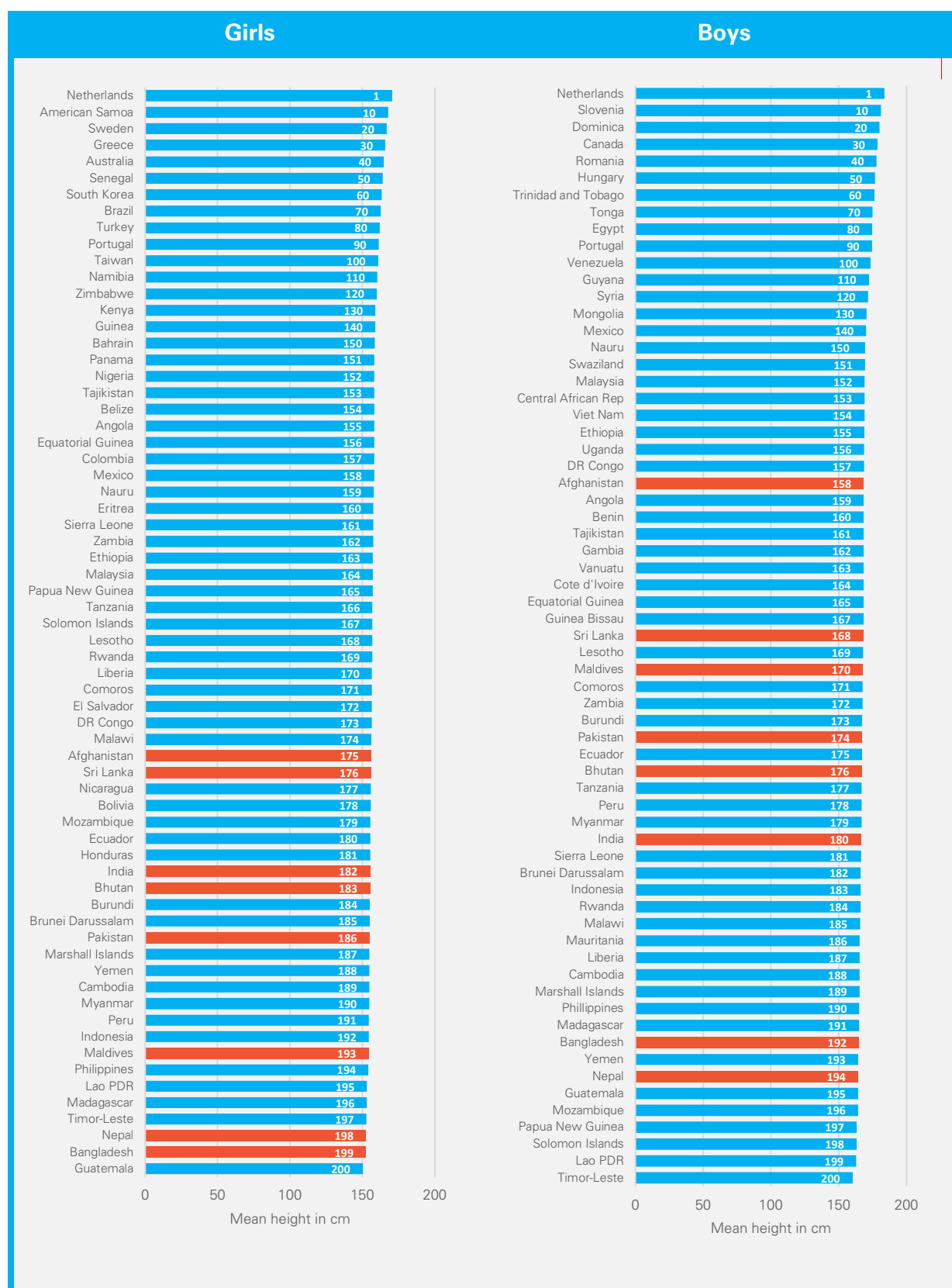
<sup>15</sup> Halterman et al. (2001); Otero et al. (1999); Walter (2003).

<sup>16</sup> Belachew et al. (2011); Cusick & Kuch (2012); Patton et al. (2016); UNICEF (2019).

<sup>17</sup> Dr Neville Golden, Chief of Adolescent Medicine at Stanford University School of Medicine, USA, quoted in Costa (2016).

2 The rationale for Universal Child Benefits in South Asia

Figure 2-10: Average heights of 19-year-old boys and girls across South Asia, with ranking on the global scale between 0-200 (in white text, bars), in international comparison



Source: <https://www.ncdrisc.org/children-adolescent-bmi-height-media-link/height-mean-ranking.html>

## *2 The rationale for Universal Child Benefits in South Asia*

There is some concrete evidence on the impacts of low incomes and undernutrition on educational outcomes among South Asia's children. In Bangladesh and Pakistan, for example, stunting and being underweight are associated with lower learning development.<sup>18</sup> There is therefore an urgent need to address the challenge of low incomes in order to give children in South Asia better life outcomes.

### **2.1.3 Child education and the home learning environment**

In addition to enjoying adequate nutrition, children in South Asia need to develop the skills they require for their future participation in the labour market. In addition to the impacts on cognitive development resulting from poor nutrition, low incomes can impact on children's ability to gain these skills in at least two further ways: their families may not be able to afford to send them to school; or, their home environment may not be conducive to learning.

Across most of South Asia, primary school participation is high, although there are still some children missing out: for example, in India, 6.4 per cent of boys aged 6-13 years are out of school while the figure is 20 per cent in Nepal.<sup>19</sup> A greater challenge comes when children are of secondary school age. As Figure 2-11 indicates, in Afghanistan, India, Nepal and Pakistan, the majority of teenagers are not in secondary school, while the proportions are also relatively high in most other countries and likely to be higher among older children. In these same countries there is also a gender bias, with girls less likely to be in secondary school. One reason for not attending school is likely to be low incomes, which could be addressed, in part, by a UCB. Further, if girls are able to receive cash as teenagers, they are less likely to enter into early marriage, since they are more likely to be able to afford to stay in school.

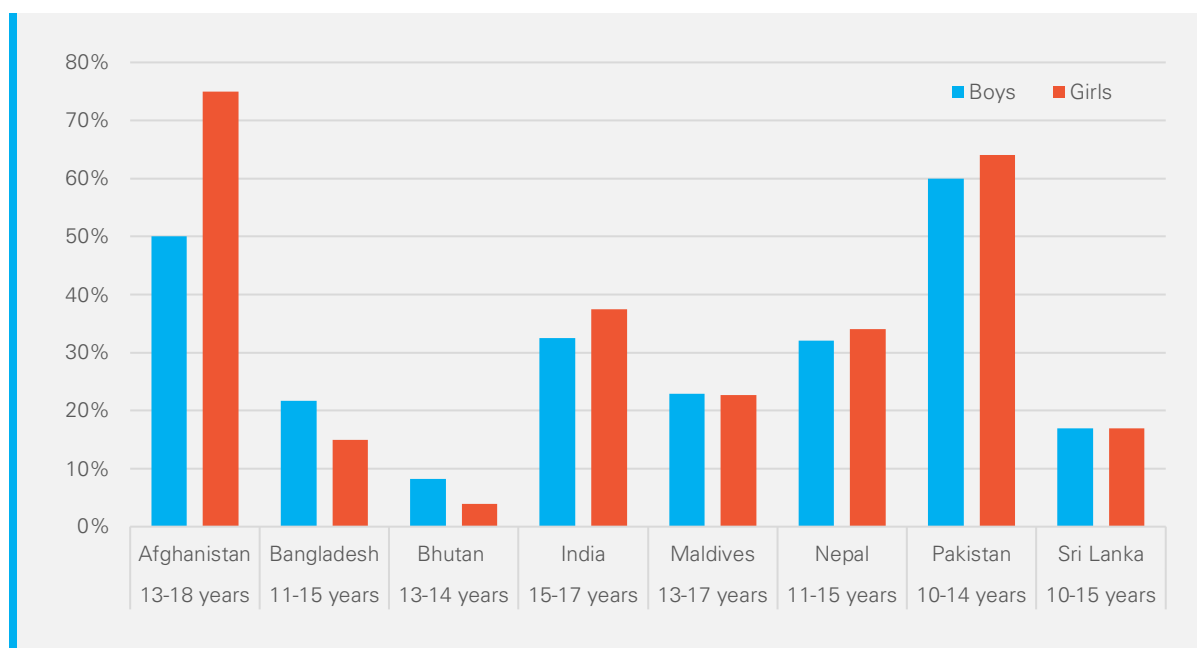
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<sup>18</sup> Kang et al. (2018).

<sup>19</sup> IIPS & ICF (2017); MOH Nepal et al. (2017).

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-11: Percentage of secondary school-age children not attending school across South Asia, by gender**



Source: NIPOORT et al. (2016); National Statistics Bureau of Bhutan (2017); CSO et al. (2017); IIPS & ICF (2017); MOH Nepal et al. (2017); MOH Sri Lanka & ICF International (2017); MOH Maldives & ICF (2018); and, NIPS & ICF (2019).

Families living on low incomes may prioritise the wellbeing and development of one child over the other due to their inability to afford adequate opportunities for all children, which may explain some of the bias against girls. According to Alkire et al. (2019), 11 per cent of school age children in South Asia are affected by intrahousehold inequality in school attendance, meaning that one school age child is attending school but the other one is not. This is a major challenge in Afghanistan (34 per cent), Pakistan (22 per cent) and Bangladesh (12 per cent).

While it is important to ensure that children can finish secondary school, this is insufficient if educational outcomes are to be maximised. International evidence indicates that up to 86 per cent of the variation in educational achievement among children is explained by out-of-school factors.<sup>20</sup> Further, many of these factors are determined by family incomes, with children from low income families less likely to perform as well at school as children from well-off families (of which there are very few in South Asia).

One of the main factors influencing educational outcomes in children is their home environment. The higher the income of a family, the more likely that the home environment

<sup>20</sup> Goldhader et al. (1999); Hirsch (2007).

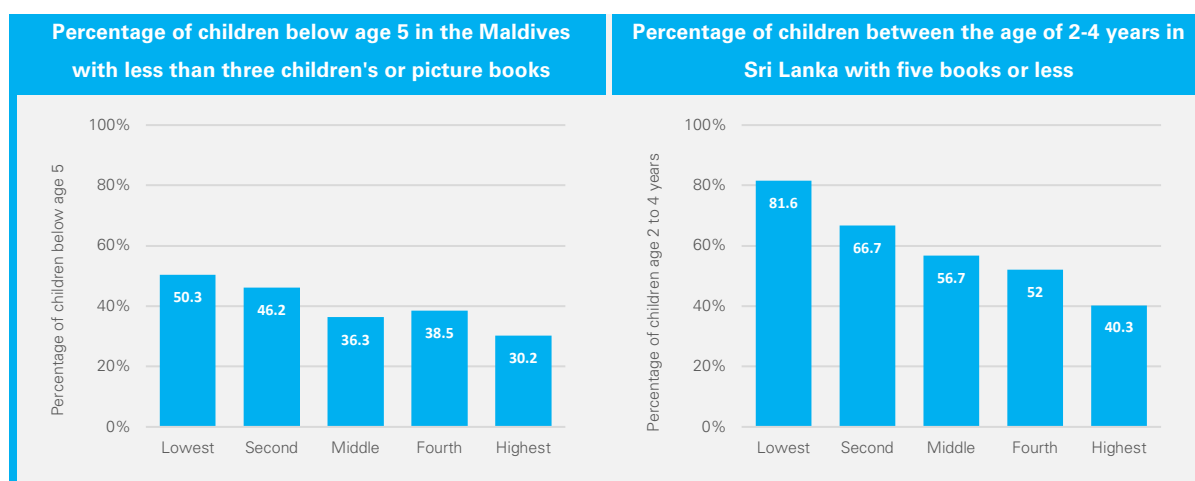


## 2 The rationale for Universal Child Benefits in South Asia

is positive for children. Yet, since most families in South Asia are living on low and insecure incomes, the challenge experienced by families in providing a good home environment is felt by most children in the region.

One common experience resulting from low incomes is the limited time that parents have available to spend with their children, due to being obliged to work longer hours to make ends meet. As a result, they are less able to offer their children support with their cognitive development and education, such as by playing with them or helping with their homework. Another challenge is that low income families find it more difficult to purchase games, toys and books for their children, further hindering their development. For example, even in two of the wealthier countries in the region, a high proportion of children have very few books at home: 41 per cent of children in the Maldives have less than three books at home and 60 per cent of children in Sri Lanka have five books or less. The situation is likely to be worse in poorer countries. As Figure 2-12 indicates, the challenge of children having few books cuts across the welfare distribution, yet again suggesting that low incomes are widespread, even within the region's richer countries.

**Figure 2-12: Percentage of children below the age of 5 years in the Maldives with less than three books and, in Sri Lanka, with five books or less.<sup>21</sup>**



Source: MOH Maldives & ICF (2018) and MOH Sri Lanka & ICF International (2017).

Income stress in families can contribute to domestic violence, which also impacts on child wellbeing and development.<sup>22</sup> Domestic violence can impede children's cognitive, sensory and language development, while making it more likely that they will experience sleep

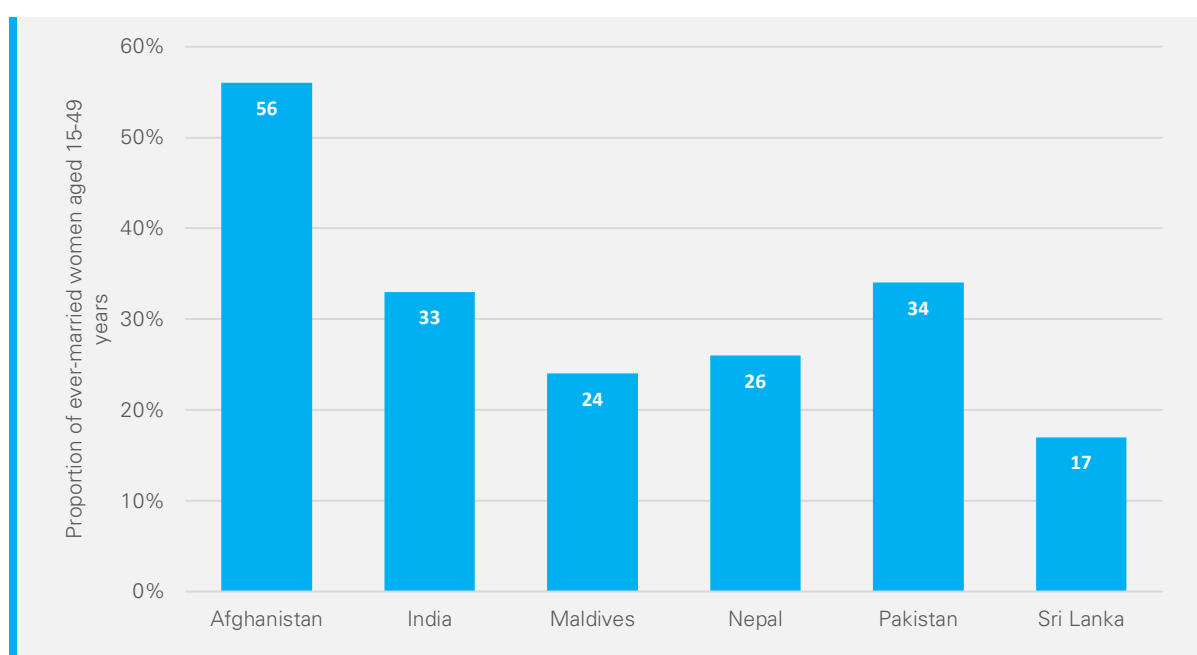
<sup>21</sup> In Sri Lanka, the information is for children aged 2-4 years.

<sup>22</sup> WHO (2002).

## 2 The rationale for Universal Child Benefits in South Asia

problems, emotional distress and depression.<sup>23</sup> Further, children living in families where violence is prevalent are, again, likely to have home environments that are less conducive to studying, which may affect their school performance. As indicated by Figure 2-13, a high proportion of women in the region, who are between 15-49 years and have been married at least once, have experienced domestic violence (physical, emotional or sexual), ranging from 17 per cent in Sri Lanka to 56 per cent in Afghanistan. The impacts on child wellbeing and development may well be significant, affecting many children across the region.

**Figure 2-13: Proportion of women aged 15-49 years who have been married at least once and have experienced domestic violence (physical, emotional or sexual)**



Source: CSO et al. (2017); IIPS & ICF (2017); MOH Nepal et al. (2017); MOH Sri Lanka & ICF International (2017); MOH Maldives & ICF (2018); and NIPS & ICF (2019). Note: Data is unavailable for Bangladesh and Bhutan.

### 2.1.4 Disability among children

Globally, children with disabilities face some of the most severe vulnerabilities. Families with disabled children can experience significant additional costs for health, education, transport, assistive devices and other items. In India, for example, families have between 20 to 58 per cent additional costs when someone in their household has a disability.<sup>24</sup> In addition, family members and caregivers likely experience a reduction in income due to an inability to work resulting from the time they spend caring for their disabled children. In

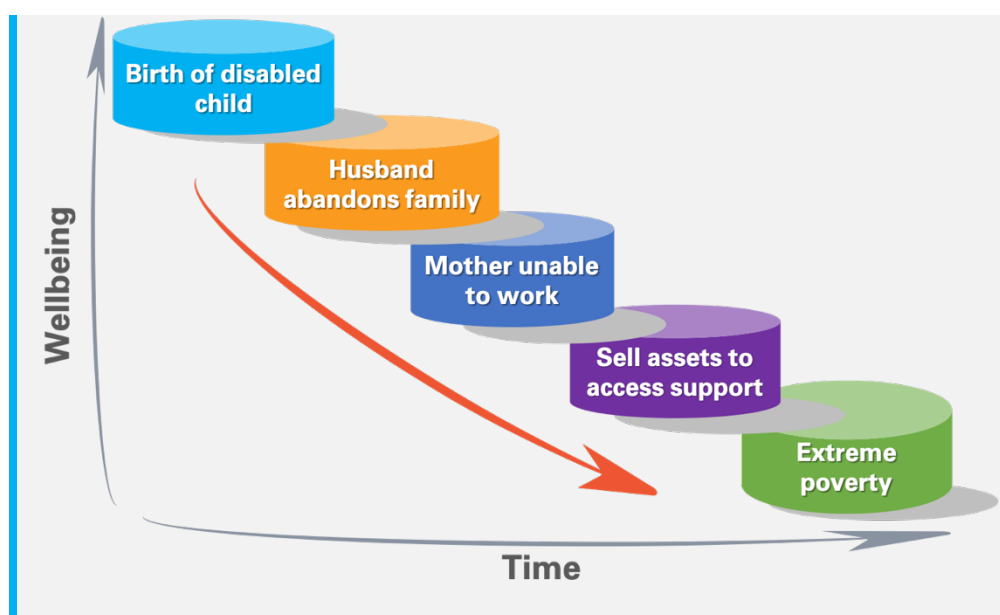
<sup>23</sup> Osofsky (1999).

<sup>24</sup> Schjoedt et al. (Forthcoming)

## 2 The rationale for Universal Child Benefits in South Asia

other cases, children with disabilities can be left without a carer while family members are forced to leave the home to find work. At times, following the birth of a child, fathers may abandon the child's mother, which can result in a significant downward spiral, as illustrated by Figure 2-14. One result of families struggling financially can be children not attending school (which is further exacerbated by discrimination and poor accessibility): for example, in India, 75 per cent of five year old children with disabilities are out of school, as are 25 per cent of all disabled children aged between five and 19 years.<sup>25</sup> While children with disabilities would definitely gain from a UCB, they also need access to a Child Disability Benefit while caregivers who have given up work should receive a Carers' Benefit.

**Figure 2-14: The downward spiral of children with disabilities living in extreme poverty**



Source: Development Pathways.

### 2.1.5 Impacts of the COVID-19 crisis on children

The health and economic crisis caused by the global COVID-19 pandemic has left children in South Asia – as elsewhere in the world – in an even more vulnerable state. Research undertaken by UNICEF indicates that, in Bangladesh, families with children are likely to have lost an average of 19 per cent of their income, while the figure is 27 per cent in Sri Lanka.<sup>26</sup> As Figure 2-15 shows, the highest falls in income are likely to be among better-off households in Bangladesh and those struggling on middle incomes in Sri Lanka. However,

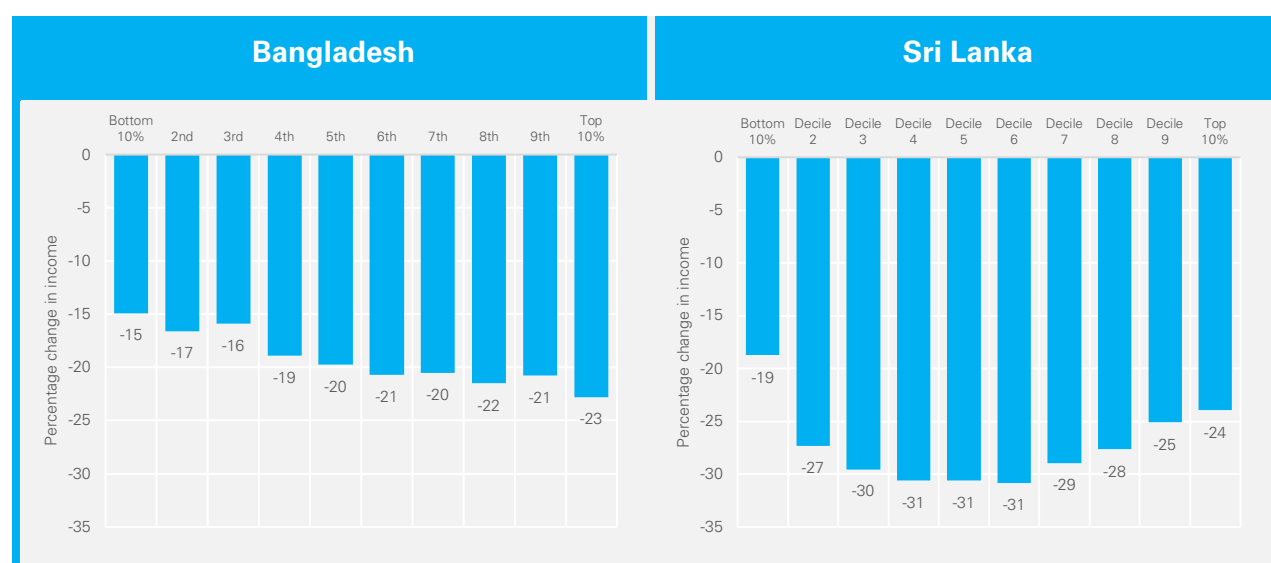
<sup>25</sup> UNESCO (2019).

<sup>26</sup> Kidd et al (2020a; 2020b).

## 2 The rationale for Universal Child Benefits in South Asia

even though the poorest families with children are experiencing lower income losses, given that they were already in severe difficulties before the pandemic, their children will be at particular risk. Across the welfare distribution, children will have experienced a deterioration in their diets, missing out on nutrients that are essential for their cognitive and physical development. Urban populations are at greater risk of food insecurity since they are unable to access home produce to supplement their diets.<sup>27</sup>

**Figure 2-15: Impacts of COVID-19 on the incomes of households with children in Bangladesh and Sri Lanka**



Source: Kidd et al (2020a; 2020b).

The increase in stress levels caused by the COVID-19 crisis due to falls in income and confinement in the home will have negatively impacted on children's home environments. Studies conducted since the start of the pandemic have already raised concerns regarding higher levels of domestic violence. In Sri Lanka, a child helpline reported that between 16<sup>th</sup> March and 7<sup>th</sup> April 2020, a total of 121 cases of cruelty were reported, which is 40 per cent above the average number for a similar period.<sup>28</sup> In Nepal, police reports have indicated an increase in attempted child suicides among girls, while a child helpline in Bangladesh intervened in six cases of potential suicide in a single week.<sup>29</sup> Further, the financial strain on families is likely to lead to an increase in child labour, while other families may allow young daughters to be married in order to improve their financial situation.

<sup>27</sup> UNICEF (2020).

<sup>28</sup> UNICEF (2020).

<sup>29</sup> UNICEF (2020).

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UNICEF (2020) estimates that, in a worst-case scenario, the COVID-19 crisis could push an additional 120 million children into multidimensional poverty over the course of six months, on top of the 240 million children across South Asia who were already living in multidimensional poverty prior to the crisis. The pandemic could also cause an increase in child mortality as a result of its indirect consequences. Research undertaken by the John Hopkins Bloomberg School of Public Health has warned that an additional 2,400 children in South Asia could die every day as a result of being unable to access essential health services, such as maternal, new-born and child-health services. The highest rates of child mortality would occur in India and Pakistan, followed by Bangladesh and Afghanistan.<sup>30</sup>

## **2.2 The potential demographic dividend in South Asia**

Over the next few decades, most countries in South Asia should be able to enjoy a potential demographic dividend which will drive further economic growth. A demographic dividend derives from a decrease in the national dependency ratio as the proportion of children in the population shrinks while that of older people remains relatively low. This means that there should be an expansion in the potential labour force relative to the size of the child and older populations, as baby boomers reach working age; society will be able to transfer resources from children to the working age population, meaning that there can be higher investment in infrastructure, job training and new technologies; and, there should be an increase in women's participation in the labour force as they experience a reduction in their caring responsibilities. Further, with the expansion in the working age population, societies can save more – for example, through contributions to pension funds – which can be used for investments.<sup>31</sup>

As Figure 2-16 demonstrates, dependency ratios are falling across most of South Asia, meaning that they are in a position to benefit from the demographic dividend. The only exceptions are the Maldives and Sri Lanka – which are both ageing societies – although dependency ratios will still remain relatively low for a few decades so that it is still possible for them to enjoy the tail end of the demographic dividend.

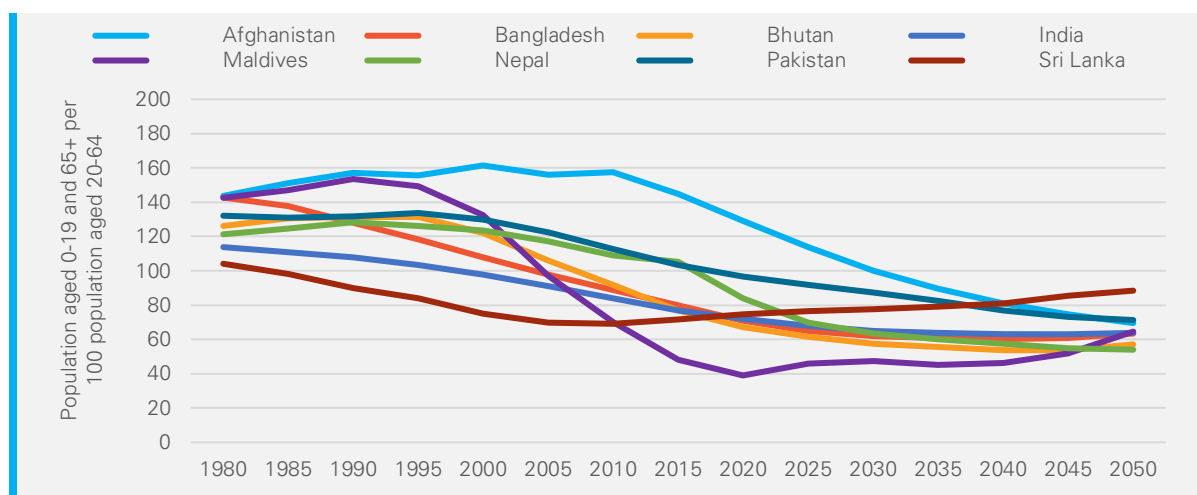
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<sup>30</sup> UNICEF (2020).

<sup>31</sup> Bloom et al (2011).

## 2 The rationale for Universal Child Benefits in South Asia

**Figure 2-16: Dependency ratio, measuring the proportion of dependants (children age 0-19 years and older people aged 65 and above) per 100 persons of working age (20-64 years) over time, by country**



Source: Based on UN DESA Population Projections.

Yet, the ability of countries to take advantage of the demographic dividend is contingent on them benefiting from a skilled workforce. If they cannot, then the demographic dividend could turn into a curse, with large numbers of unskilled young people unable to find productive employment. High levels of unemployment, underemployment and low incomes would continue to be the norm, resulting in families being unable to invest in their own children, while undermining economic growth and social cohesion. These countries would be in danger of being left behind in the global markets.

To avoid this scenario, the countries of South Asia urgently need to support today's children. As discussed earlier, this means investing in health and education services, while also addressing the widespread low family incomes that inhibit children from reaching their full potential. An essential element of a society-wide strategy would be the introduction of a UCB.

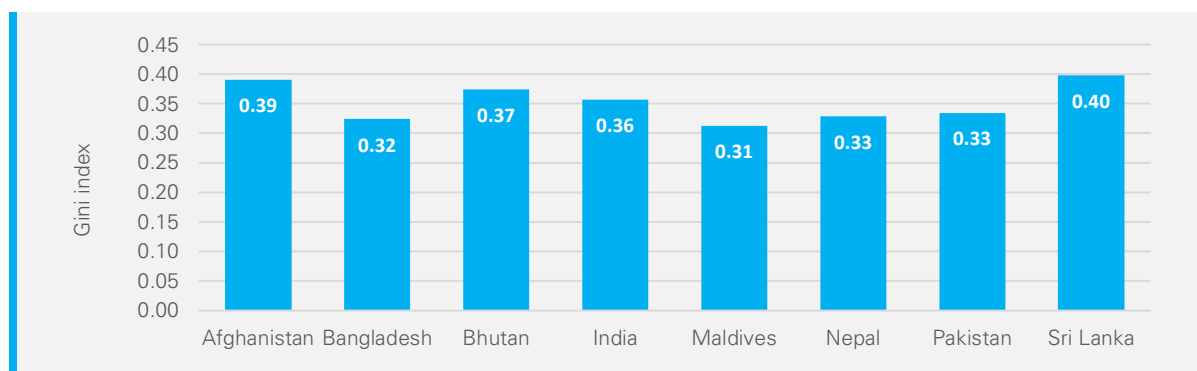
### 2.3 Inequality across South Asia

Levels of inequality vary across South Asia. Figure 2-17 shows the most recent Gini coefficients for each country derived from national household survey data sets. Afghanistan, Bhutan, India and Sri Lanka have Gini coefficients above 0.35, which are in line with countries regarded internationally as relatively unequal, such as the United States and United Kingdom. In some countries, inequality is increasing. In India, in 2005, the richest decile of the population had 45.5 per cent of national income while the bottom half had 18.4

## 2 The rationale for Universal Child Benefits in South Asia

per cent.<sup>32</sup> Yet, by 2014, the richest decile had increased their share to 56.1 per cent while it had fallen among the bottom half to only 14.7 per cent. High inequality can impact on social cohesion within countries, with the majority of the population feeling left behind, in particular in countries where billionaires are proliferating. High inequality can also compromise sustainable economic growth: the Gini coefficients in South Asia are well above the threshold of 0.27 beyond which IMF economists have determined that inequality harms economic growth.<sup>33</sup> If countries wish to avoid the damage that can be caused by high inequality – including the danger of leaving many children behind – greater consideration will have to be given to more effective means of redistributing wealth, including through social security.

**Figure 2-17: Latest Gini coefficients across South Asian countries**



Sources: World Bank Povcalnet, available at: <http://iresearch.worldbank.org/PovcalNet/>; analysis of the Afghanistan Living Conditions Survey of 2016/17.

A UCB is an effective tool for tackling inequality. Indeed, universal social security schemes have been used very effectively to reduce inequality in high income countries and could achieve the same outcome in countries across South Asia. While it is commonly believed that poverty-targeted benefits are more effective than universal benefits in tackling inequality, this is not the case. A key reason is because universal benefits attract much higher levels of investment than poverty-targeted programmes – due to their greater popularity – so many more families access support. Further, universal benefits require higher levels of tax, which falls disproportionately on the richer members of society. When both taxation and spending are considered, the impacts of universal benefits on inequality are significantly higher than those of poverty-targeted programmes.<sup>34</sup>

<sup>32</sup> Source: World Inequality Database at <https://wid.world>.

<sup>33</sup> Grigoli & Robles (2017).

<sup>34</sup> See Kidd (2018a) for a more in-depth explanation.

### **3 Effectiveness of South Asia's social security systems in addressing the challenges facing children**

Across South Asia, children are, to a large extent, excluded from national social security systems. As Figure 3-1 demonstrates, the level of investment in tax-financed social security across South Asia is very low. Only in Nepal, the poorest country, and the Maldives, the richest, is spending on tax-financed social security above 1.5 per cent of GDP. Further, most spending is either on old age pensions – in Nepal, the Maldives and Bangladesh – or on household-based poor relief schemes, as in Sri Lanka and Pakistan. The level of investment in India is negligible. There are few programmes specifically directed at children. The largest, in terms of number of recipients, is a stipend for all state primary school children in Bangladesh, which reaches around 14.4 million children, alongside a small stipend targeted at secondary school children living in poverty. In addition, Bangladesh provides a small benefit for pregnant and lactating mothers, which reaches 700,000 women. In Pakistan, there are small school stipends provided by provincial governments, such as in the Punjab and Khyber Pakhtunkhwa. The only country currently attempting to deliver a conventional child benefit is Nepal, where it is offered to those aged 0-4 years, mainly on a targeted basis to Dalit children (although it is universal in a few areas of the country). As a result, in 2020 it reached 22 per cent of young children although the Government of Nepal has plans to roll it out nationally.<sup>35</sup>

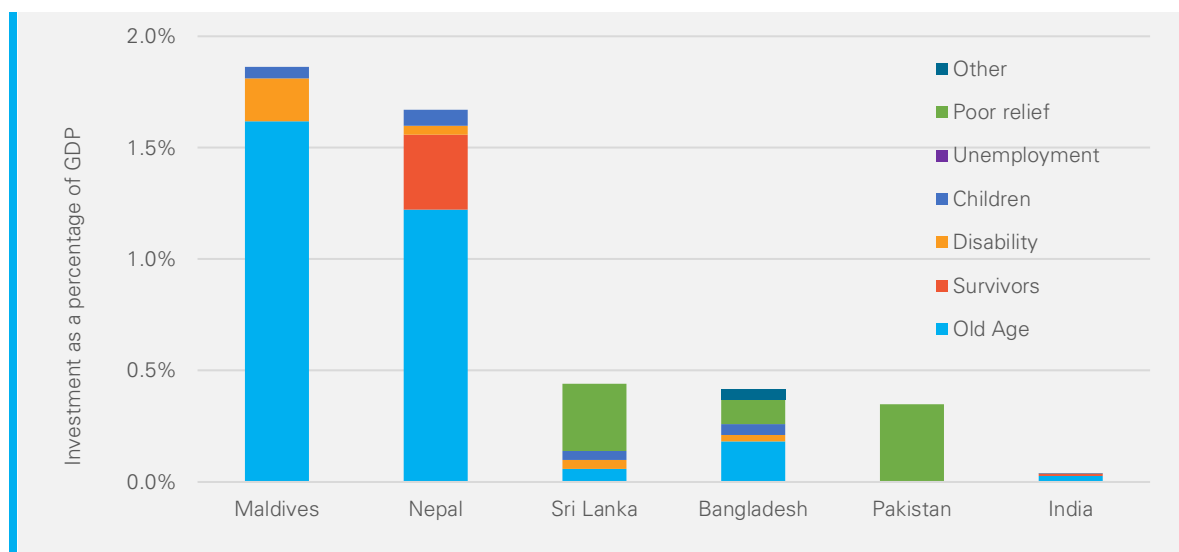
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<sup>35</sup> Consultation with UNICEF Nepal, 4<sup>th</sup> February, 2020 for forthcoming study by Development Pathways on the feasibility of a universal child benefit in Kenya.



### 3 Effectiveness of South Asia's social security systems in addressing the challenges facing children

**Figure 3-1: Levels of investment in social security across South Asia<sup>36</sup>**



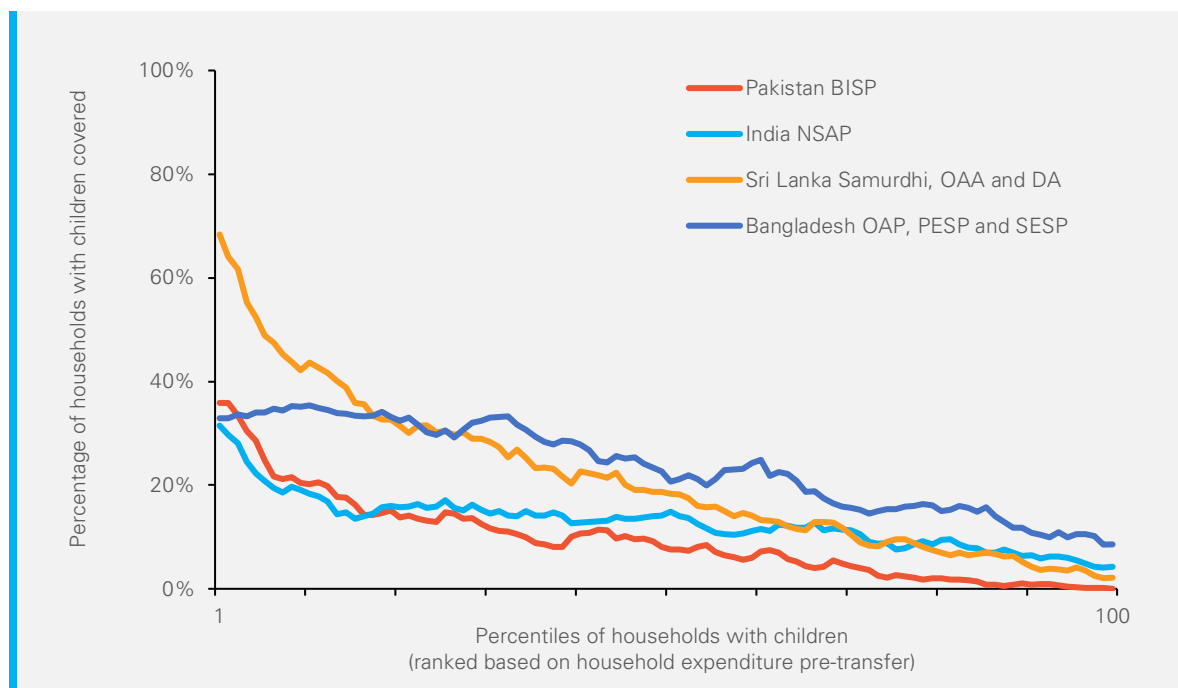
Source: Kidd & Damerou (2016); PRI (2019); DFID Annual Review – Summary Sheet on Pakistan National Cash Transfer Programme (2016); Development Pathways' Minimum Income in Old Age Index (Forthcoming); Development Pathways' disability benefit database, available at <http://www.developmentpathways.co.uk/publications/#disability-database>; the Maldives' NSPA National Statistical Yearbook (2019); administrative data shared by the Government of Sri Lanka.

Even when children are considered to be indirect recipients of transfers – in other words, they live in the same household as a recipient of a scheme – coverage of children by current systems is very low: in India, only 13 per cent of children are present in a household receiving a benefit while the proportions are 26 per cent in Bangladesh, 12 per cent in Pakistan and 22 per cent in Sri Lanka. As Figure 3-2 indicates, even among the poorest children, the majority are excluded: among the poorest 30 per cent of children, 83 per cent are excluded in India, 79 per cent in Pakistan, 67 per cent in Bangladesh and 61 per cent in Sri Lanka. Among those on middle – but still low and insecure – incomes, the vast majority of children are excluded.

<sup>36</sup> A number of countries also have a range of small schemes that are sometimes referred to as social protection, which are not included here. Further, small donor-funded schemes are not included. The table also does not include public works programmes, such as NREGA in India, which should be regarded as employment rather than social security schemes, nor does it include regional schemes, such as those provided by India's states.

### 3 Effectiveness of South Asia's social security systems in addressing the challenges facing children

**Figure 3-2: Proportion of children across the welfare distribution who are included in the social security systems of Bangladesh, India, Pakistan and Sri Lanka**



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

Most social security schemes in South Asia offer very low value transfers. The only exceptions are Nepal and the Maldives: in Nepal, the transfer value of the old age pension is 30 per cent of GDP per capita – one of the most generous in the world – while in the Maldives it is 23 per cent.<sup>37</sup> Further, the value of Nepal's child benefit is 5.6 per cent of GDP per capita which, again, in a global context is relatively generous. However, transfer values elsewhere are minimal. Bangladesh's primary school stipend offers a transfer of only 0.8 per cent of GDP per capita; in Pakistan, the Benazir Income Support Programme (BISP) provides only 2.2 per cent of GDP per capita; and, Sri Lanka's Samurdhi gives a transfer of 1.2 per cent of GDP per capita for a household of five people.<sup>38</sup>

Low transfers and limited coverage of children result in minimal impacts on child wellbeing. When measured against a poverty line set at 60 per cent of median consumption, social security programmes in South Asia reduce child poverty rates by only 1.4 per cent in Bangladesh, 3.3 per cent in Sri Lanka, 2 per cent in Pakistan and 1.3 per cent in India.<sup>39</sup> Among children living with older people in Nepal and the Maldives, the impacts are much

<sup>37</sup> The monthly transfer for Nepal's Old Age Allowance is NPR3,000, which is equivalent to US\$25. The minimum monthly transfer for the Maldives' Senior Citizens Allowance is MVR5,000, which is equivalent to US\$321.

<sup>38</sup> Since BISP and Samurdhi are family and household based transfers, the value of the transfers are calculated on the basis of individuals in the household.

<sup>39</sup> Own calculations based on Bangladesh HIES 2016, India IHDS-II, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

### *3 Effectiveness of South Asia's social security systems in addressing the challenges facing children*

larger, due to the high transfer values, but, since most children are entirely excluded from the social security system, the overall impacts on child poverty remain low.

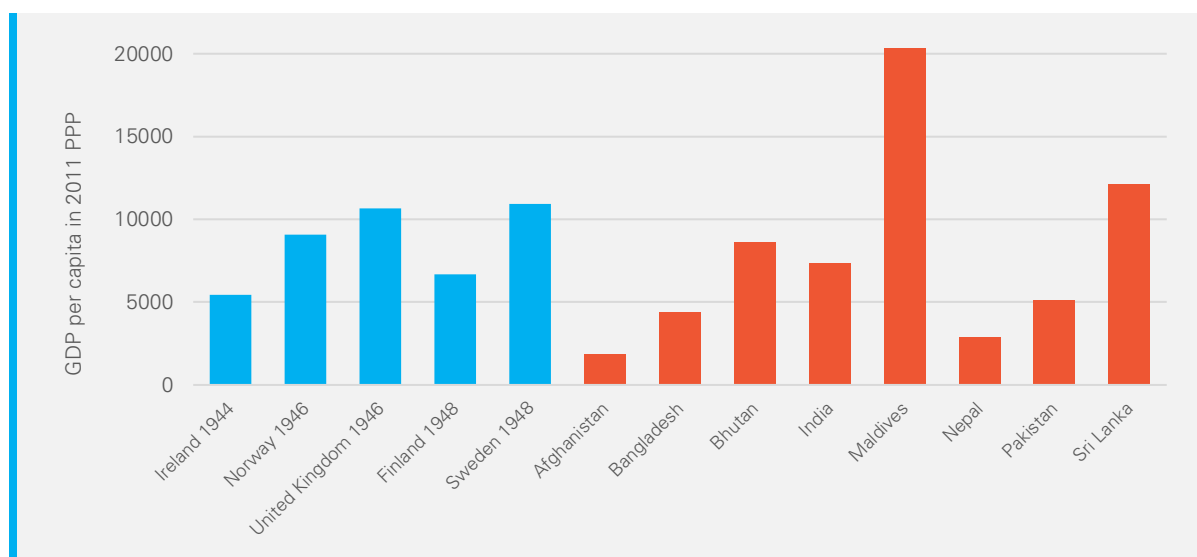
Given the challenges that children are facing across South Asia, much more needs to be done to support family incomes. A Universal Child Benefit (UCB) would provide all children across South Asia with a regular, monthly income. A range of countries have introduced UCBs, as described in the following section.

## 4 Child benefits across the globe

Child benefits provide families with regular, monthly cash payments. They are intended to supplement family incomes, thereby enabling parents and caregivers to provide additional care and support to their children. Sixty-nine countries have some form of child benefit, with 23 offering them on a universal basis.<sup>40</sup> In 1944, Ireland was the first country to introduce a universal child benefit (UCB) and, following the Second World War, they were implemented in a number of other European countries, as a means of helping them recover from the damage caused by the war and ensuring that families could invest in their children.

While it is commonly believed that high-income countries are able to afford extensive social security systems due to their wealth, the reality is that, when they first introduced UCBs, they were much poorer. Figure 4-1 shows the GDP per capita in purchasing power parity terms of the first countries to introduce UCBs, comparing them with the wealth of South Asian countries in 2019. Most countries have the same or higher level of wealth than Ireland when it introduced its UCB while the Maldives and Sri Lanka are wealthier than all the countries that initiated UCBs before 1948. Only Afghanistan and Nepal are substantially poorer, yet Nepal has, nonetheless, managed to commence a child benefit.

**Figure 4-1: Wealth of countries when they introduced Universal Child Benefits compared to the wealth of countries in South Asia**



Sources: <https://www.gapminder.org> and the IMF's World Economic Outlook database, October 2019 version.

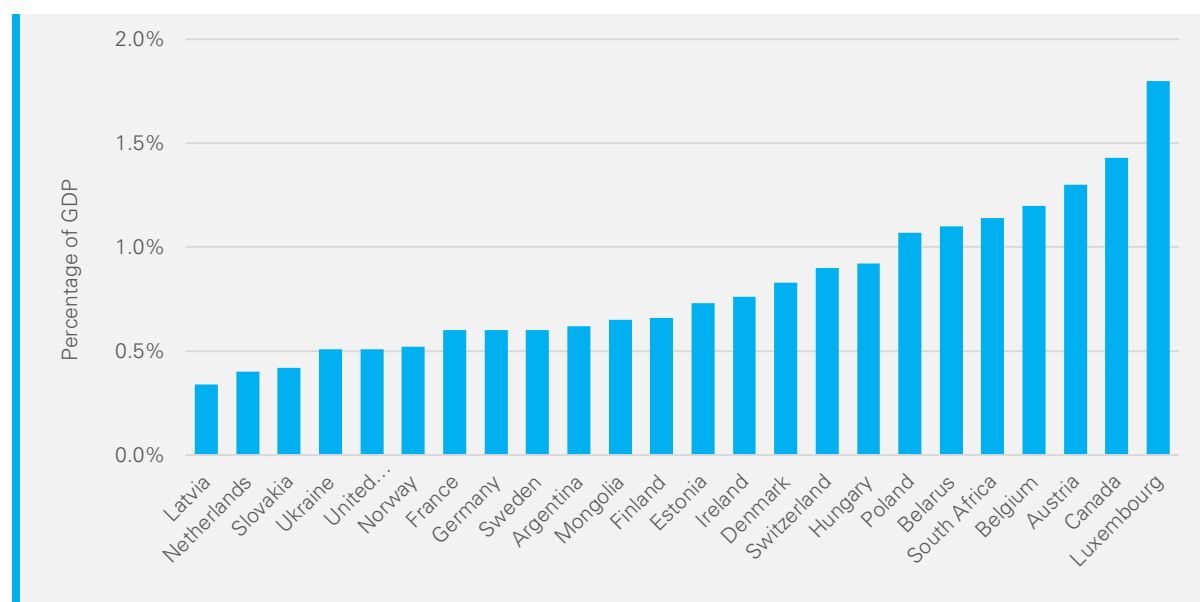
<sup>40</sup> ILO & UNICEF (2020).

#### 4 Child benefits across the globe

A small number of middle-income countries have introduced child benefits that reach most children, although the only one to have implemented a UCB has been Mongolia, in 2008. However, it was obliged to target the scheme, removing the wealthiest 20 per cent of families which has resulted in the exclusion of a number of eligible children.<sup>41</sup> Other middle-income countries that reach the majority of children with child benefits are South Africa, with a coverage of 63 per cent of children, and Argentina which reaches 83 per cent.

As shown by Figure 4-2, the level of investment by countries in UCBs and high coverage child benefits varies between 0.34 per cent of GDP in Latvia and 1.8 per cent in Luxembourg. Of course, the costs are lower in many countries because they are ageing societies, with children comprising a relatively small proportion of children. In 2012, Mongolia invested 1.4 per cent of GDP in its UCB although the budget gradually fell as a result of year-on-year reductions in the real value of the benefit. Nonetheless, during COVID-19, the value of the transfer was increased five-fold as it became a core component of the Government of Mongolia's fiscal stimulus package meaning that, for at least a short period, the level of investment increased significantly, almost certainly to beyond two per cent of GDP in 2020. South Africa, which has a younger population, currently invests 1.14 per cent of GDP in its child benefit. In comparison, Nepal's level of investment in its child benefit is 0.13 per cent of GDP.

**Figure 4-2: Expenditure on child benefit schemes globally**



Source: Kidd et al (forthcoming).

<sup>41</sup> Source: Kidd (2018b).

#### 4 *Child benefits across the globe*

UCBs are very popular schemes, since they benefit all families with children. They likely contributed to the strengthening of the national social contracts in Europe following the Second World War.<sup>42</sup> They are recognised as having made a significant contribution to child wellbeing, lifting many children out of poverty.<sup>43</sup> Across 15 high-income countries, UCBs have, on average, reduced child poverty by five percentage points and inequality, as measured by the Gini coefficient, by 4.1 per cent.<sup>44</sup> In Mongolia, in 2016, the UCB was responsible for a 12 per cent reduction in the national poverty headcount and a 21 per cent reduction in the poverty gap.<sup>45</sup> In South Africa, the child benefit has contributed to a reduction in child stunting while also enhancing child education outcomes, probably due to stronger cognitive development among children.<sup>46</sup>

A number of countries across the Global South have, in recent years, tried to introduce poverty-targeted, rather than universal, benefits for children, often combined with conditions and sanctions (so-called conditional cash transfers). Since such schemes exclude the majority of children, they are not particularly popular, resulting in low levels of spending: for example, the largest programmes, such as the Philippines' Pantawid programme, tend to cost no more than 0.4 per cent of GDP and most are much smaller. Although they are targeted at the poorest children, usually around half or more of the intended recipients are excluded: as Figure 4-3 shows, exclusion errors range between 44 to 96 per cent of intended recipients. These figures compare with Mongolia's UCB which, in 2016, excluded only two per cent of children, with almost complete coverage among the poorest children.<sup>47</sup> There is also no robust evidence that the use of conditions and sanctions has any impact on children's attendance at school.<sup>48</sup>

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<sup>42</sup> Kidd, Axelsson Nycander, et al. (2020).

<sup>43</sup> Van Mechelen & Bradshaw (2012).

<sup>44</sup> ODI and UNICEF (2020a; 2020b).

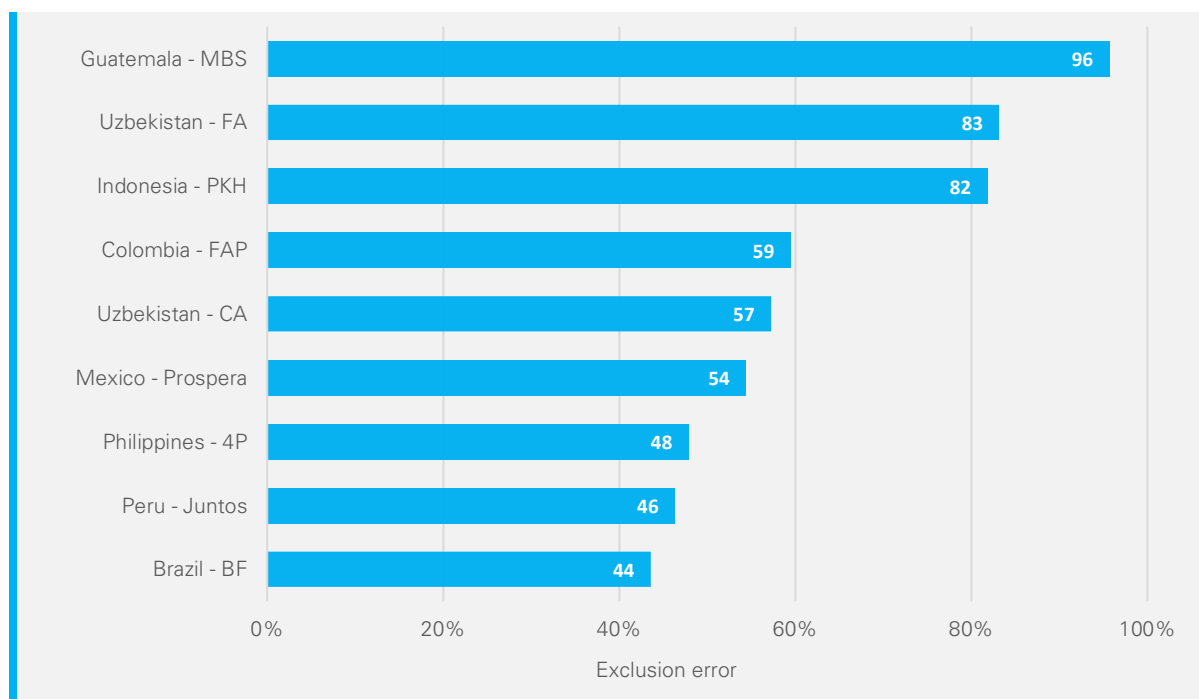
<sup>45</sup> Kidd et al (forthcoming).

<sup>46</sup> DSD et al. (2012).

<sup>47</sup> Kidd & Athias (2019).

<sup>48</sup> Kidd (2016).

**Figure 4-3: Exclusion errors found within poverty-targeted programmes for children in an example of countries across the Global South**



Source: Kidd and Athias (2020).

There are also strong indications that poverty-targeted programmes for children can cause harm or create perverse incentives. In the Philippines, a World Bank study has shown that the Pantawid programme caused a nine percentage point reduction in stunting among recipient children but an 11 percentage point increase among non-recipients.<sup>49</sup> The authors suggest that the most likely reason for the increase is that families who received the benefit started to purchase more protein-rich food (such as meat), which increased their cost. As a result, families not receiving the benefit – many of whom were just as poor as the recipients – reduced the amount of protein they purchased and, instead, bought more rice for their children, since this had not increased in price. The reduction in protein in the diet contributed to a higher stunting rate for children in non-recipient households. A UCB in the Philippines would not have had the same negative impacts since all children would have been recipients.

In high-income countries, it is common for poverty-targeted programmes to discourage recipients from working, since they fear being removed from them if their incomes increase, or they experience a high marginal rate of taxation if the programme is withdrawn once they take a job, which does not make it worthwhile entering the labour market. This

<sup>49</sup> Filmer et al. (2018).

#### 4 *Child benefits across the globe*

discouragement to work has also been observed in middle-income countries among benefits for children: for example, in Uruguay, formal employment fell by 20 per cent among women who received a targeted child benefit, while entry into formal employment was 27 percentage points lower for recipient caregivers than for non-recipients.<sup>50</sup> UCBs, in contrast, do not discourage caregivers from entering the labour market: indeed, they will provide them with support to do so.

The unpopularity of poverty-targeted benefits for children causes other negative consequences. For example, it is common for the real value of transfers to fall over time, meaning that the programmes become progressively less effective.<sup>51</sup> And, of course, the unpopularity of targeted benefits puts their sustainability at risk: for example, Mexico's conditional cash transfer programme for children – Prospera – was abruptly abolished in 2018 by a new government, without an adequate replacement.<sup>52</sup>

As argued earlier, the vast majority of families across South Asia are in dire need of higher incomes to enable them to invest in their children and give them a good start in life. Evidence clearly indicates that poverty-targeted benefits are not the best solution and could even make an already difficult situation worse. Universal Child Benefits are by far the best option. The next section, therefore, sets out three fiscally feasible options for South Asia to invest in UCBs, alongside evidence on their potential impacts.

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<sup>50</sup> Amarante *et al* (2011).

<sup>51</sup> Freeland (2018); Kidd, Axelsson Nycander, et al. (2020).

<sup>52</sup> Kidd (2019).



## 5 Options for investing in UCBs in South Asia

While the best UCB option for South Asian countries would be to offer them immediately to all children (0-17 years of age), this is unlikely to happen due to understandable concerns about fiscal space. Nonetheless, if the governments of South Asia are willing to set aside a specific budget for UCBs, they have a range of alternative options which could include reaching all children aged 0-17 years: they could vary the value of the transfer or the age of eligibility of children and determine which option would be preferable. Box 5-1 demonstrates options that governments of six South Asian countries could have if they, for example, decided to set aside a budget equivalent to one per cent of GDP for a UCB.<sup>53</sup>

An alternative approach would be to introduce a UCB over a period of time so that all children are able to receive a benefit within the next 10-15 years. Countries could begin by focusing initially on younger children and increase coverage over time. This could be achieved by – as Figure 5-2 indicates –commencing with younger children and not taking children off the scheme until they reach their 18<sup>th</sup> birthday. The only new recipients of the UCB would be newborn children. This is similar to the approach adopted by South Africa when it commenced its child benefit, although it started at 0-7 years and increased the age of eligibility by two years, each year.

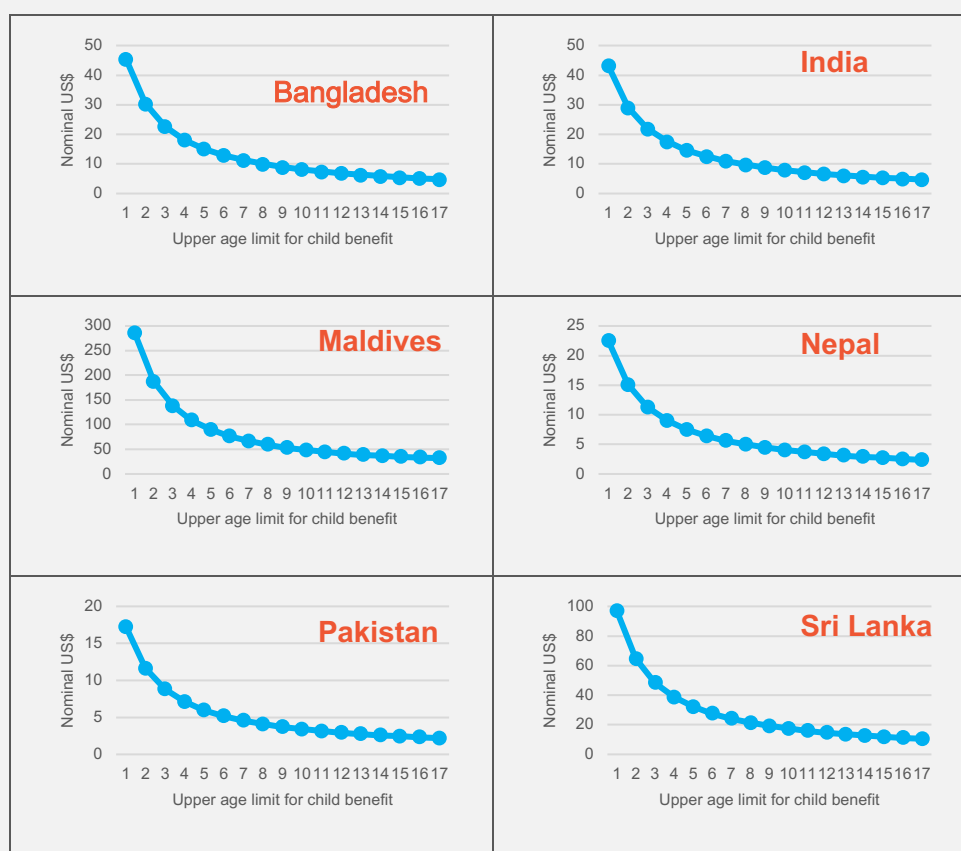
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<sup>53</sup> Similar analysis using a budget of 0.5 per cent of GDP can be found in Annex 2.

**Box 5-1: Alternative age of eligibility and transfer value options for six countries of South Asia, with a budget of one per cent of GDP for UCBs in 2021**

Figure 5-1 shows the value of transfers that could be provided for UCBs across six countries of South Asia according to different ages of eligibility, if governments were to commit one per cent of GDP to establishing them in 2021. For example, in India, the Government could give US\$14.70 per month to every child up to five years of age, US\$7.93 per month to every child up to 10 years of age and US\$4.71 per month to every child up to 17 years of age. The graphs show similar results for the other countries.

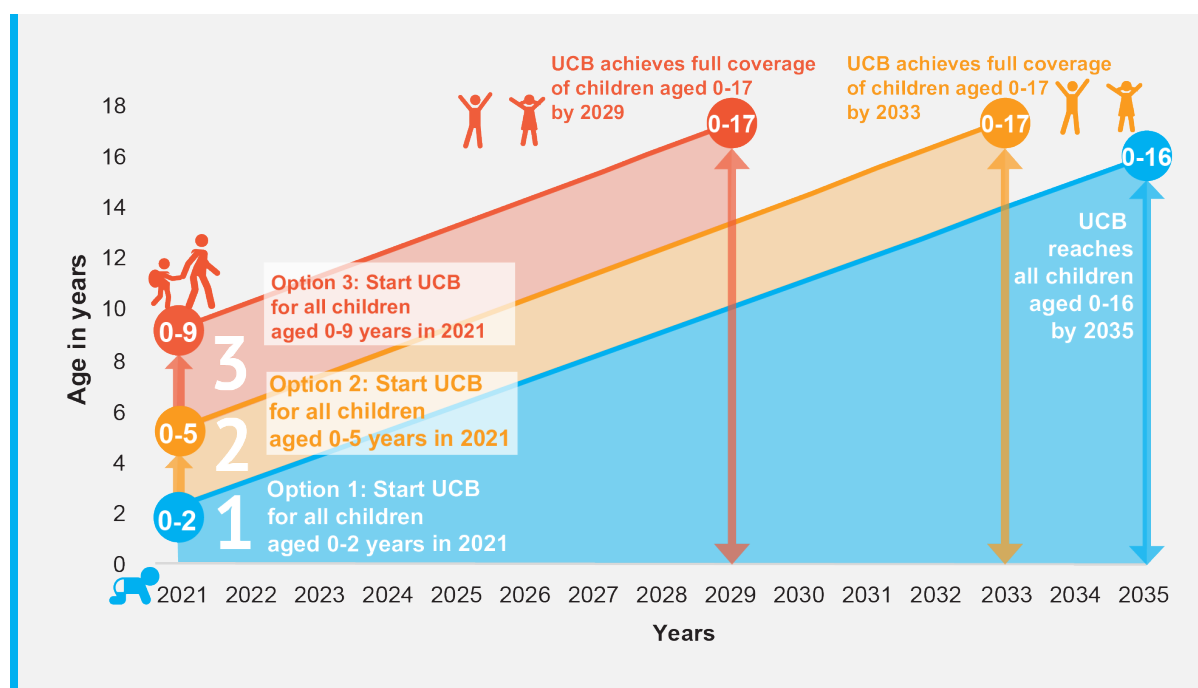
**Figure 5-1: Relationship between monthly transfer value and age of eligibility for a UCB across six countries of South Asia, with a budget of one per cent of GDP in 2021<sup>54</sup>**



Source: Own calculations based on UN DESA's Population Prospects 2019 revision data and IMF's World Economic Outlook database (October 2020).

<sup>54</sup> Nominal US dollars are calculated based on 2020 exchange rate.

Figure 5-2: Options for growing the age of eligibility to the child benefit, over time



Source: Design by Development Pathways.

The three scenarios for gradually implementing universal child benefits in South Asia that are presented in this paper are:

- **Option 1:** Initial age of eligibility of 0-2 years;
- **Option 2:** Initial age of eligibility of 0-5 years; and,
- **Option 3:** Initial age of eligibility of 0-9 years.

By 2035, Option 1 would reach all children aged 0-16 years, while Options 2 and 3 will have reached universal coverage of all children aged 0-17 years by 2029 and 2033 respectively. Once all children are incorporated, the age of eligibility will remain constant.

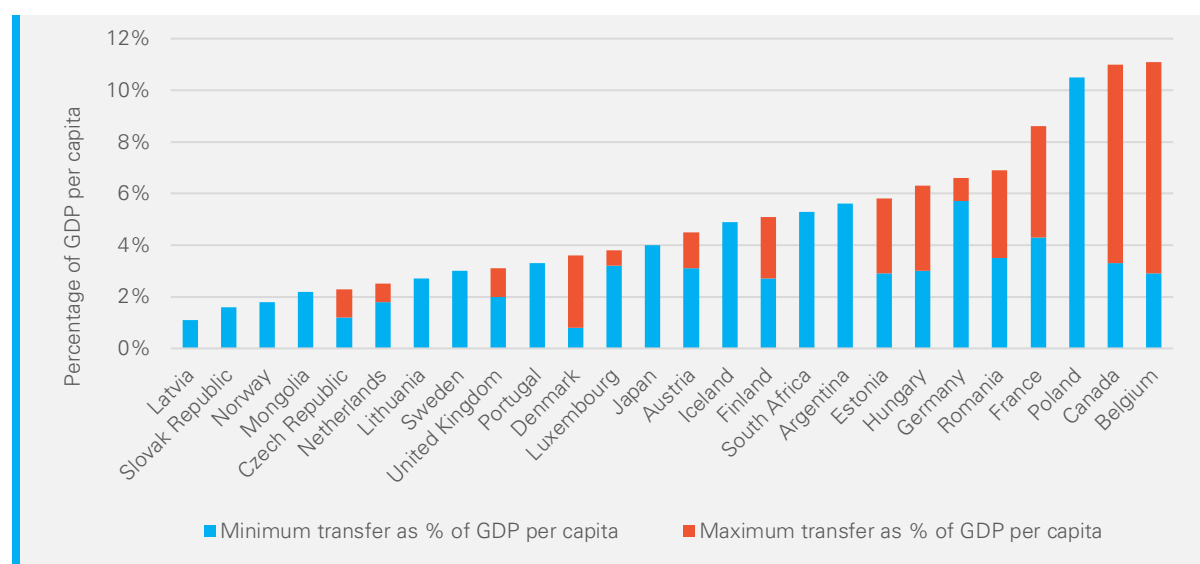
The transfer values proposed in the paper are the same in all three scenarios and are the equivalent of 4.3 per cent of GDP per capita. Table 5-1 sets out how this equates to actual transfer values in each country, in the national currency, nominal United States dollars and United States dollars adjusted for purchasing power parity. The analysis assumes that the transfer values increase annually in line with inflation.

**Table 5-1: Transfer values of the proposed child benefit options in South Asia in 2021**

Country	Monthly value of transfers in local currency	Monthly value of transfer in US\$	Monthly value of transfer in US\$ (PPP)
Bangladesh	BDT 590	US\$ 7.00	US\$ 18.80
India	INR 510	US\$ 6.80	US\$ 24.00
Maldives	MVR 540	US\$ 35.50	US\$ 67.40
Nepal	NPR 430	US\$ 3.60	US\$ 12.70
Pakistan	PKR 610	US\$ 3.90	US\$ 18.00
Sri Lanka	LKR 2,500	US\$ 13.60	US\$ 49.60

A transfer value of 4.3 per cent of GDP has been chosen since, as Figure 5-3 indicates, it is similar to the median value of universal and high coverage child benefits globally and, to retain consistency, follows that used in a proposal by UNICEF for a UCB in Sri Lanka.<sup>55</sup>

**Figure 5-3: Transfer values of child benefit programmes globally**



Source: Kidd, Sibun and Athias (2020).

The following sections set out the level of investment required for the UCBs annually and examines the potential impacts of the UCBs across a range of indicators. However, to offer greater clarity, the impacts of the UCBs focus on Option 2, which has an initial age of eligibility of 0-5 years in 2021. The results for the other options can be found in Annexes to this report. The methodology used in the analysis can be found in Annex 1.

<sup>55</sup> Kidd, Moreira Daniels, et al. (2020).

## 5.1 Level of investment required for the UCB options

The estimated levels of investment required in each of the six South Asian countries included in this study are presented in Figure 5-4.<sup>56</sup> The costs are presented annually, up to 2035 and assume an annual GDP growth rate based on IMF estimates.<sup>57</sup> Administrative costs are not included although, since they are universal schemes, they are likely to be low and probably no more than three per cent of the cost of the transfers.

Option 1 could begin in 2021 at a low cost, ranging between 0.16 per cent of GDP in the Maldives to 0.33 per cent of GDP in Pakistan. Option 2 would also be relatively low cost to introduce, at between 0.34 per cent of GDP in the Maldives and 0.64 per cent of GDP in Pakistan. Option 3 would have the highest cost, since it begins with the highest age of eligibility, at 0-9 years. It would vary between 0.58 per cent of GDP in the Maldives and 1.04 per cent of GDP in Pakistan. The variations in the level of investment required are explained by the differences in the proportion of children in the populations of each country.

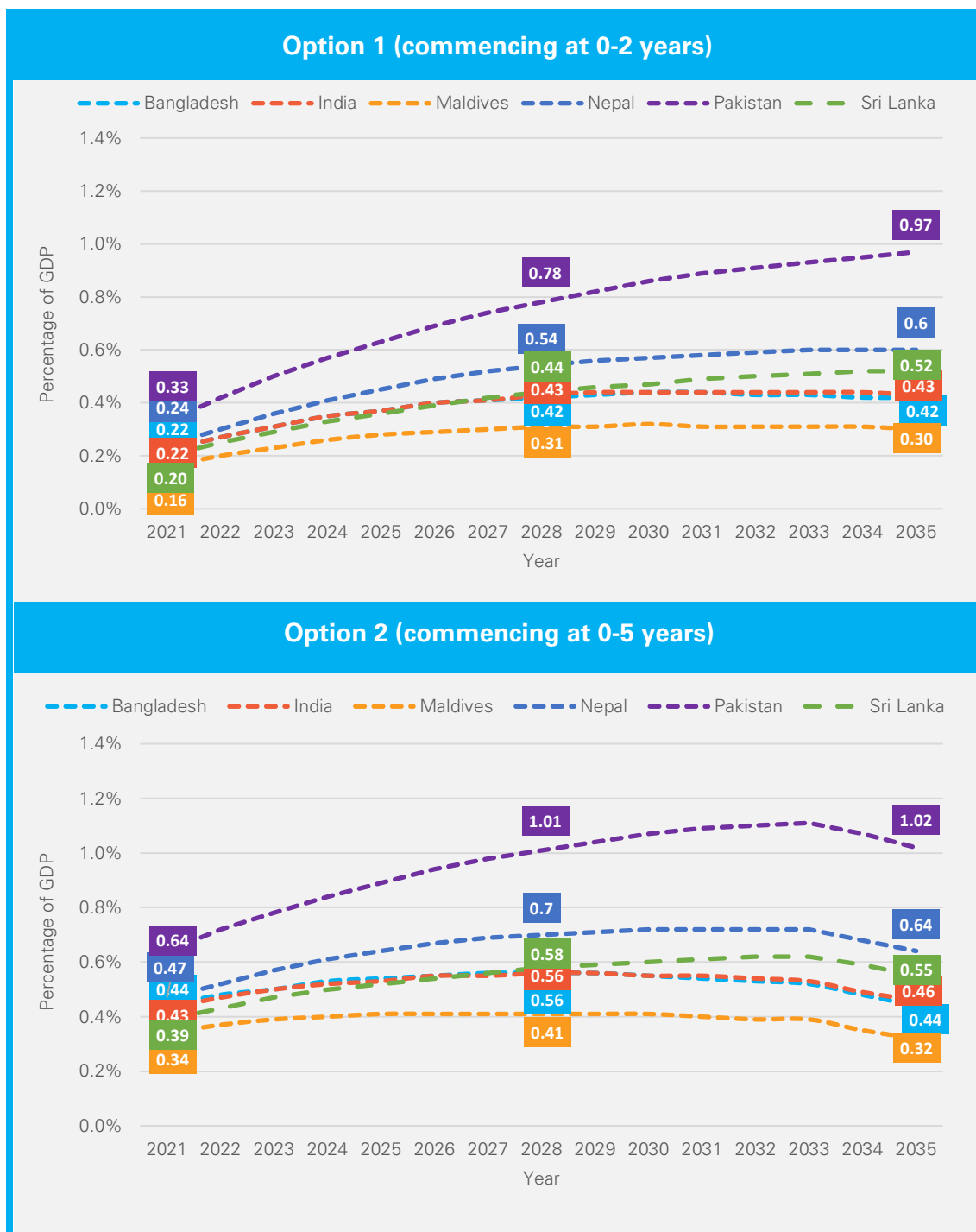
As Figure 5-4 indicates, the costs of each scheme would rise gradually, in line with newborn children being registered for the UCBs each year. As a result, each year governments would be required to invest only a small additional budget, which could be easily found. The highest annual increases would be in Pakistan, but they would nonetheless be minimal. For example, under Option 2, the annual increase required in the budget for the UCB would be only 0.04 per cent of GDP per year. In Sri Lanka, the increase under Option 2 would be much smaller at only 0.02 per cent of GDP per year. Once all children up to the age of 17 years are included, the annual budgets will begin to fall due to a combination of the proportion of children in the population shrinking and economic growth. In some countries, the fall in the annual budget will happen even earlier, due to the speed in the reduction in fertility rates.

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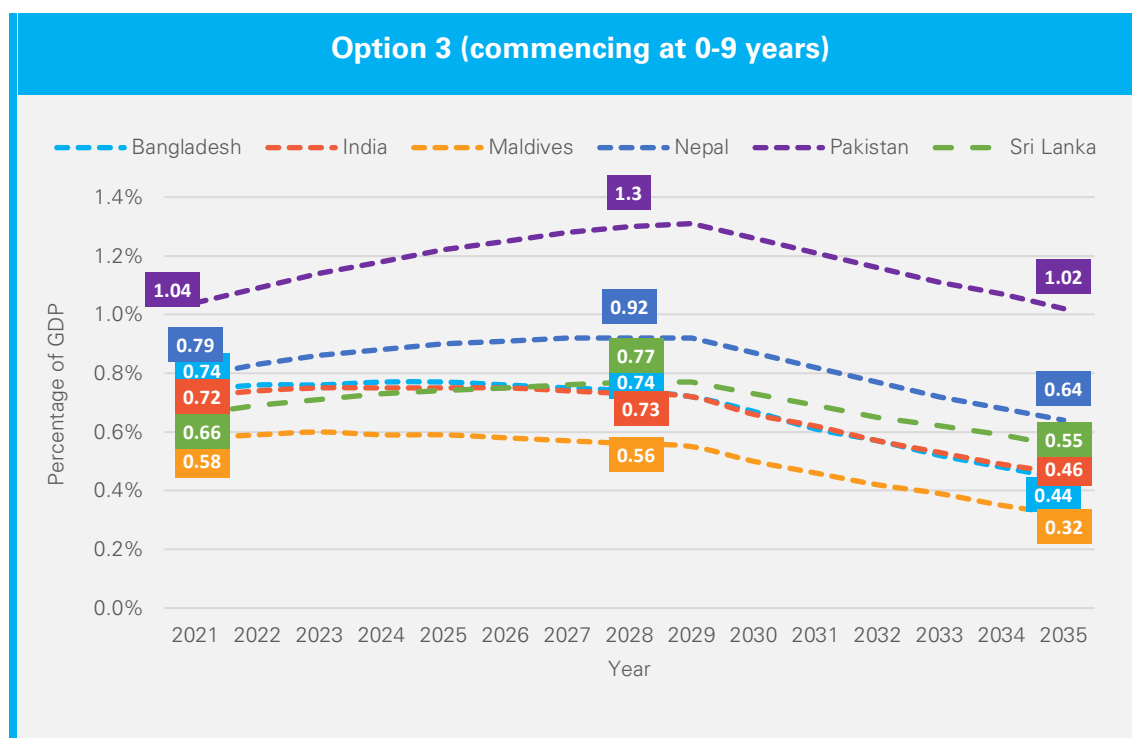
<sup>56</sup> The scenarios presented here do not assume any administrative costs. Transfer values increase year on year in line with inflation.

<sup>57</sup> Estimates are based on IMF's GDP real growth predictions, which can be found in the World Economic Outlook database, October 2020 version. GDP estimates for 2020 and 2021 are identical to IMF's projections, and from 2022 onwards the calculations assume the average predictions for 2022-2025, which is 7.5 per cent in Bangladesh, 7.6 per cent in India, 7 per cent in Maldives, 5.3 per cent in Nepal, 4.7 per cent in Pakistan and 4.8 per cent in Sri Lanka.

Figure 5-4: Level of investment required for a universal child benefit under the different options<sup>58</sup>



<sup>58</sup> A table with the annual costs can be found in Annex 3.



Source: Own calculations based on UN DESA's Population Prospects 2019 revision data and IMF's World Economic Outlook database (October 2020).

Across all options, the highest annual budget that would be reached in any country is 1.3 per cent of GDP in Pakistan, in 2029, under Option 3. This is less than the 1.4 per cent of GDP that Mongolia was investing in its UCB in 2012 and similar to South Africa's current level of investment. However, across other countries, the maximum required budget in the most expensive year would be much less. For example, in India, under Option 2, the maximum budget would be only 0.56 per cent of GDP, in 2028, while, in Sri Lanka, it would be 0.62 per cent of GDP in 2032.

These levels of investment in UCBs are, therefore, affordable. There is no fiscal timebomb awaiting any of the countries. Indeed, the low levels of the maximum budgets required in most countries indicate that, over time, it should be feasible to increase the value of the UCB transfers by more than inflation, so that their real purchasing power increases.

The following sections provide some results from simulations on the potential coverage and impacts of the UCBs.

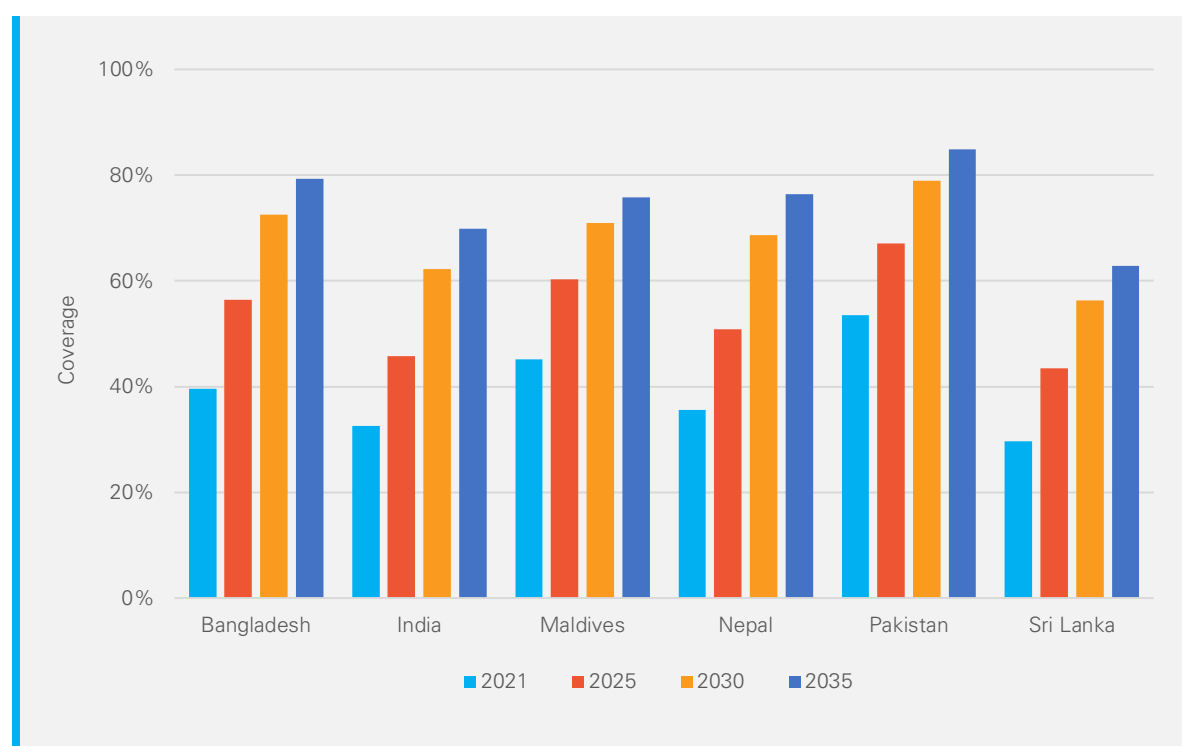
## 5.2 Coverage of households by the UCBs

Across all countries the UCBs will cover a high proportion of households, given that children are found in most households. As the age of eligibility increases, so will the coverage of

## 5 Options for investing in UCBs in South Asia

households. Under Option 2, which commences with children aged 0-5 years of age, the percentage of all households reached across the years 2021, 2025, 2030 and 2035 is set out in Figure 5-5. Even in 2021, when only 0-5s are reached, coverage would be between 29.7 per cent (Sri Lanka) and 53.5 per cent (Pakistan) of all households. By 2035, this would have increased considerably, reaching between 62.8 per cent (Sri Lanka) and 84.9 per cent (Pakistan) of all households. In other words, the vast majority of the population would be either direct or indirect recipients of the UCBs. The high coverage of the UCBs is likely to make them very popular schemes, with significant political benefits for the governments that introduce them.

**Figure 5-5: Coverage of households by the UCBs in 2021, 2025, 2030 and 2035, under Option 2**



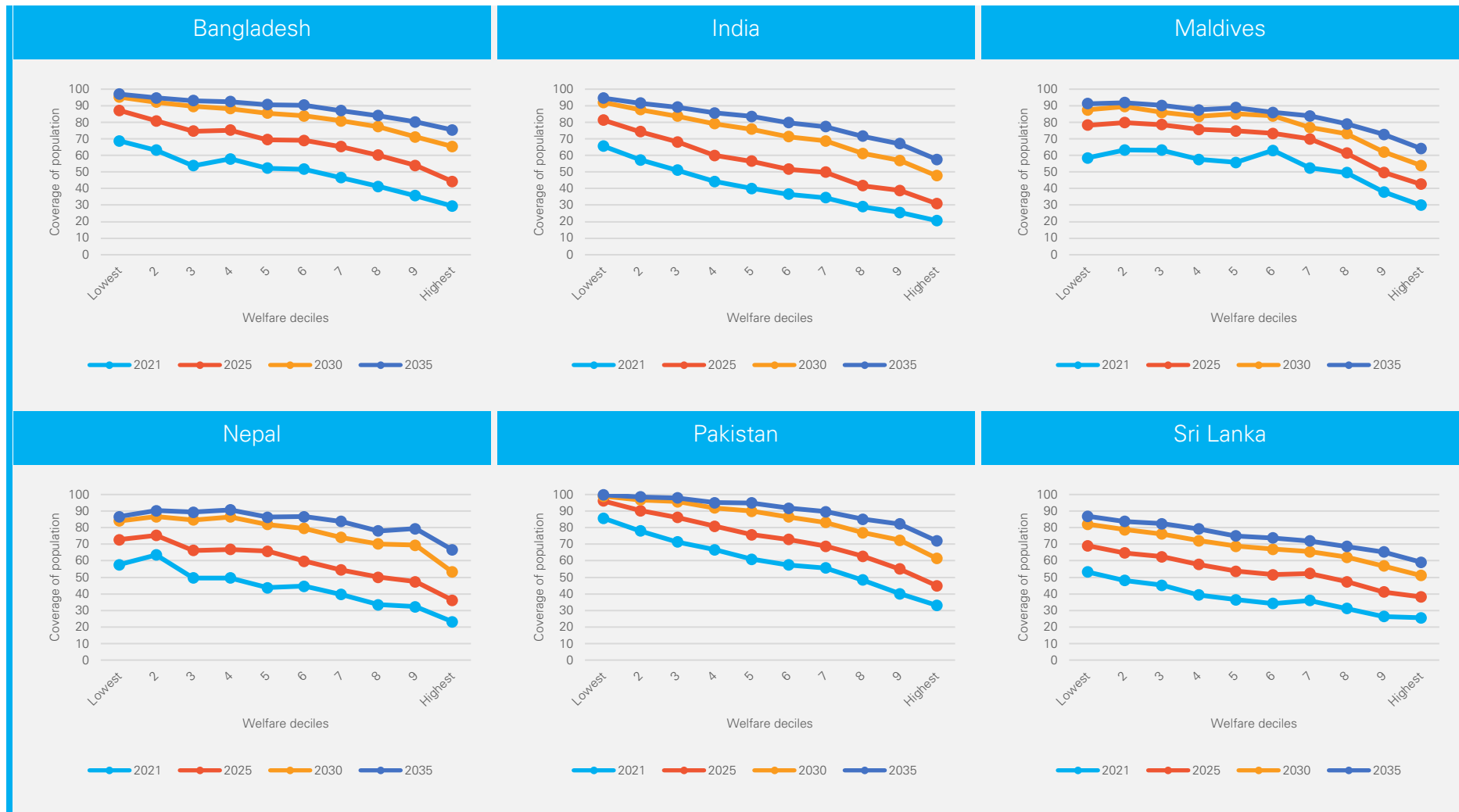
Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

Even though the schemes are universal, they are still pro-poor in their coverage. As Figure 5-6 shows, in all countries, coverage will be highest among the poorest and lowest among the richest. This is because families with children are more likely to be present among the lower welfare deciles of the population. In Bangladesh, India, Nepal and Pakistan, the differences are particularly marked in 2021: for example, in Pakistan, when the UCB is given to children aged 0-5 years, it will reach 85.2 per cent of the population in the poorest decile and only 33.5 per cent in the richest decile.



5 Options for investing in UCBs in South Asia

Figure 5-6: Coverage of UCB Option 2 across all of the population, as direct and indirect recipients, in 2021, 2025, 2030 and 2035



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

## 5 Options for investing in UCBs in South Asia

As would be expected, the UCBs would perform much better than the current poverty-targeted programmes in reaching the poorest members of society. For example, in Pakistan, the BISP benefits 18 per cent of the poorest 30 per cent of households, while a UCB, even when given only to children aged 0-5 years, would reach 77.5 per cent. And, in Sri Lanka, while the Samurdhi programme reaches 34.5 per cent of the poorest 30 per cent of households, a UCB for children aged 0-5 years would reach 41 per cent. Once the UCB age of eligibility reaches 0-17 years, the UCBs would significantly outperform the poverty-targeted programmes in reaching the poorest households.

### 5.3 Impacts of the UCBs on poverty rates<sup>59</sup>

The UCBs would have significant impacts on national child poverty rates across each country. Figure 5-7 demonstrates the falls in the poverty rates among households with children using a poverty line equivalent to 60 per cent of median consumption, under Option 2.<sup>60</sup> While the reductions in the national poverty rates among all children are lower when only children aged 0-5 years are reached, they are still meaningful, varying between a 5.9 per cent reduction in the Maldives and an 18.7 per cent reduction in India. However, once all children are incorporated in the scheme by 2035, the reduction in the national poverty rates among households with children would be much higher, between a 16.8 per cent reduction in Nepal and a 55 per cent reduction in India. The impacts can be compared with the much smaller reductions delivered by South Asia's current social security systems on child poverty rates, which are only between 1.3 and 3 per cent (as discussed in Section 3).

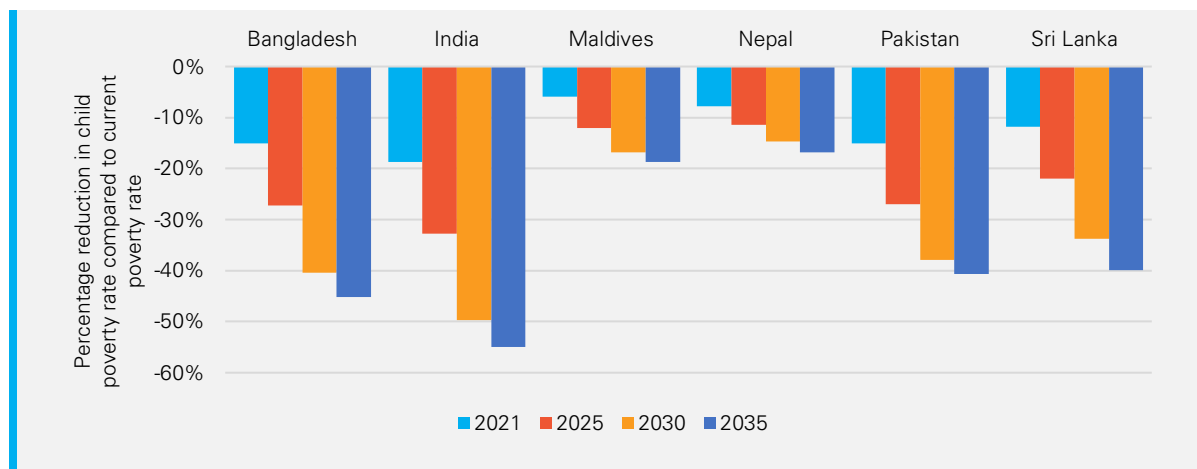
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<sup>59</sup> The results for the other two options can be found in Annex 4.1.

<sup>60</sup> A poverty rate equivalent to a median consumption of 60 per cent is chosen to give consistency across the countries, given the large differences in child wellbeing between the countries.

## 5 Options for investing in UCBs in South Asia

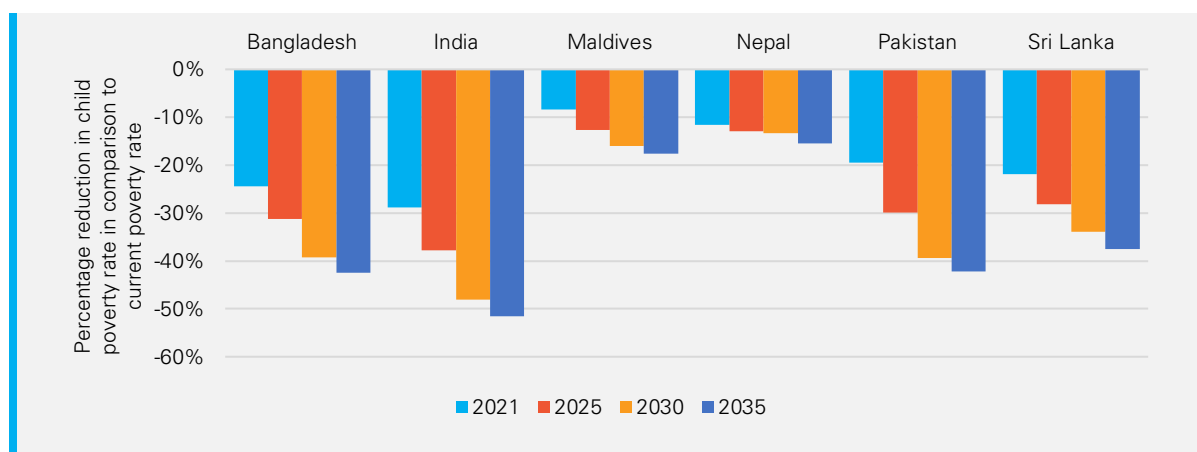
**Figure 5-7: Impacts of UCB Option 2 on national child poverty rates using a poverty line set at 60 per cent of median consumption, in 2021, 2025, 2030 and 2035**



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

The impacts on poverty rates across recipient households are higher than the impacts on national child poverty, at least prior to 2035 at which point all children would be able to access the schemes. Again, using a poverty line equal to 60 per cent of median consumption, for Option 2 the reduction in the poverty rate among recipient households would be between a 8.3 per cent reduction in Nepal and a 28.9 per cent reduction in India. By 2035, this would have increased significantly and would be between a 15.5 per cent reduction in Nepal and a 51.6 per cent reduction in India. The impacts on recipient households grow over time due to the increase in the number of child benefits that many households with children would receive as the age of eligibility increases.

**Figure 5-8 Impacts of UCB Option 2 on poverty rates of recipient households using a poverty line set at 60 per cent of median consumption, in 2021, 2025, 2030 and 2035**



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

## 5.4 Increase in consumption among children<sup>61</sup>

Reductions in poverty rates are not the best way to measure the impacts of UCBs since they only examine the small proportion of households that actually move from below the poverty line to above it. Given that a UCB is given to all children, most of whom need it, a better means of measuring impacts is to examine the increase in consumption across the welfare distribution as a result of families receiving a higher income. This section, therefore, examines the potential increases in consumption among households with children receiving the UCBs. It assumes that the cash from the UCBs is used only to support children, in line with their aims (while Section 5.5 examines the impacts on entire households for comparison).<sup>62</sup>

The impacts on children could be very high if caregivers use the cash as it is intended. As Figure 5-9 shows, the increase in consumption among all children in recipient households under Option 2 in 2035 would be 28.6 per cent in Bangladesh, 44.6 per cent in India, 27.2 per cent in the Maldives, 14.3 per cent in Nepal, 16.2 per cent in Pakistan and 38.5 per cent in Sri Lanka. These are significant impacts and could make a major difference to the lives of children across South Asia, enabling them to enjoy much better nutrition while their families could, for example, purchase books, toys and games or pay for their children to participate in extra-curricular activities, such as music or sport.

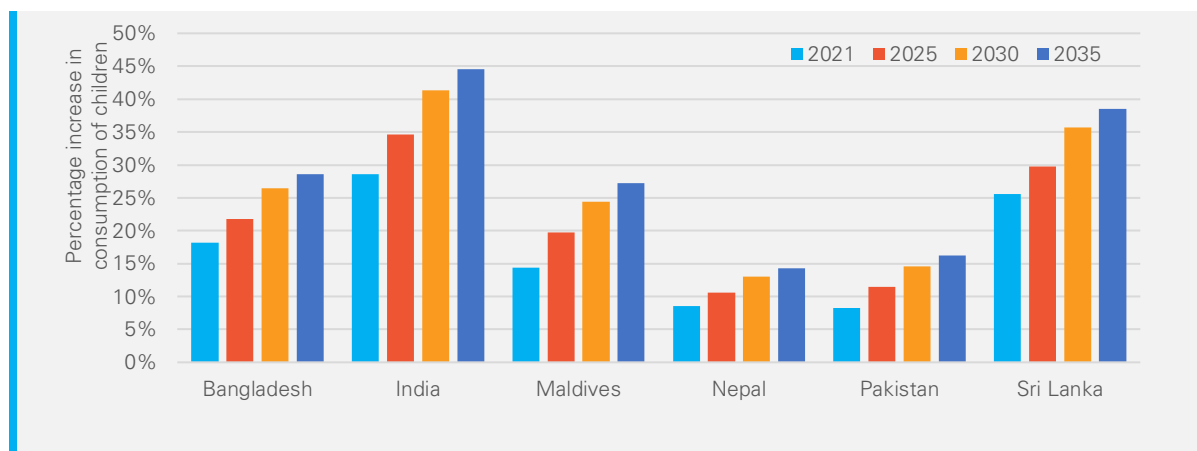
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<sup>61</sup> Complete results for all three options can be found in Annex 4.2.

<sup>62</sup> The analysis is undertaken using an OECD modified equivalence scale as this more realistically takes into account economies of scale in a household and that children, on average, consume less than adults. Of course, different equivalence scales will give different results and Figure 5-10 also provides the results for a per capita approach by welfare deciles, when children are treated the same as adults.

## 5 Options for investing in UCBs in South Asia

**Figure 5-9: Increase in average consumption of all children in recipient households resulting from Option 2 in 2021, 2025, 2030 and 2035**



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016. Notes: the analysis uses the OECD modified adult equivalent scale to estimate consumption of children, where children under 14 years consume 30 per cent of that of the household head, and children 14 years and over consume 50 per cent.

Further, the increase in consumption by children is much higher the poorer the household, again demonstrating how universal benefits are highly progressive. Figure 5-10 provides results using two different assumptions on equivalence scales that could be used in the analysis, one that treats all members of the household as having equal consumption and the other which takes into account lower consumption by children and economies of scale.<sup>63</sup> The results show that the poorer the child, the higher the relative benefit: for example, in 2035, depending on the assumption used, among children in the poorest decile, the increase in consumption would be 85.4 per cent in India and 78.7 per cent in Sri Lanka, compared to 12.6 per cent and 16.4 per cent respectively among the richest decile of the population.

<sup>63</sup> Under the per capita approach, it is assumed that level of consumption for each member of the household – including children – is equal. Under the OECD modified equivalence scale approach, each household member is assigned a different weighting in order to estimate the economic resources available depending on different household compositions. The value assigned to the first household member (household head) is 1, all other household members aged 14 years and above are assigned a value of 0.5, and all children below 14 years are assigned a value of 0.3.

## 5 Options for investing in UCBs in South Asia

**Figure 5-10: Increase in consumption among recipient children, using the OECD modified equivalence scaling and a per capita equivalence scale, as a result of UCB option 2 across the welfare distribution, in 2035**

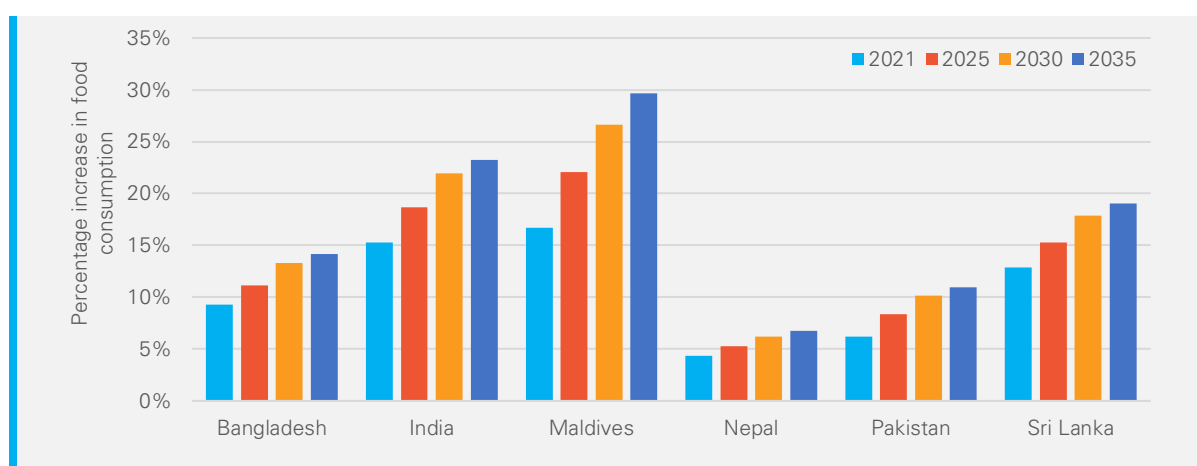


Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HICS 2015/16 and Sri Lanka HIES 2016.

## 5.5 Increase in household food consumption<sup>64</sup>

Given the importance of tackling stunting and micro-nutrient deficiency, one aim of UCBs is to provide children with better diets by enabling families to purchase more food of higher quality. Simulations indicate that, if families were to use the UCBs only to purchase food, while maintaining their previous food expenditures, overall food consumption would increase significantly. As shown by Figure 5-11, food consumption in recipient households would rise, in 2035, by between 6.8 per cent in Nepal and 29.7 per cent in Maldives. The increase would be lower in earlier years but would still be enough to make a meaningful difference to children.

**Figure 5-11: Increase in food consumption among recipient households in 2021, 2025, 2030 and 2035, as a result of Option 2**



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

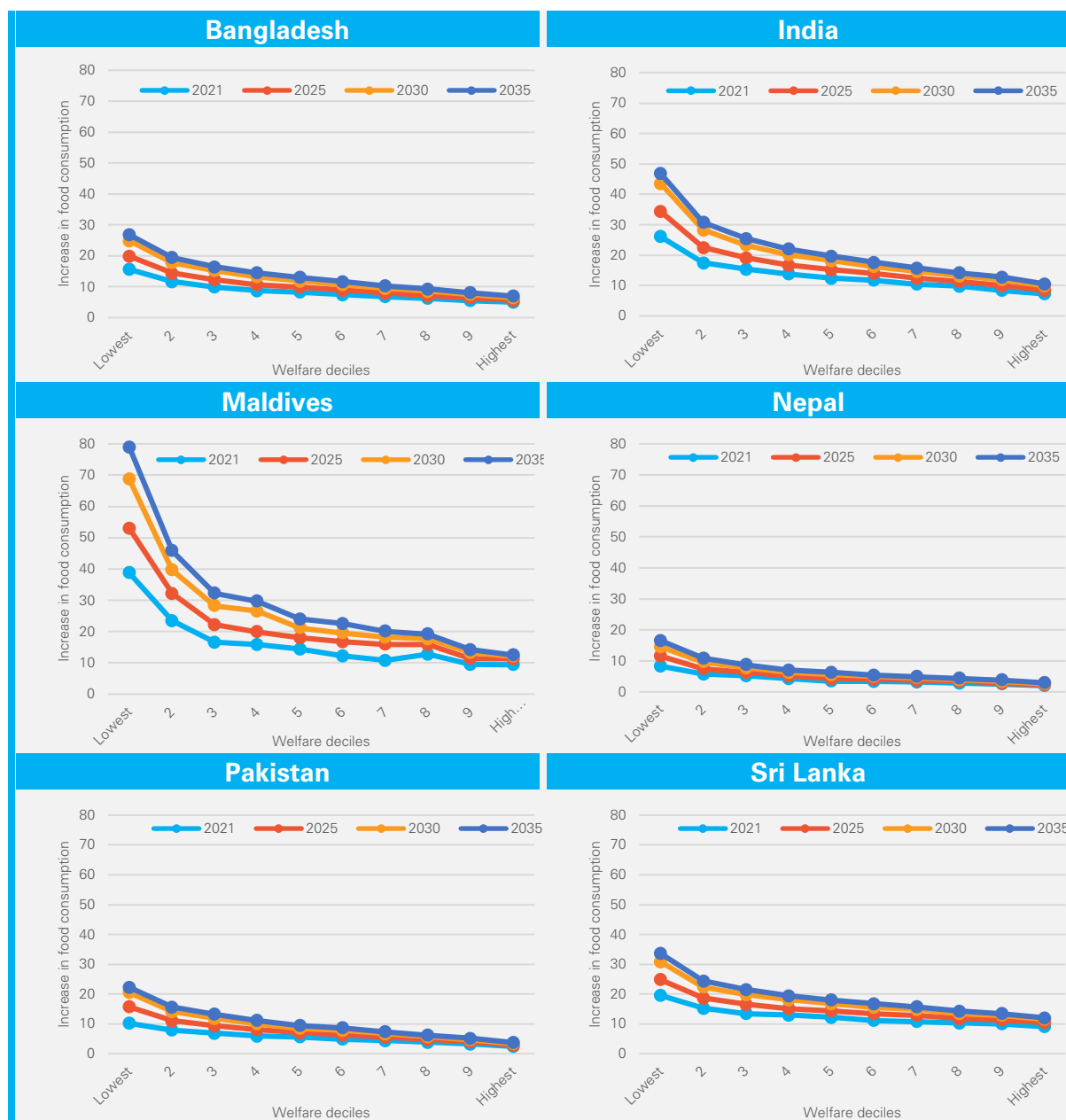
Further, as with other indicators of impact, the UCB would be very progressive, given that the poorer the household, the higher the increase in food consumption. As shown by Figure 5-12, by 2035 the increase in food consumption among households with recipient children in the poorest decile of the population in the Maldives would be 78.9 per cent compared to 12.5 per cent among those in the richest decile while in India, the comparable figures would be 46.8 per cent and 10.6 per cent. Importantly, among those families struggling on middle incomes and experiencing stunting and micro-nutrient deficiency, the increase in food consumption would still be meaningful, assuming that all the cash were spent on food. On

<sup>64</sup> Complete results for all three options can be found in Annex 4.3.

## 5 Options for investing in UCBs in South Asia

the basis of international evidence, it is likely that the cash will enable families to not only eat more, but to purchase higher quality food containing protein and more micro-nutrients. As seen in other countries providing cash benefits to children, it is likely that this would translate into reduced levels of stunting and micro-nutrient deficiency with positive impacts on cognitive development and education outcomes.

**Figure 5-12: Increase in food consumption among recipient households as a result of UCB option 2 across the welfare distribution, in 2021, 2025, 2030 and 2035**



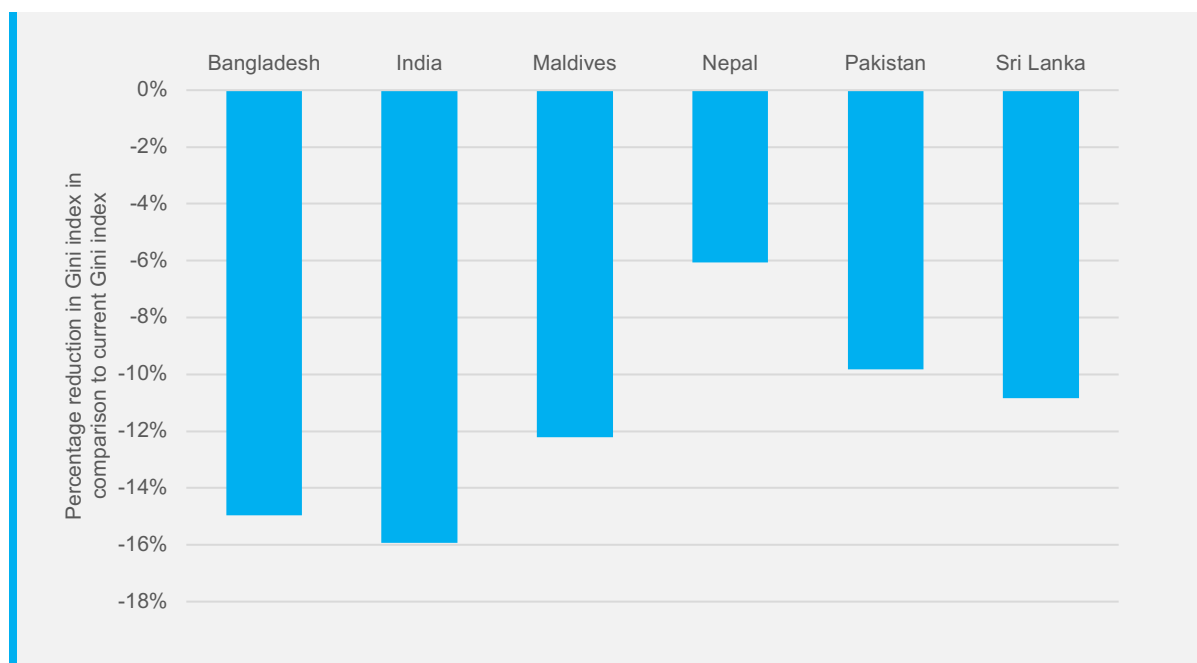
Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.



## 5.6 Reductions in inequality<sup>65</sup>

One of the core aims of social security systems is the redistribution of wealth within societies, to tackle high levels of inequality and create more cohesive societies. As explained earlier, universal schemes are more effective in reducing inequality than programmes targeted at the poorest due to their higher budgets, higher taxes on the wealthy and greater redistributive power. UCBs should, therefore, be a key tool to be used by governments across South Asia to create fairer and more equal societies, in particular if funded via more progressive taxation. Figure 5-13 shows the reduction in national Gini coefficients that could be expected by the introduction of a UCB in 2035, taking into account both the impact of the transfers and the taxes that would pay for it.<sup>66</sup> The UCBs would have a major impact on inequality across the region, with the greatest impact in India, where the Gini coefficient would fall by almost 16 per cent, while it would be above 9.8 per cent in all other countries apart from Nepal.

**Figure 5-13: Reduction in the national Gini index as a result of UCB Option 2, in 2035**



Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016. Note: the Gini coefficient is based on inequality in household consumption expenditure. The 'current' Gini index is based on the year of the survey.

<sup>65</sup> Complete results for all three options can be found in Annex 4.4.

<sup>66</sup> The analysis assumes that the UCBs are financed by a progressive tax on the most affluent 30 per cent of households.

## 5 Options for investing in UCBs in South Asia

The reductions in inequality are likely to bring further benefits across South Asia. Societies will become more cohesive, with the danger of social unrest falling and national social contracts being strengthened. In addition, as indicated earlier, a fall in inequality is likely to create the conditions for higher rates of economic growth, in particular if the investment in UCBs also results in higher skills development among children, which enables South Asia to take advantage of a demographic dividend.

### 5.7 Overview of impacts of UCBs on children and society

By investing in UCBs, countries in Asia could begin to transform the lives of the region's children. As a result of accessing higher incomes, families could increase their investments in their children, ensuring better nutrition and enhancing health outcomes. As a result, rates of stunting and micro-nutrient deficiency should fall, meaning that greater numbers of children will enjoy enhanced cognitive development, which will enable them to perform better at school. Once child benefits are given to older children, far fewer will drop out of school, meaning that they will be able to take full advantage of the educational opportunities that are offered to them. The home environment for children will also improve, with parents spending more time with their children and being able to provide them with toys, games and books which will help stimulate further their education. Home environments for children will also become more protective and peaceful, with lower incidences of domestic violence.

If registration for the UCB is linked to possession of a birth certificate, more parents will be encouraged to obtain birth certificates for children. By giving children identity, they should be able to gain better access to a broad range of public services, including health, schooling and social care. Innovations in technology could allow governments to use the UCB registration as a means of building comprehensive national databases on children, which could be linked to other services, so that governments can track child wellbeing: for example, the national child benefit database could be linked to health centres so that data on growth monitoring and vaccinations could be held nationally while the tracking of children's progress through schools could also be enhanced.

If, through the introduction of a UCB, all families with children receive a regular monthly cash income from government, trust in government across the region would also be

## 5 Options for investing in UCBs in South Asia

strengthened.<sup>67</sup> If trust is built, social contracts could be strengthened. A stronger social contract would be particularly important in the region's fragile states, in particular Afghanistan. The implications of this for government revenues are discussed in Section 6.

Finally, a UCB would contribute to greater economic growth across the region. By providing the majority of families with cash to spend, it would generate greater consumption and expand markets for entrepreneurs, both large and small. This would act as an economic stimulus and would be particularly important in facilitating the recovery of countries from the COVID-19 pandemic.<sup>68</sup> In the longer term, as indicated earlier, UCBs could strengthen child development, building a stronger and more productive labour force, helping countries compete in global markets and enabling them to take full advantage of the demographic dividend. The greater social cohesion that would result from a stronger social contract would make countries more favourable destinations for investors.

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<sup>67</sup> See Kidd, Axelsson Nycander, et al. (2020) for a more in-depth discussion on how UCBs could strengthen trust in government.

<sup>68</sup> See Kidd, Tran et al (2020) for a further discussion of the impacts of UCBs on economic recovery from the COVID-19 crisis across South Asia.

## 6 Pathways for financing UCBs in South Asia

The COVID-19 crisis makes it more important than ever to invest in UCBs to both support economic recovery and provide essential financial assistance to families across South Asia. Therefore, countries should carefully examine whether they can afford not to invest in UCBs at this point in time. The options set out above – in particular Options 1 and 2 – require relatively small initial investments which are affordable for all South Asian countries. Not investing in UCBs means missing out on a wide range of social, economic and political benefits.

To give a sense of the scale of initial funding required alongside fiscal space options, the investment in the first year of a UCB in 2021 can be set alongside the size of each country's gross debt. Table 6-1 shows the gross debt that the IMF predicts across the six South Asian countries considered in the analysis, alongside the cost of a UCB using Option 2, in 2021. The information can be interpreted in two ways. Firstly, Bangladesh and Nepal have relatively low gross debt so borrowing to finance the UCB could be a sensible investment, given the benefits that they would derive from its implementation. Secondly, even if the other countries were to borrow to fund the first year of the UCB implementation, the increase in gross debt would be negligible and would not significantly worsen the countries' finances or debt servicing requirements. Given that the economy would be given a boost by the UCB as consumption increases, in part the UCB would pay for itself. Further, if Option 1 were chosen, the cost of implementing the UCB initially would be much smaller.

**Table 6-1: Cost of introducing a UCB in 2021 relative to projected gross debt for 2020 across selected countries of South Asia**

Country	Gross Debt (% of GDP)	Cost of UCB in 2021 (% of GDP)	UCB as percentage of gross debt
Bangladesh	39.6%	0.44%	1.1%
India	89.3%	0.43%	0.5%
Maldives	118.3%	0.34%	0.3%
Nepal	39.2%	0.47%	1.2%
Pakistan	87.2%	0.64%	0.7%
Sri Lanka	98.3%	0.39%	0.4%

Source: IMF's World Economic Outlook database, October 2020 version.

In fact, one financing option that countries could use would be to defer payments on their debt servicing for a short period. For example, in 2018, Bangladesh paid 0.69 per cent of

## 6 Pathways for financing UCBs in South Asia

GDP annually to service its debt, India 4.65 per cent, the Maldives 2.86 per cent, Nepal 1.41 per cent and Sri Lanka 5.9 per cent.<sup>69</sup> If half of this debt servicing charge were deferred for only a year, it would easily finance the first year of a UCB under Option 2 in India, the Maldives, Nepal and Sri Lanka and the majority of the cost in Bangladesh. However, this would require a global agreement. Nonetheless, if creditors are committed to supporting the wellbeing of children, it should be possible to gain an agreement for a debt deferment on condition that countries use the savings to fund a UCB.

Assuming that countries want to further expand their schemes in line with the proposals in this paper, the subsequent year on year increases in budget would be very small. These could be easily financed by the additional tax generated by economic growth. So, for example, India has annual government revenues that are predicted by the IMF to be the equivalent of 19.5 per cent of GDP in 2022. If GDP annual growth in India were five per cent of GDP in 2022, real additional tax revenues would be the equivalent of around one per cent of GDP. Yet, only 0.04 per cent of GDP would be required to fund the annual increase in investment of the UCB in 2022, in other words only four per cent of new revenues. Similar amounts would be required in future years, as long as GDP growth is at least five per cent per year. In other countries, the amount required would similarly be easily covered by increases in tax revenues deriving from economic growth.

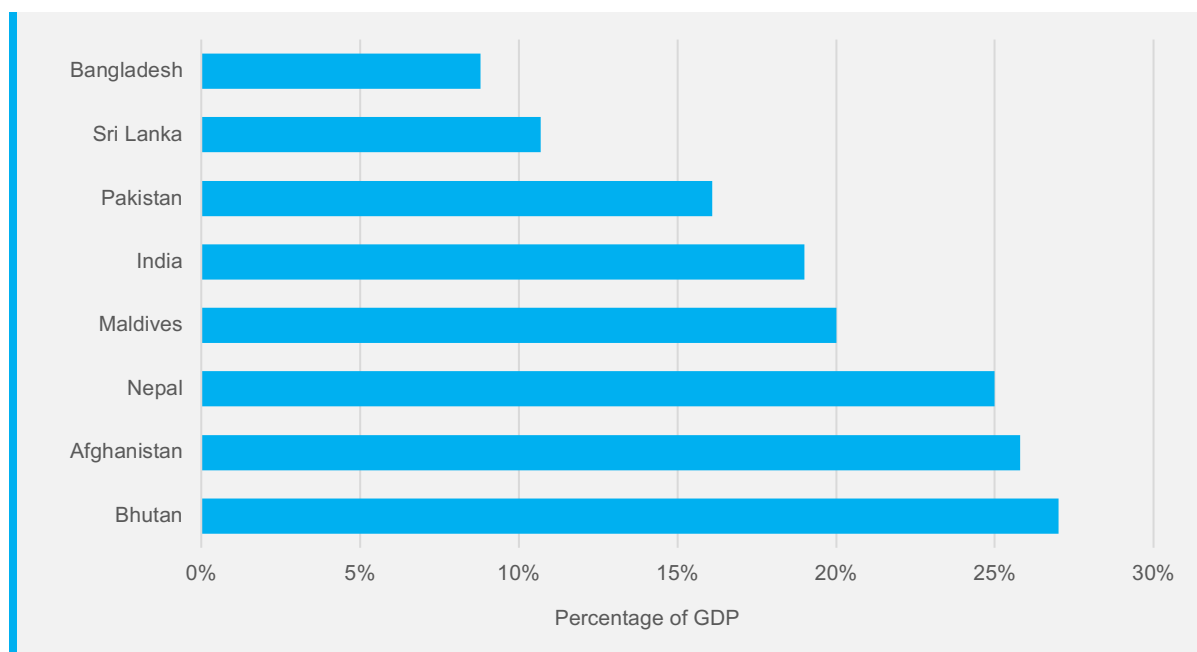
It is, though, true that overall government revenues across South Asia are low, as indicated by Figure 6-1. No country has revenues above 30 per cent of GDP while most are under 20 per cent of GDP and, in Sri Lanka and Bangladesh they are particularly low at 10.7 per cent and 8.8 per cent respectively. However, income tax rates are also low: for example, the highest rates of income tax on the wealthy are between 18 and 30 per cent. If countries commit to fair redistribution, these could be increased: a top income tax rate of 40 per cent is a norm in many countries, and, indeed, would be considered low in some of the world's richest countries. Sri Lanka undertook major tax cuts in 2019 which benefited the wealthy and, if these were rescinded, they would go a long way to financing a UCB. Further, a progressive wealth tax on the richest four per cent of India's population would raise one per cent of GDP, which could easily finance a UCB and would be a welcome gesture of solidarity of some of the country's wealthiest citizens with its children.<sup>70</sup>

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<sup>69</sup> Source: IMF Data, Government Finance Statistics found at: <https://data.imf.org/?sk=a0867067-d23c-4ebc-ad23-d3b015045405>; and information provided by Oxfam.

<sup>70</sup> Subramanian (16 April, 2020) based on Landais et al (3 April, 2020).

**Figure 6-1: Government revenues as a proportion of GDP across South Asia, as predicted for 2021<sup>71</sup>**



Source: IMF World Economic Outlook database, October 2020 version.

It should also be borne in mind that one reason underpinning low levels of government revenue found across South Asia is limited trust in government, which means a weak national social contract. The fundamental building block of a strong social contract is citizens being able to trust their Governments and, as Sweden’s Ministry of Finance (2017) has argued, governments build trust through the provision of universal public services, including through universal social security.<sup>72</sup> Social security programmes that target the poorest members of society and exclude the majority of the population can undermine trust in government. Further, as discussed earlier, their targeting effectiveness is limited, with the majority of intended recipients excluded. In some South Asian countries, there is good evidence that the selection of recipients is used by local officials for rent-seeking. In Pakistan, a proxy means test is used to select people for a range of social programmes: while it is argued by its proponents to be ‘objective,’ in reality proxy means tests are perceived by citizens as particularly arbitrary in their selection, resulting in limited trust in government.<sup>73</sup> It is not surprising, therefore, that citizens from across South Asia are reluctant to be taxed.

<sup>71</sup> The values presented here are predicted by the IMF for 2021.

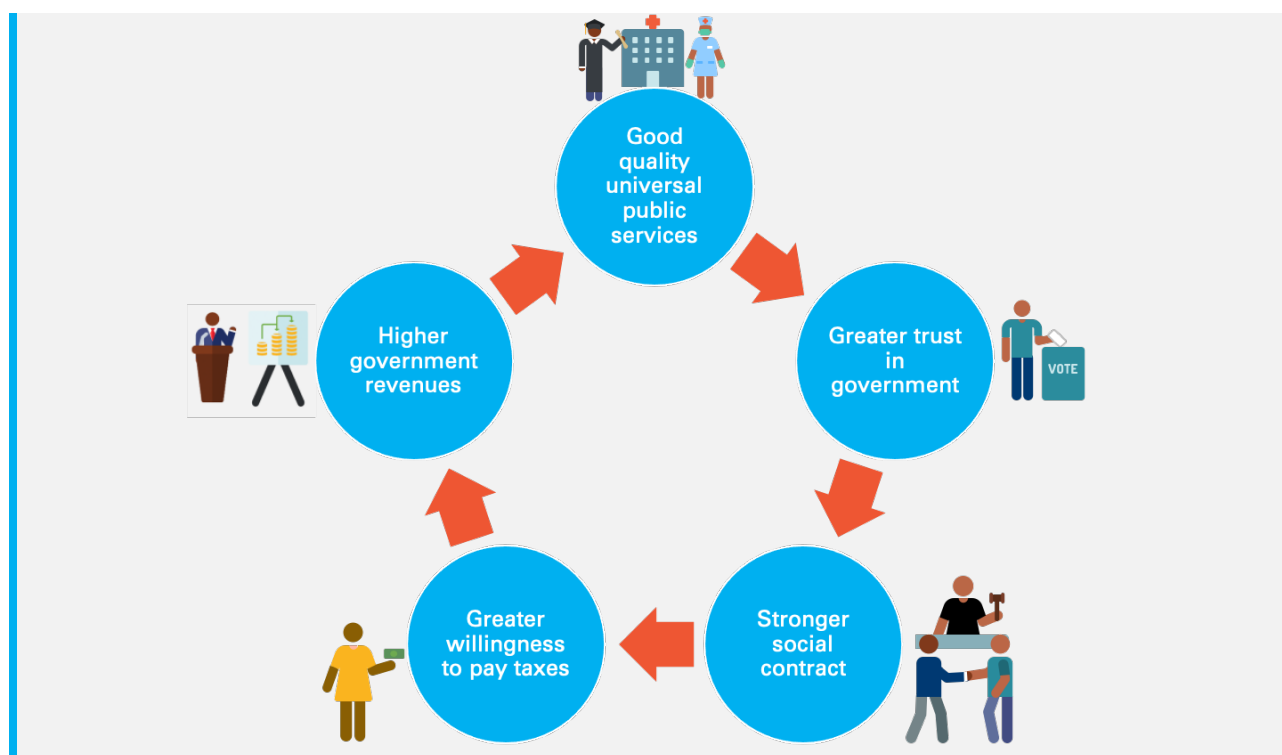
<sup>72</sup> Sweden Ministry of Finance (2017).

<sup>73</sup> Kidd, Gelders and Athias (2018); Kidd & Athias (2020).

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However, a UCB could go a long way to restoring trust in governments.<sup>74</sup> A UCB could be established in a very short period of time: for example, all governments in the region could promise to give every child a regular income transfer and, within a year, could deliver on this promise, ensuring that everyone receives exactly the cash that they were promised, and on time. When families receive cash in their hands every month from government, they will have real evidence that their taxes are being used well and their government cares for them. By starting with a UCB, governments could, as illustrated by Figure 6-2, create a virtuous circle that engenders greater trust, a stronger social contract, higher government revenues and further investment in good quality universal public services. South Asia could be transformed.

**Figure 6-2: The virtuous circle that could be created by South Asian governments through investing in a UCB, as a means of building a strong social contract**



Source: Kidd, Axelsson Nycander, et al. (2020).

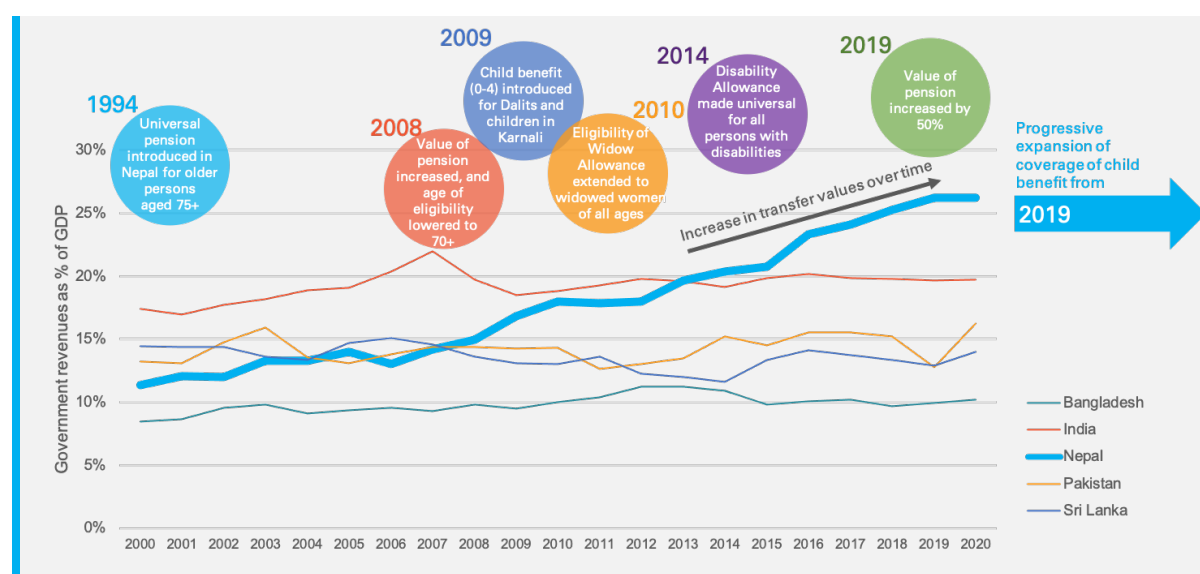
In fact, the Indian sub-continent provides some potential evidence that investing in universal social security can strengthen the social contract and generate greater tax revenues for government. As discussed earlier, Nepal is the only country in the sub-continent to offer universal social security schemes: Bangladesh, India, Pakistan and Sri Lanka deliver relief

<sup>74</sup> See Kidd, Axelsson Nycander, et al. (2020) for a more in-depth discussion on how investing in universal public services builds trust in Government.

## 6 Pathways for financing UCBs in South Asia

programmes for the poor. Over the past 20 years, government revenues in Nepal have more than doubled while, elsewhere in the region, there has been little change. While it is not possible to demonstrate causality, Figure 6-3 shows the changes over time in government revenues across Bangladesh, India, Nepal, Pakistan and Sri Lanka alongside the main advances in Nepal's social security system. It should not be discounted that the universal schemes in Nepal – which are very popular<sup>75</sup> – may have helped engender trust in government and contributed to higher government revenues, despite Nepal being one of the poorest countries in the region.

**Figure 6-3: Government revenues across five countries in South Asia over time, alongside the main innovations in Nepal's universal social protection system**



Source: Based on data collected from IMF WEO April 2019.

Further, a UCB could be used to encourage citizens to enter into the income tax system. Governments could decide to introduce a UCB but only pay it to those who have made an annual income declaration. In practical terms, families could make an income declaration at the same time as applying for the UCB (which, in effect, is what happens whenever a family applies for the child benefit in South Africa). This could create a powerful incentive for families to declare their incomes, in particular if the value of the UCB is higher than the tax paid (which it would be in most South Asian countries since few people would be eligible to pay income tax, at least in the years immediately following the introduction of a UCB). The UCB 'carrot' would have to go alongside 'sticks,' such as fines for those who do not make the income declaration. In the early years, these more coercive measures could be targeted

<sup>75</sup> Drucza (2018).



## *6 Pathways for financing UCBs in South Asia*

at the higher earners in the informal economy (in other words, those who are likely to pay taxes that are higher than the benefits they receive), while adopting a relaxed attitude to the majority of the population. Over time, though, families would become used to declaring their incomes annually and, gradually, the tax base would expand as countries become more prosperous and increasing numbers of people become liable to pay income tax.

The human, social, economic and political benefits of introducing a UCB are clear. The COVID-19 crisis has made its introduction an even greater imperative.

## 7 Conclusion

The vast majority of families with children across South Asia are in need of additional income so that they can better support and invest in their children. The region is characterised by widespread low incomes, with families spending a high proportion of their incomes on food, which is often not of sufficient quality to provide their children with adequate nutrition. Further, many families are struggling to ensure that their children can gain a full education up to 18 years of age and find it challenging to provide them with a home environment that is conducive to learning. The COVID-19 crisis has resulted in a significant deterioration in child wellbeing across the region, which has wiped out many of the improvements made in recent years. The fiscal responses across the region to the crisis will not enable a sufficiently robust economic recovery, making it more likely that it will take some years before many families are able to regain the income they have lost.

If the health, nutrition and learning of children is to be enhanced, it is critical that an imaginative solution is found to the challenge of widespread low incomes. The current social security systems in the region offer limited coverage and low transfers. Children in the region – including those living on the lowest incomes – are largely unable to access social security, which is a fundamental human right as set out in the Convention of the Rights of the Child. Part of the remedy to this is to provide each child in the region with a regular and predictable income transfer, in other words a Universal Child Benefit (UCB). The evidence set out in this paper indicates that a UCB could be established initially at a relatively low cost by being offered first to younger children, with the age of eligibility expanding over time. The impacts on child wellbeing would be significant, in particular among the poorest families, but also among those on middle, but still low and insecure, incomes.

However, the benefits of a UCB would go well beyond those directly experienced by children in the short-term. Its introduction would provide both a short and long-term boost to national economies. It would act as an immediate stimulus package, increasing consumption in the region and thereby generating greater demand in the economy, which will, in turn, provide entrepreneurs with more opportunities and larger markets, while more jobs will be created. Families themselves will have greater economic security and will be more likely to invest in higher risk, and more profitable, income generating activities since they know that they will have a guaranteed minimum income to fall back upon if they

## *7 Conclusion*

experience setbacks. In the long-term, by investing in children's health, nutrition and skills through a UCB, the quality of the region's workforce will be strengthened, making countries themselves more competitive in global markets while being in a better position to take advantage of new technologies.

A further key national level impact will be the strengthening of social contracts. Given that most households will begin to receive cash on a regular and predictable basis, their trust in government will grow. As has happened elsewhere, this should result in a stronger social contract which, over time, is likely to encourage citizens to pay higher taxes. As government revenues grow, they will be able to increase their investment in all public services, in particular in health and education. The expansion of government revenues will be transformative for South Asia and should contribute to a significant improvement in child wellbeing, in particular in health and education outcomes.

Ultimately, a UCB should be regarded as a symbol of solidarity between the region's richest citizens and its children. By accepting relatively small tax increases, the rich will be able to finance a benefit that will make a meaningful impact on the lives of all of South Asia's children. It is time, once and for all, to effectively tackle the scourge of child poverty that plagues the region.

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## Annex 1 Methodology employed to simulate the potential impacts of introducing UCBs

The results presented in Section 5 and Annexes 3 and 4 are based on ex-ante microsimulation techniques. This annex provides an overview of the methodology and data used to estimate the level of investment required and simulate the potential impacts of implementing UCBs separately in six South Asian countries.

### Annex 1.1 Estimating the level of investment required

The analysis considers three different options for gradually implementing UCBs. In 2021, the proposed start date, the age of eligibility for the three options are:

- **Option 1:** Initial age of eligibility of 0-2 years
- **Option 2:** Initial age of eligibility of 0-5 years
- **Option 3:** Initial age of eligibility of 0-9 years

The upper bound limit of the age of eligibility increases by one year every year, such that by 2035, under Options 2 and 3, all children aged between 0 and 17 years are eligible, and under Option 1, children aged between 0 and 16 years are eligible (see Figure 5-2). The proposed transfer values for 2021 are presented in Table 5-1 and these are assumed to increase annually according to inflation.

In undertaking the analysis, the first step is to estimate the annual transfer spending for the years 2021 to 2035 for a given country  $j$  and year  $t$  which is the product of the number of children in country  $j$  that fall under the age-eligibility criterion of year  $t$  –  $Children_t^j$  – and annualised monthly transfer values,  $m_j$ . Algebraically, this can be expressed as:

$$\text{Transfer Costs}_t^j = \text{Children}_t^j * (m_t^j * 12).$$

The number of children in each country  $j$  within the age of eligibility in year  $t$  is based on UNDESA's Population Prospects 2019 revision data which provides, for each country, the projected total number of people in each year by single age groups.

In the analysis, the total transfer spending is also presented as percentage of GDP. This is undertaken by dividing the projected annual transfer costs of a given year by the projected

## Annex 1

GDP of the country for the same year. GDP projections are based on the latest IMF's World Economic Outlook (WEO) database. The WEO database provides GDP projections and real annual growth up to 2025 for each country. GDP estimates for 2020 and 2021 are identical to IMF's WEO projections, and from 2022 onwards the calculations assume the average predictions for 2022-2025, which is 7.5 per cent in Bangladesh, 7.6 per cent in India, 7 per cent in Maldives, 5.3 per cent in Nepal, 4.7 per cent in Pakistan and 4.8 per cent in Sri Lanka.

### Annex 1.2 Simulated impacts

In the second step, potential impacts on wellbeing are estimated based on microsimulations which use nationally representative household surveys. The simulations construct hypothetical scenarios of what would have happened to households if such programmes had been in place in the year of the survey. Under this approach, it is possible to establish baseline and counterfactual scenarios and infer the absolute effects of introducing UCB programmes in each of the six countries under each UCB option. By using microdata and looking at the household unit, the analysis provides distributional effects of the UCB. For instance, impact estimates are presented by age groups and welfare deciles. Broadly, the impact simulations analysis provides results on four different sets of outcomes by different years:

- **Programme coverage:** percentage of households that are eligible to receive a UCB under each option, in total and disaggregated by deciles of household expenditure.
- **Impact on poverty:** reduction in levels of poverty among recipients of the UCB and among the general population. For the purpose of cross-country comparison, the analysis uses a relative poverty line set at 60 per cent of median consumption.
- **Impact on purchasing power:** increase in households' consumption expenditure and food consumption as a result of the social protection programme(s), disaggregated by deciles of household expenditure.
- **Impact on inequality:** reduction in inequality as measured by the Gini index.

The impacts on poverty, purchasing power and inequality are based on the simulated effect of a UCB on household expenditure (selected measure of welfare), conditional on

households having eligible children. Conceptually, the simulations follow Figari, Paulus and Sutherland (2015),<sup>76</sup> where household welfare  $y$  can be expressed as,

$$y(y_0, c, m_k) = y_0 + f_k(c, m_k),$$

where  $k$  denotes whether households are recipients of the child benefit,  $c$  denotes the idiosyncratic characteristics of a given household – such as number of eligible children – and  $m_k$  is the benefit parameter. The analysis assumes that the household's level of welfare is a linear combination of household's existing level of welfare – per capita consumption expenditure –  $y_0$ , and the transfer,  $f_k$ , is itself a function of the household's characteristics and benefit level.

To estimate the change in a household's per capita expenditure, a household's consumption expenditure under Scenario A (of no UCB) is compared against under Scenario B (with UCB),

$$\Delta y = y_B(c, y_0, \overline{m}_k) - y_A(c, y_0, m_k),$$

where  $\overline{m}_k$  is equal or greater than zero and refers to the changes to the benefit level of the UCB,  $m_k$ . In practice, however, based on the programme design parameters, the simulation imposes a functional form onto  $f_k$

$$f_k(c, m_k) = m_k \times c.$$

Once changes in household's per capita consumption expenditure are estimated, changes to poverty and inequality levels may also be calculated.

Behind these hypothetical calculations are a number of assumptions. The main assumption in the model is that it does not incorporate other possible immediate behavioural responses to these potential changes in household income from UCB. As a result, in the simulations, households do not save any portion of the transfers received. Furthermore, transfers to each household are assumed to be equally distributed among all members of the household. Other possible positive responses that have multiplying effects are also not captured by the model. That is why the results of these simulations are termed as first-order effects or the "morning-after" change, i.e. policy changes that take effect in the same time period and households are not able to respond.

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<sup>76</sup> Figari, Paulus & Sutherland (2015).

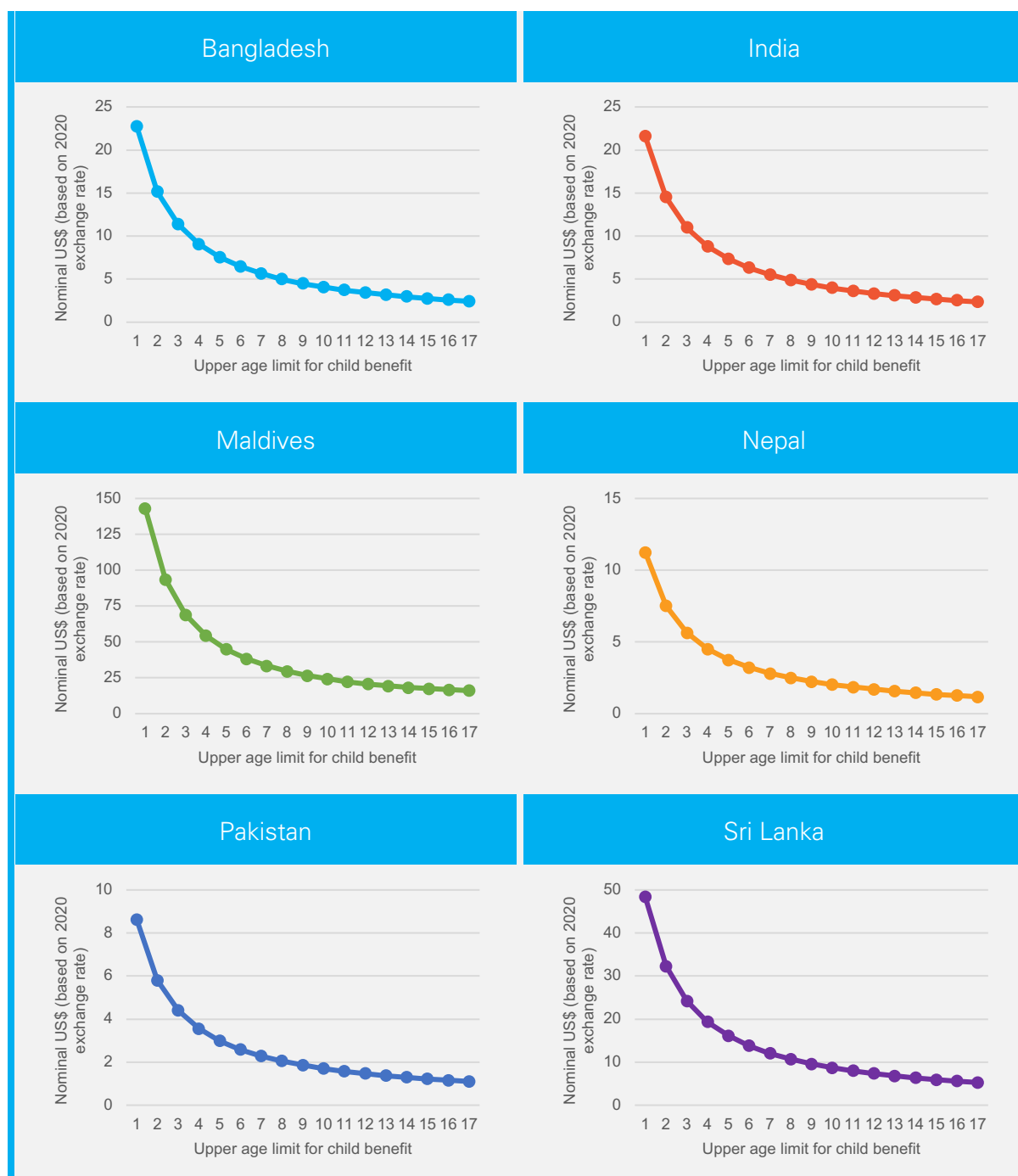
## *Annex 1*

The microsimulations are based on nationally representative household surveys. Because the datasets are not necessarily comparable across countries, caution should be given when comparing specific estimate results across countries. The results are better interpreted, when trends are compared. This is mostly due to differences in the questionnaire and how the aggregate household consumption variable is constructed in each country.

The datasets for each country used are:

- **Bangladesh:** Household Income Expenditure Survey (HIES) 2016
- **India:** Human Development Survey-II (IHDS-II) 2011-12
- **Maldives:** Household Income Expenditure Survey (HIES) 2016
- **Nepal:** Annual Household Survey (AHS) 2014-15
- **Pakistan:** Household Integrated Income and Consumption Survey (HIICS) 2015-16
- **Sri Lanka:** Household Income Expenditure Survey HIES 2016.

## Annex 2 Different options of benefit value and age eligibility under a budget scenario of 0.5 per cent of GDP



Source: Own calculations based on UN DESA's Population Prospects 2019 revision data and IMF's World Economic Outlook database (October 2020).

## Annex 3 Detailed costing of the UCBs for all options

Year	Bangladesh		India		Maldives		Nepal		Pakistan		Sri Lanka	
	Recipients (thousands)	Costs (millions USD in 2020 prices)	Recipients (thousands)	Costs (millions USD in 2020 prices)	Recipients (thousands)	Costs (millions USD in 2020 prices)	Recipients (thousands)	Costs (millions USD in 2020 prices)	Recipients (thousands)	Costs (millions USD in 2020 prices)	Recipients (thousands)	Costs (millions USD in 2020 prices)
<b>Option 1</b>												
2021	8,520	712.71	71,584	6,002.63	20	8.35	1,630	71.99	17,235	787.02	987	151.12
2022	11,299	945.12	94,661	7,937.88	27	11.56	2,179	96.22	22,848	1,043.36	1,295	198.33
2023	14,047	1,175.05	117,268	9,833.52	34	14.13	2,727	120.44	28,398	1,296.76	1,594	244.05
2024	16,762	1,402.14	139,868	11,728.62	40	16.70	3,264	144.15	33,956	1,550.59	1,889	289.27
2025	19,442	1,626.40	162,614	13,636.05	46	19.27	3,781	167.01	39,553	1,806.11	2,184	334.44
2026	22,101	1,848.88	185,483	15,553.62	51	21.19	4,329	191.23	45,080	2,058.58	2,473	378.63
2027	24,719	2,067.82	208,341	17,470.51	57	23.76	4,843	213.92	50,681	2,314.29	2,764	423.24
2028	27,296	2,283.45	231,172	19,384.93	62	25.69	5,334	235.57	56,304	2,571.05	3,056	467.85
2029	29,838	2,496.01	253,841	21,285.92	67	28.26	5,813	256.80	61,888	2,826.08	3,342	511.69
2030	32,345	2,705.74	276,282	23,167.72	73	30.19	6,287	277.69	67,414	3,078.42	3,622	554.61
2031	34,811	2,912.03	298,775	25,053.78	78	32.11	6,745	297.89	73,052	3,335.87	3,911	598.85
2032	37,249	3,115.97	321,081	26,924.35	83	34.68	7,202	318.09	78,632	3,590.70	4,193	642.03
2033	39,653	3,317.19	343,152	28,775.06	88	36.61	7,653	338.04	84,170	3,843.61	4,470	684.39
2034	42,017	3,514.86	364,954	30,603.29	93	38.54	8,089	357.30	89,698	4,096.01	4,744	726.29
2035	44,337	3,708.87	386,452	32,406.04	98	41.10	8,509	375.87	95,230	4,348.60	5,015	767.89
<b>Option 2</b>												
2021	17,140	1,433.80	140,811	11,807.68	43	17.98	3,249	143.47	33,667	1,537.37	1,980	303.10
2022	19,915	1,665.98	163,978	13,750.46	49	20.55	3,796	167.69	39,258	1,792.70	2,286	349.95
2023	22,660	1,895.55	186,690	15,654.88	56	23.12	4,343	191.83	44,789	2,045.23	2,582	395.32
2024	25,371	2,122.41	209,383	17,557.79	62	25.69	4,877	215.37	50,326	2,298.13	2,875	440.18

*Annex 3 Detailed costing of the UCBs for all options*

2025	28,046	2,346.19	232,199	19,471.11	67	28.26	5,390	238.06	55,897	2,552.46	3,167	484.89
2026	30,698	2,567.97	255,046	21,386.90	73	30.19	5,940	262.37	61,428	2,805.05	3,454	528.83
2027	33,307	2,786.32	277,867	23,300.63	78	32.76	6,455	285.14	67,023	3,060.57	3,743	573.08
2028	35,876	3,001.12	300,647	25,210.80	83	34.68	6,945	306.71	72,637	3,316.91	4,032	617.28
2029	38,408	3,212.97	323,256	27,106.59	89	36.61	7,422	327.85	78,213	3,571.55	4,316	660.81
2030	40,905	3,421.87	345,630	28,982.78	94	39.18	7,892	348.57	83,732	3,823.58	4,594	703.38
2031	43,344	3,625.81	368,073	30,864.86	99	41.10	8,343	368.51	89,346	4,079.98	4,879	746.96
2032	45,753	3,827.38	390,321	32,730.36	104	43.03	8,791	388.29	94,906	4,333.81	5,157	789.52
2033	48,128	4,025.99	412,324	34,575.45	109	45.60	9,232	407.80	100,423	4,585.78	5,429	831.27
2034	47,644	3,985.59	411,035	34,467.34	107	44.96	9,135	403.52	100,617	4,594.64	5,381	823.82
2035	47,139	3,943.40	409,474	34,336.49	105	43.67	9,030	398.82	100,722	4,599.44	5,332	816.42
<b>Option 3</b>												
2021	28,815	2,410.47	234,432	19,658.41	73	30.19	5,445	240.54	54,215	2,475.67	3,323	508.83
2022	31,583	2,642.05	257,527	21,594.89	80	33.40	5,995	264.76	59,785	2,730.07	3,625	555.07
2023	34,320	2,871.03	280,185	23,494.92	86	35.97	6,544	289.08	65,299	2,981.85	3,918	599.93
2024	37,023	3,097.06	302,808	25,392.08	92	37.89	7,078	312.62	70,817	3,233.81	4,207	644.17
2025	39,688	3,320.02	325,526	27,297.04	97	40.46	7,590	335.21	76,362	3,487.02	4,496	688.32
2026	42,307	3,539.20	348,318	29,208.17	103	42.39	8,138	359.44	81,878	3,738.93	4,779	731.65
2027	44,883	3,754.59	371,066	31,115.74	108	44.96	8,650	382.12	87,448	3,993.26	5,064	775.29
2028	47,418	3,966.68	393,752	33,018.10	113	46.89	9,135	403.52	93,031	4,248.22	5,348	818.77
2029	49,915	4,175.58	416,256	34,905.25	118	49.45	9,605	424.24	98,577	4,501.44	5,627	861.54
2030	49,502	4,141.08	415,003	34,800.16	117	48.81	9,518	420.39	99,132	4,526.83	5,573	853.32
2031	49,049	4,103.15	414,210	34,733.71	114	47.53	9,418	416.02	99,699	4,552.71	5,527	846.17
2032	48,593	4,064.99	413,380	34,663.96	112	46.24	9,324	411.83	100,127	4,572.24	5,479	838.82
2033	48,128	4,025.99	412,324	34,575.45	109	45.60	9,232	407.80	100,423	4,585.78	5,429	831.27
2034	47,644	3,985.59	411,035	34,467.34	107	44.96	9,135	403.52	100,617	4,594.64	5,381	823.82
2035	47,139	3,943.40	409,474	34,336.49	105	43.67	9,030	398.82	100,722	4,599.44	5,332	816.42

## Annex 4 Simulated impact indicators of the UCBs for all options

### Annex 4.1 Impacts of the UCBs on poverty rates

**Table Annex 1: Current national child poverty rates using 60 per cent of median pre-transfer consumption poverty line, and simulated reduction in national child poverty rates if different options of the UCBs were implemented in 2021, 2025, 2030 and 2035, by country**

Country	Current child poverty rate	Poverty rate reduction in 2021	Poverty rate reduction in 2025	Poverty rate reduction in 2030	Poverty rate reduction in 2035
<b>Option 1</b>					
Bangladesh	15.80%	6.67%	17.79%	32.79%	43.65%
India	21.80%	8.65%	22.61%	39.80%	53.77%
Maldives	26.80%	2.27%	8.18%	13.90%	18.09%
Nepal	18.40%	3.22%	8.21%	13.33%	15.78%
Pakistan	15.80%	6.91%	18.80%	32.24%	39.77%
Sri Lanka	20.87%	5.87%	14.03%	27.00%	37.80%
<b>Option 2</b>					
Bangladesh	15.80%	15.11%	27.20%	40.35%	45.12%
India	21.80%	18.70%	32.77%	49.68%	54.99%
Maldives	26.80%	5.91%	12.02%	16.81%	18.73%
Nepal	18.40%	7.84%	11.48%	14.63%	16.79%
Pakistan	15.80%	15.01%	27.04%	37.90%	40.70%
Sri Lanka	20.87%	11.80%	22.00%	33.80%	39.90%
<b>Option 3</b>					
Bangladesh	15.80%	27.20%	38.17%	45.12%	45.12%
India	21.80%	32.77%	46.48%	54.99%	54.99%
Maldives	26.80%	12.02%	15.78%	18.73%	18.73%
Nepal	18.40%	11.48%	14.63%	16.79%	16.79%
Pakistan	15.80%	27.04%	35.70%	40.70%	40.70%
Sri Lanka	20.87%	22.00%	31.30%	39.90%	39.90%

Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.



**Table Annex 2: Current poverty rates among recipient households using 60 per cent of median pre-transfer consumption poverty line, and simulated reduction in national child poverty rates if different options of the UCBs were implemented in 2021, 2025, 2030 and 2035, by country**

Country	Poverty rate reduction in 2021	Poverty rate reduction in 2025	Poverty rate reduction in 2030	Poverty rate reduction in 2035
<b>Option 1</b>				
Bangladesh	19.93%	25.67%	34.48%	41.30%
India	21.22%	31.54%	41.76%	50.71%
Maldives	5.83%	10.09%	13.89%	17.11%
Nepal	7.69%	11.36%	13.40%	14.71%
Pakistan	12.49%	23.02%	34.74%	41.23%
Sri Lanka	19.25%	23.30%	31.00%	36.40%
<b>Option 2</b>				
Bangladesh	24.36%	31.17%	39.25%	42.46%
India	28.89%	37.78%	48.01%	51.60%
Maldives	8.33%	12.60%	15.98%	17.66%
Nepal	11.53%	12.98%	13.36%	15.46%
Pakistan	19.52%	29.94%	39.34%	42.14%
Sri Lanka	21.90%	28.10%	33.90%	37.50%
<b>Option 3</b>				
Bangladesh	31.17%	37.86%	42.46%	42.46%
India	37.78%	46.31%	51.60%	51.60%
Maldives	12.60%	15.18%	17.66%	17.66%
Nepal	12.98%	13.77%	15.46%	15.46%
Pakistan	29.94%	37.49%	42.14%	42.14%
Sri Lanka	28.10%	32.60%	37.50%	37.50%

Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

## Annex 4.2 Increase in consumption by children

**Table Annex 3: Simulated increase in consumption by all children if different options of the UCBs were implemented in 2021, 2025, 2030 and 2035, by country**

Country	Child consumption increase in 2021	Child consumption increase in 2025	Child consumption increase in 2030	Child consumption increase in 2035
<b>Option 1</b>				
Bangladesh	15.1%	19.0%	23.7%	28.0%
India	22.1%	30.5%	37.3%	43.6%
Maldives	10.9%	15.8%	21.6%	26.4%
Nepal	6.7%	9.1%	11.5%	13.9%
Pakistan	5.5%	9.2%	12.7%	15.7%
Sri Lanka	22.0%	26.7%	32.2%	37.6%
<b>Option 2</b>				
Bangladesh	18.1%	21.8%	26.5%	28.6%
India	28.6%	34.6%	41.3%	44.6%
Maldives	14.4%	19.7%	24.4%	27.2%
Nepal	8.6%	10.6%	13.0%	14.3%
Pakistan	8.3%	11.5%	14.6%	16.2%
Sri Lanka	25.5%	29.7%	35.7%	38.5%
<b>Option 3</b>				
Bangladesh	21.8%	25.7%	28.6%	28.6%
India	34.6%	40.2%	44.6%	44.6%
Maldives	19.7%	23.6%	27.2%	27.2%
Nepal	10.6%	12.6%	14.3%	14.3%
Pakistan	11.5%	14.0%	16.2%	16.2%
Sri Lanka	29.7%	34.6%	38.5%	38.5%

Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016. Notes: the analysis uses the OECD modified adult equivalent scale to estimate consumption of children, where children under 14 years consume 30 per cent of that of the household head, and children 14 years and over 50 per cent.

## Annex 4.3 Increase in household food consumption

**Table Annex 4: Simulated increase in household food consumption among recipient households if different options of the UCBs were implemented in 2021, 2025, 2030 and 2035, by country**

Country	Household food consumption increase in 2021	Household food consumption increase in 2025	Household food consumption increase in 2030	Child consumption increase in 2035
<b>Option 1</b>				
Bangladesh	7.9%	9.7%	12.0%	14.0%
India	11.8%	16.4%	20.1%	22.8%
Maldives	13.1%	18.2%	24.0%	28.9%
Nepal	3.4%	4.5%	5.6%	6.6%
Pakistan	4.3%	6.8%	9.1%	10.7%
Sri Lanka	11.0%	13.5%	16.4%	18.7%
<b>Option 2</b>				
Bangladesh	9.3%	11.1%	13.3%	14.2%
India	15.3%	18.7%	21.9%	23.2%
Maldives	16.7%	22.1%	26.7%	29.7%
Nepal	4.3%	5.3%	6.2%	6.8%
Pakistan	6.2%	8.4%	10.1%	10.9%
Sri Lanka	12.9%	15.3%	17.9%	19.1%
<b>Option 3</b>				
Bangladesh	11.1%	12.9%	14.2%	14.2%
India	18.7%	21.4%	23.2%	23.2%
Maldives	22.1%	25.8%	29.7%	29.7%
Nepal	5.3%	6.0%	6.8%	6.8%
Pakistan	8.4%	9.8%	10.9%	10.9%
Sri Lanka	15.3%	17.4%	19.1%	19.1%

Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

## Annex 4.4 Reductions in inequality

**Table Annex 5: Gini index by year and country, if different options of the UCBs were implemented**

Country	Current Gini	Gini in 2021	Gini in 2025	Gini in 2030	Gini in 2035
<b>Option 1</b>					
Bangladesh	0.324	0.321	0.317	0.311	0.307
India	0.369	0.364	0.358	0.350	0.343
Maldives	0.363	0.360	0.356	0.352	0.348
Nepal	0.364	0.362	0.359	0.356	0.354
Pakistan	0.330	0.328	0.323	0.319	0.315
Sri Lanka	0.393	0.390	0.385	0.380	0.375
<b>Option 2</b>					
Bangladesh	0.324	0.318	0.313	0.308	0.306
India	0.369	0.359	0.353	0.345	0.342
Maldives	0.363	0.357	0.353	0.350	0.347
Nepal	0.364	0.360	0.358	0.355	0.353
Pakistan	0.330	0.324	0.320	0.316	0.315
Sri Lanka	0.393	0.386	0.382	0.377	0.374
<b>Option 3</b>					
Bangladesh	0.324	0.313	0.309	0.306	0.306
India	0.369	0.353	0.346	0.342	0.342
Maldives	0.363	0.353	0.350	0.347	0.347
Nepal	0.364	0.358	0.355	0.353	0.353
Pakistan	0.330	0.320	0.317	0.315	0.315
Sri Lanka	0.393	0.382	0.378	0.374	0.374

Source: Own calculations based on Bangladesh HIES 2016, India IHDS-II, Maldives HIES 2016, Nepal AHS 2014/15, Pakistan HIICS 2015/16 and Sri Lanka HIES 2016.

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