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Leaving No Child Behind: Policy Dialogue on a Universal Child Benefit in Sri Lanka

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4.1. INTRODUCTION

Since the onset of the COVID-19 pandemic, the United Nations Children's Fund (UNICEF) Sri Lanka and Development Pathways have undertaken research, policy dialogue and advocacy to explore the feasibility and potential impact of including a universal child benefit (UCB) as part of a national response to the socio-economic crisis caused by the global pandemic.

This work was predicated on international and national instruments that set out the right of the child to social security. In particular, it draws on the United Nations Convention on the Rights of the Child, which stipulates that States parties shall recognize "for every child the right to benefit from social security" (article 26).[9] There is no overarching policy framework for the social protection sector in Sri Lanka. The right to social welfare and an adequate standard of living is, however, enshrined in the Constitution of Sri Lanka, in particular through the Welfare Benefits Act No. 24 of 2002, which sets the legal framework for the payment of welfare benefits based on a transparent selection process for the identification of beneficiaries.

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[9]   The right to social security is expressly recognized in many human rights instruments, such as the Universal Declaration of Human Rights (articles 22 and 25); Convention on the Rights of the Child (article 26); International Covenant on Economic, Social and Cultural Rights (articles 9 to 12); Convention on the Elimination of All Forms of Discrimination against Women (articles 11 and 14); Convention on the Elimination of All Forms of Racial Discrimination (article 5); International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (articles 27 and 54); and Convention on the Rights of Persons with Disabilities (article 28).

Prior to the outbreak of COVID-19, the majority of families with children in Sri Lanka were already living on precarious incomes, making them less able to cope with the effects of the economic recession. Therefore, the COVID-19 crisis has exacerbated an already challenging situation for children in Sri Lanka.

Based on household survey data, Figure 4.1 compares the cumulative distribution of income at the household level in Sri Lanka to that of the United States of America. Although the socio-economic and demographic contexts of Sri Lanka and the United States of America are vastly different, by expressing the household income distribution of both countries in terms of purchasing power parity (PPP), a currency conversion is used that aims to equalize the purchasing power of households, eliminating the differences in price levels. Therefore, by using the PPP exchange rate, the currencies of the United States of America and Sri Lanka are converted into an equivalent income in PPP terms that would enable households to purchase the same baskets of goods as they would with their income in their own currency.

Based on this measure, around 88 per cent of households in Sri Lanka live on incomes that are lower than the equivalent income of the bottom 5 per cent of the income distribution of the United States of America. In fact, 75 per cent of children in Sri Lanka live on less than USD2.50 per day.[10] Therefore, the majority of families in the country have an equivalent income that is less than that of the poorest citizens of the United States of America, a country that implemented a quasi-universal child benefit in 2021 as a response to the COVID-19 crisis (Richardson et al., 2021).

Figure 4.1 Percentage of the population (y-axis) whose income/ consumption falls below a given level (x-axis), Sri Lanka and United States of America, 2016
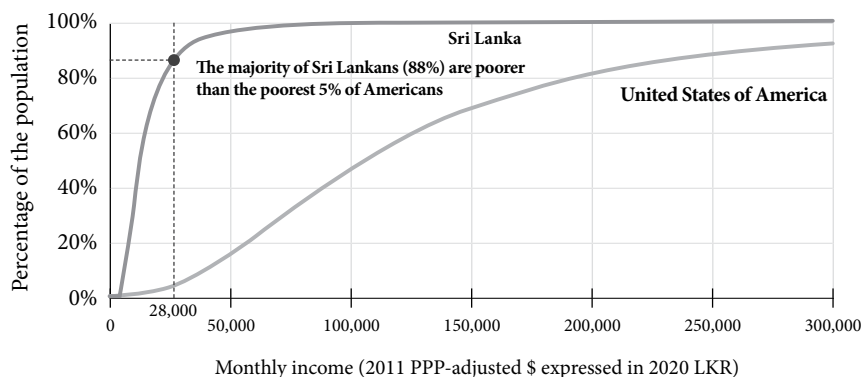

Source: World Bank, PovcalNet API.

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[10]   This figure is based on analysis of the 2016 Household Income and Expenditure Survey data and expressed in actual US dollars, not the value in purchasing power parity (PPP) terms. The PPP conversion factor, GDP (Local Currency Unit per international $) for 2016 is 50.636. Source: World Bank, International Comparison Program database, <https://www.worldbank.org/en/programs/icp>. Accessed on 1 March 2020.

Without access to constant income protection, children face a range of risks. Prior to the COVID-19 crisis, food expenditure accounted for more than 40 per cent of total household consumption on average, demonstrating the significant costs of meeting basic needs in Sri Lanka. According to the latest Demographic and Health Survey conducted in Sri Lanka, on any given day, 39 per cent of young children across the country are unable to consume iron-rich foods, with this figure reaching 46 per cent among the poorest quintile (Department of Census and Statistics & Health Sector Development Project, 2017). Furthermore, 17 per cent of children under 5 years of age and 22 per cent of children under 2 years of age are stunted (Department of Census and Statistics & Health Sector Development Project, 2017).

When families have limited income to invest in children, this can create further barriers for child development through the home environment. Families will experience more difficulties in purchasing books, toys and games, all of which play a key role in stimulating child development. As a result of the pandemic-related school closures since March 2020, young children in particular have missed out on learning opportunities at the formative stages of their cognitive development.

The right of every child to access core public services, including social security, has become particularly important as Sri Lanka's economy has dealt with the shocks of the COVID-19 pandemic. In 2020, the country's gross domestic product (GDP) contracted by 3.6 per cent (World Bank, 2021). This has resulted in significant welfare losses for families in Sri Lanka, whose living standards are worse in comparison to 'pre-pandemic' levels. Projections by Development Pathways indicate that, six months after Sri Lanka confirmed its first case of COVID-19 in January 2020, household incomes had reduced by up to 27 per cent across the population (Kidd et al., 2020b). As shown in Figure 4.2, households in the middle of the welfare distribution (decile 3 to 7) are estimated to be most affected, as their incomes have reduced by up to 30 per cent.

Figure 4.2 Comparison between monthly household incomes before COVID-19 and the estimated impact of the crisis after six months, across the welfare distribution

Ranked based on per capita income
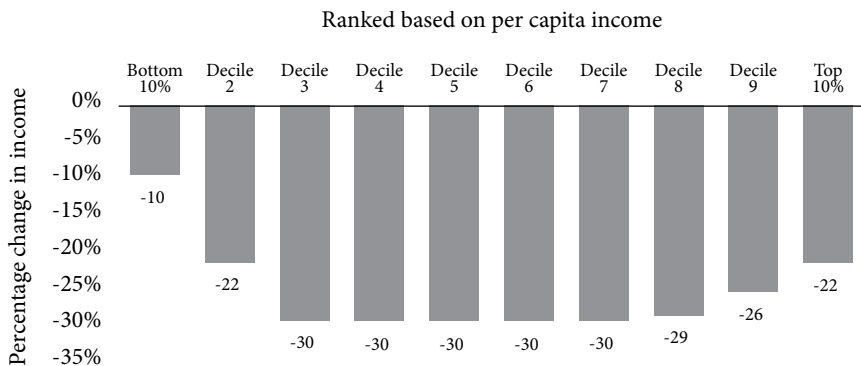
Source: Kidd et al. (2020b).

Findings from nationally representative telephone surveys undertaken by UNICEF and the United Nations Development Programme (UNDP) show comparable impacts: In April 2020, within a month of the lockdown that began on 20 March 2020, 71 per cent of Sri Lankan households reported that their income had either stopped (39 per cent) or reduced (32 per cent) since the lockdown began (UNICEF & UNDP, 2020).

These impacts were sustained over time, albeit with fewer households reporting a total loss of income and more households reporting a reduction in income. In April 2022 – more than two years after the first lockdown – 73 per cent of Sri Lankan households reported that their income had either stopped (11 per cent) or reduced (62 per cent) since the start of the pandemic (UNICEF, 2021).

Seventy per cent of households in Sri Lanka had reduced their food consumption in April 2022 compared with their pre-pandemic level of consumption. Specifically, households reported primarily reducing their consumption of dairy products, and of meat, fish and eggs owing to the increasing cost of food. Resorting to cheaper and less nutritious food can have severe and irreversible impacts on child development (Cusick & Georgieff, 2013). If the consumption of crucial micronutrients declines, children may experience setbacks in cognitive development, which can have long-lasting negative impacts on their future learning abilities and earning opportunities.

While there are various provisions for income support throughout the life cycle in Sri Lanka, the existing social security system has not been designed to effectively address the needs of children. The largest social protection programme in Sri Lanka – the only scheme addressing the income needs of low-income households

– is the Samurdhi programme, which covers approximately 37.4 per cent of all households in Sri Lanka.[11] The level of benefit provided by Samurdhi is relatively low, however, at USD3 to USD4.20 per child per month.[12] Furthermore, the poverty-targeting methodology underpinning the Samurdhi programme has been found to result in significant exclusion (59 per cent) of eligible households with children (*see Figure 4.3*).

The identification of households eligible for the Samurdhi programme relies on a lengthy process, in which applicants must go through multiple administrative levels of government to acquire the necessary documentation and approvals. As the targeting of households is at the discretion of local officials at several levels, the registration process for Samurdhi has been perceived, by stakeholders and potential beneficiaries, as highly politicized. In a survey about the programme, it was found that: "perceptions of bias, discrimination and political interference in the delivery of programmes emerged as a principal cause of dissatisfaction with the delivery of state social protection programmes" (Godamunne, 2015, p.22). Specific cases were highlighted where Samurdhi beneficiaries were believed to be financially better off prior to receiving the benefit than many households that did not receive the benefit (Centre for Public Impact, 2017).

Figure 4.3 Targeting effectiveness of the Samurdhi programme among households with children
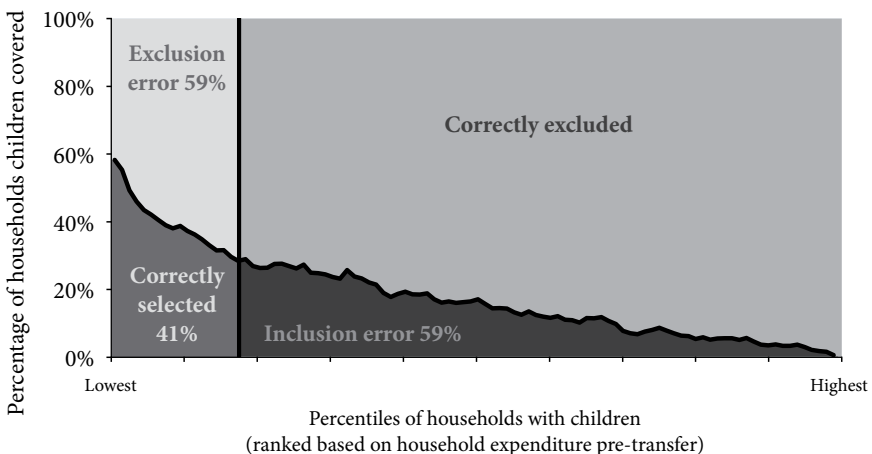
Source: Kidd et al. (2020a).

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[11]   According to administrative data from the Government of Sri Lanka, Samurdhi reached 1,797,434 households in 2020. The proportion of households covered is calculated based on the estimated total number of households in Sri Lanka, which is itself calculated by dividing the total population – according to United Nations population projections – by the average household size of 4.46.

[12]   Samurdhi provides LKR 3,500 per month to a family of four or more members; LKR 2,500 per month for a family of three members; and LKR 1,500 per month for a family of one or two members. So, for an individual child, transfer values range from LKR 750 for a child in a family of two to about LKR 580 for a child in a family of six.

Many of the challenges associated with the Samurdhi programme may be avoided by simplifying its eligibility criteria and reforming the programme to provide a universal benefit for all children from birth registration. Questions around the affordability of and political will for such reforms remain at the forefront of policy discussions in Sri Lanka, however. This creates a challenging environment in which to achieve universal social protection for children in Sri Lanka.

Less than 5 per cent of the country's GDP is invested in the provision of Sri Lanka's social services, which include education, health care and core social protection services. Sri Lanka is governed through a model of low taxation and low public expenditure in services (just over 10 per cent of GDP). The COVID-19 crisis has exacerbated macroeconomic challenges: Government revenues have declined further, by 3.4 per cent of GDP – the largest annual fall recorded – and public debt has increased to unprecedented levels, surpassing 100 per cent of GDP in 2020 (Ministry of Finance, 2020). As a result, interest payments make up the largest component of government expenditure and the fiscal space left for spending on key social and economic sectors is limited, at a time when household incomes are under more stress than ever before.

This article presents an analysis of options to sustainably reform the social protection system in Sri Lanka to better support children and their families – and to also promote economic recovery. In particular, this article uses microsimulations and modelling to examine the potential impacts on well-being of two options for a UCB, as well as the macroeconomic effects of a universal life cycle approach to social protection stimulus measures in Sri Lanka in response to the COVID-19 crisis.

4.2. RESEARCH METHODS

The methodology undertaken for this study includes several components and is based on multiple sources of information. It draws on research conducted for two studies in 2020, which included (1) simulating the costs and impacts of UCB options in Sri Lanka; and (2) simulating the macroeconomic impacts of universal life cycle social protection transfers – including a child benefit, disability benefit and old age pension – to tackle the effects of the COVID-19 crisis and stimulate economic recovery.[13]

First, this article compares the potential costs and impacts of two options for a UCB, with different age eligibility criteria and monthly transfer values. Costs were projected as a proportion of Sri Lanka's GDP using the International Monetary Fund (IMF) World Economic Outlook database and the United Nations Department of Economic and Social Affairs *World Population Prospects 2019* data. Impacts of each UCB programme were simulated in terms of coverage,

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[13]   This chapter draws on research conducted by UNICEF Sri Lanka in 2020. It builds on several studies, including Kidd et al. (2020a) and Kidd et al. (2020b).

purchasing power, poverty and inequality. Using Sri Lanka's 2016 Household Income and Expenditure Survey, the simulations construct hypothetical scenarios, comparing baseline and counterfactual scenarios, to estimate the absolute effects of the two options for a UCB, had these been in place in 2016, the year of the household survey.[14]

Subsequently, this article examines the potential macroeconomic impacts of a package of universal life cycle transfers, comparing a scenario in which the transfers were provided for six months, with another scenario in which there is continued annual investment in life cycle social protection in Sri Lanka. For this simulation, a desk-based literature review and virtual key informant interviews were first undertaken, in April 2020, to gain an in-depth understanding of Sri Lanka's social and economic context, its social protection context and the potential impacts of COVID-19 on the incomes of workers across the country's economic sectors. Next, expert consultations were undertaken with the aim of establishing economic assumptions to prepare for the simulation of the direct impacts of COVID-19 on workers' incomes across economic sectors (*see Table 4.1*). Using these assumptions, as well as data from the 2016 Household Income and Expenditure Survey, the direct impacts of COVID-19 on household incomes were simulated to derive 'post-COVID-19' incomes in Sri Lanka.

Table 4.1 Economic assumptions used to construct scenarios around the reduction of income for all workers by sector in the next six months

Economic sector	Code Divisions (ISIC Rev. 4)	Optimistic scenario (% change in income)	Pessimistic scenario (% change in income)
Agriculture, fishing and forestry	1–3	-5	-10
Mining and quarrying	5–9	-10	-20
Manufacturing	10–33	-30	-50
Utilities	35–39	-5	-10
Construction	41–43	-20	-30
Wholesale and retail trade; repair of motor vehicles and motorcycles	45–47	-30	-60
Transportation and storage	49–53	-20	-40
Food and beverage service activities	55–56	-50	-70
Information and communication	58–63	-20	-10

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[14]   The model used for the microsimulations is a linear approximation model based on Figari, Paulus and Sutherland (2015).

Economic sector	Code Divisions (ISIC Rev. 4)	Optimistic scenario (% change in income)	Pessimistic scenario (% change in income)
Insurance, real estate and financial activities	64–66	-15	-30
Professional, scientific and technical activities	69–75	0	0
Administrative and support service activities	77, 78, 80–82	-25	-50
Tourism	79	-70	-90
Public administration and defence; compulsory social security	84	0	0
Education	85	0	0
Human health and social work activities	86–88	0	0
Arts, entertainment and recreation	90–93	-30	-60
Other service activities	94–96	-25	-50
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	97–98	-25	-50
Remittances	N/A	-10	-30

Source: Economic assumptions developed by the authors based on the International Standard Industrial Classification (ISIC) of all economic activities.

Using the post-COVID-19 incomes, the potential impacts of the life cycle social protection transfers on household incomes in Sri Lanka were estimated. Those individuals eligible for the social protection programmes were identified by age (and, in the case of a disability benefit, by disability status). The combined value of the transfers from each programme for which a household was eligible was added onto the household income. When simulating the social protection transfers, it was assumed that transfers were shared equally by everyone in the household.

Subsequently, wider impacts of the life cycle social protection package on the economy were estimated using a computable general equilibrium model based on the 2012 Social Accounting Matrix for Sri Lanka (Raihan, 2015). Adjustments were made to the composition of the country's GDP in the 2012 Social Accounting Matrix to reflect the structure of the economy in 2020. This model enabled the estimation of economic shocks that could affect Sri Lanka during the COVID-19 pandemic, based on an optimistic and pessimistic scenario as shown in Table 4.1.

The results presented in this article consider a 'pessimistic' scenario in which the crisis lasted for six months. In reality, however, the impacts of the COVID-19 pandemic on the Sri Lankan economy have lasted far beyond 2020. The analysis shows what the economy of Sri Lanka would look like under the proposed life cycle social protection package, and how this compares to a hypothetical situation in which COVID-19 is absent.

There are a number of limitations to the use of these research methods. It should be noted that this article derives its findings from analyses conducted in 2020, at the onset of the COVID-19 crisis. Since then, Sri Lanka has been affected by compounding crises, not only caused by the pandemic, but also driven by tax cuts, rises in external debt, agricultural crises and conflict, which have severely affected society and the economy. Secondly, the microsimulations of UCB options did not focus on the macroeconomic impacts of the COVID-19 crisis and the effects of the crisis on overall economic growth – and thus neither did the research consider its indirect effects on poverty reduction. This is a limitation, considering the evidence that overall economic growth is a major driver of poverty reduction.

Moreover, the analysis only considers a subset of effects that is merely the impact on income in various sectors of the economy. For instance, at this stage, it does not include the change in food prices. In terms of the estimations of macroeconomic impacts, the analysis only considered the injection of a temporary social protection stimulus package as a response to the COVID-19 crisis. Here, the analysis assumed that economic agents are myopic, meaning that the estimates do not determine how long the crisis will continue, and therefore a level of uncertainty is maintained in the economic estimates (Lecca, McGregor and Swales, 2013).

4.3. OBJECTIVES AND RESULTS

The following sections outline several scenarios to assess the potential impacts of (1) a UCB; and (2) a package of universal life cycle social protection stimulus measures, which will be discussed in two components.

4.3.1. Potential impacts of UCB options in Sri Lanka

This article outlines two options for an incremental approach to move to a fully universal social protection programme for all children over time. The proposed options maintain the principle of universality to avoid the challenges of poverty-targeted programmes. The options explore the progressive implementation of a UCB, as visualized in Figure 4.4. Both options begin by offering the benefit only to young children in 2020 and grow the scheme over time by not removing any children until they reach 18 years of age.

Figure 4.4 Options for the progressive implementation of a UCB in Sri Lanka
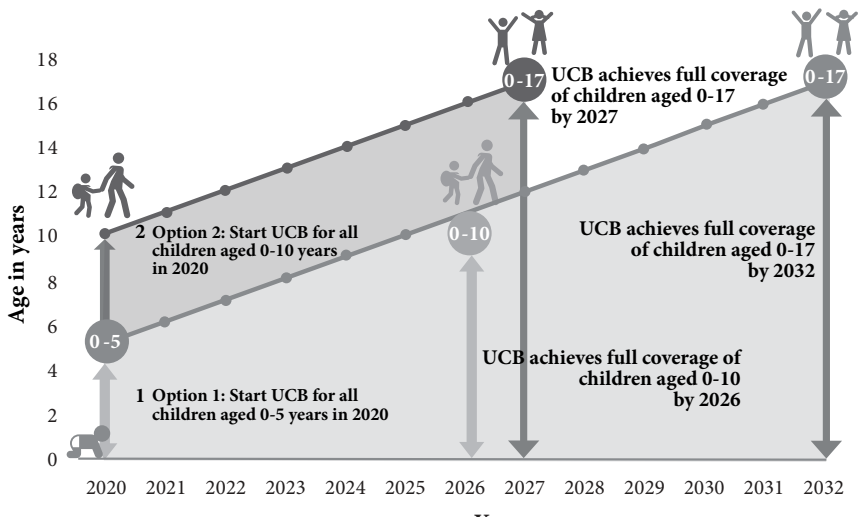
Source: Kidd et al. (2020a).

Summarized below are the two options, which present transfers per child, whether the child is under 5 years of age initially or under 10 years of age initially (*see Table 4.2*). In other words, for example, a family with two children would receive the transfer value of LKR 2,500 per month multiplied by two (LKR 5,000) while a family with four children would receive four times the transfer value (LKR 10,000). Of course, there are many other feasible options that use different ages of eligibility and transfer values, but the two examples below propose two distinct ages of eligibility and, as a result, vary in terms of the initial level of investment required. The two options should be regarded as indicative proposals. If the Government of Sri Lanka decides to take forward a UCB to implementation, the proposals could be adjusted and/or further refined.

Table 4.2 Details of the two proposed options for a UCB in Sri Lanka

|	Option A	Option B
Initial age of eligibility	0–5 years	0–10 years
Transfer value (LKR per month)	2,500	2,500
Transfer value as a % of GDP per capita	3.8	3.8
Number of children covered in 2020	1,995,000	3,694,000
Proportion (%) of all children aged 0–17 years covered by 2024	54	85
Proportion (%) of all children aged 0–17 years covered by 2032	100	100

Source: Kidd et al. (2020a).

Both options for a UCB presented in this article are affordable for Sri Lanka. Option A could be established for only 0.36 per cent of the country's GDP in 2020, while option B would require 0.66 per cent of GDP. This compares with the 0.51 per cent of GDP that Sri Lanka is investing in the Samurdhi programme.[15] Option B would be comparable to the level of investment of the child benefit of Mongolia. Moreover, Nepal – a lower-middle-income country – invests around 1.7 per cent of GDP in tax-financed social protection. Nepal initially introduced a child benefit for children under 5 years of age in the remote province of Karnali, and this programme has gradually been expanded. The Government of Nepal has a vision to provide all children under 5 years nationally with a child benefit (Garcia & Dhakal, 2019).

As Figure 4.5 demonstrates, over time – even with no children leaving the programme until they reach 18 years of age – the level of investment required for both options would rise only slowly. The highest level of investment required for option B would occur in 2027, yet this would still only be 0.76 per cent of GDP; for option A, this would happen in 2032, but the level of investment would rise to just 0.58 per cent of GDP. Further into the future, the budget required for either UCB would fall year on year as a percentage of GDP, in part due to the declining size of the population under 18 years of age as a proportion of the total population.

[15] Information supplied by a government official at Department of Samurdhi Development of the Government of Sri Lanka, February 2020. LKR 39 billion is spent on Samurdhi transfers and LKR 40 billion on administration costs for the programme.

Figure 4.5 The level of investment required annually for the UCB options over time, as a percentage of GDP
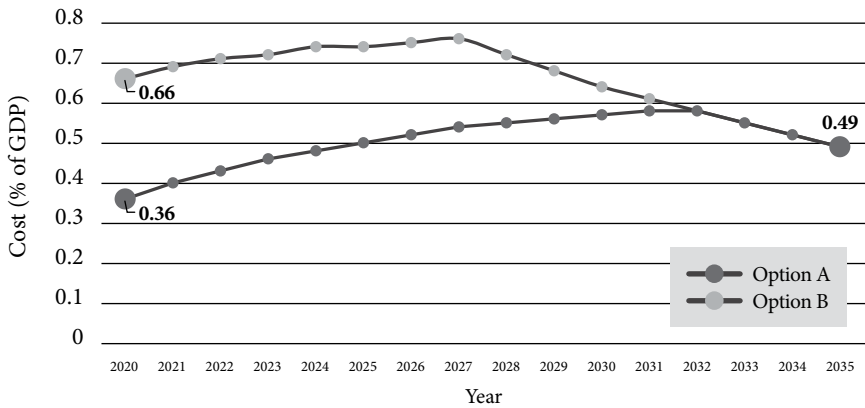

Note: The cost projections assume that GDP growth will be 4.5 per cent of GDP per year, in line with International Monetary Fund projections for the period 2020–2026.

Source: Figure based on International Monetary Fund World Economic Outlook data and United Nations Department of Economic and Social Affairs 2019 population projections.

A UCB would reach almost all intended children – including the poorest – and any exclusion would be negligible. In contrast, as indicated above, the Samurdhi programme excludes 59 per cent of the poorest children in Sri Lanka, which means that it fails to reach the majority of its intended beneficiaries. It is also notable that even when the age of eligibility restricts the UCB to young children (aged 0–5 years) initially, it would still be more effective than Samurdhi in reaching households with children of all ages, including those living in extreme poverty.

Figure 4.6 shows the current coverage of Samurdhi across the welfare distribution and compares it to the coverage of each of the two UCB options in 2020 and 2030, across all households with children aged 0–17 years in Sri Lanka. Even the UCB initially for children aged 0–5 years would reach many more households than Samurdhi – including achieving higher coverage among the poorest households – and, with either option, the coverage would increase dramatically over time. Importantly, the poorest households with children in Sri Lanka would, by 2030, experience almost universal coverage. Hence, despite targeting the poorest households with children, Samurdhi is much less effective at reaching the poorest households than a UCB, even when the UCB is restricted to young children initially.

Figure 4.6 Coverage of households with children by Samurdhi currently, compared with UCB options A and B in 2020 and 2030
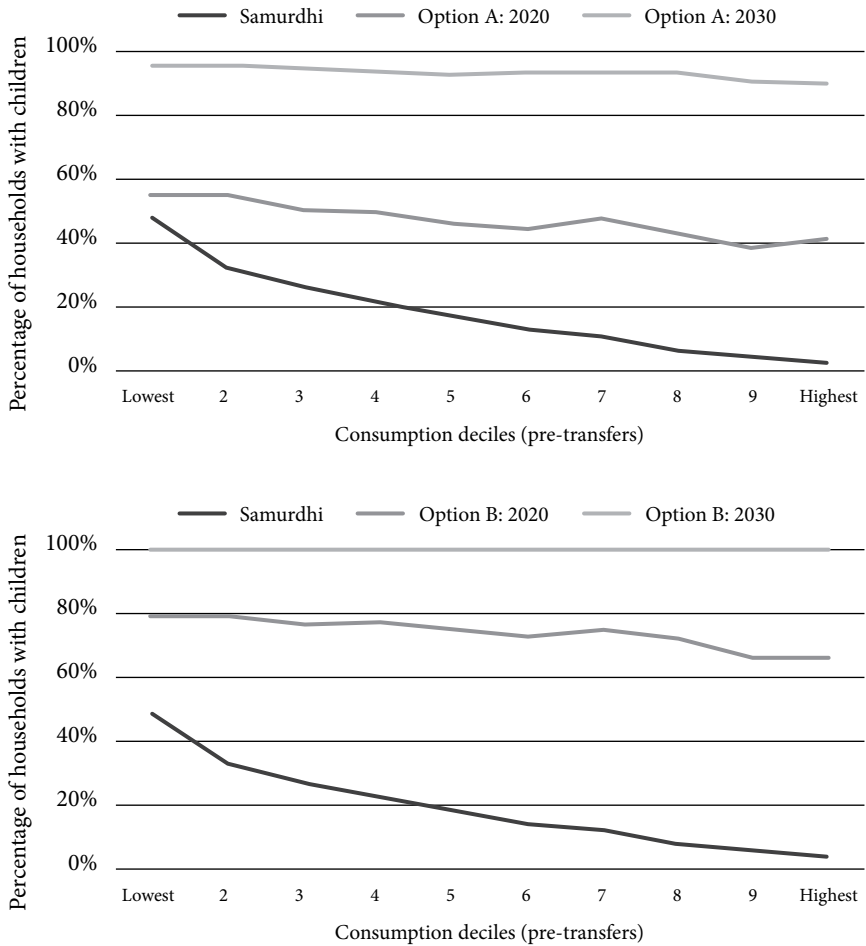
When examining the impact on consumption across all households with children, both child benefit options would perform much better than Samurdhi (*see Figure 4.7*). Even among the poorest households with children, the average increase in consumption associated with Samurdhi is only 7.4 per cent, falling to just 1.6 per cent among all households with children. Yet, child benefit option A – even when it only reaches children aged 0–5 years – would perform as well as Samurdhi among the poorest 10 per cent of households with children and much better for households with children overall, considering all deciles. Further, once the age of eligibility for the child benefit rises, the increase in consumption

overall – across all households with children – becomes much more significant. For example, under option B, by 2030, the average increase in consumption overall would be 9.7 per cent, rising to 23.4 per cent among the poorest decile.

Figure 4.7 Increase in consumption among all households with children by applying UCB options A and B, compared with Samurdhi
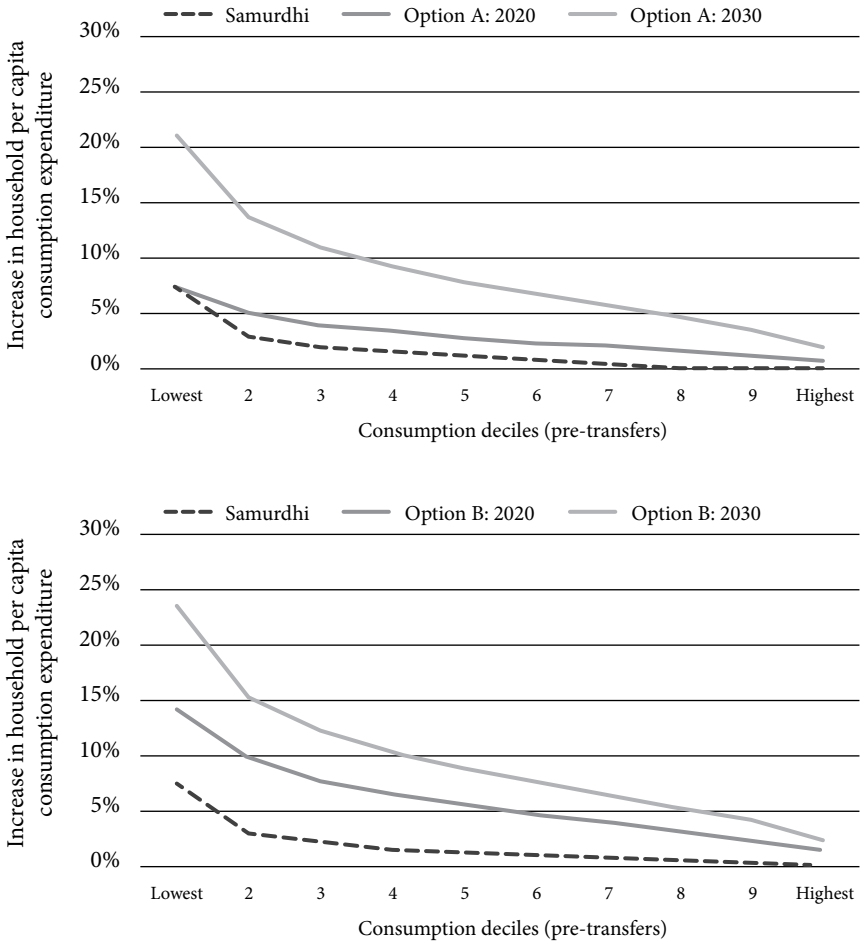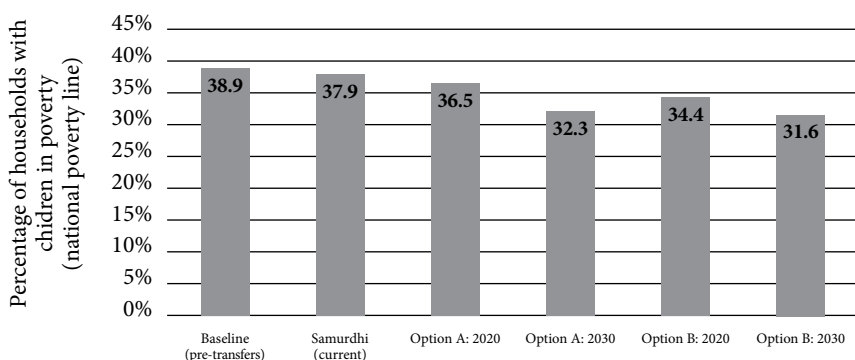

Source: Kidd et al. (2020a).

The increases in consumption resulting from the two UCB options would bring about a reduction in the national poverty rate.[16] As Figure 4.8 demonstrates, the UCB options would have a greater impact on poverty than Samurdhi, despite the fact that Samurdhi is designed to be a poverty reduction programme. When measured against the USD5.50 per day (2011 PPP) international poverty line for upper-middle-income countries, Samurdhi reduces the national poverty rate from 38.9 per cent to 37.9 per cent. In comparison, even option A in 2020 – when only young children receive the benefit – would reduce the poverty rate to 36.5 per cent. By 2030, the impacts of a UCB would be much greater, with the national poverty rate falling to 32.3 per cent under option A and to 31.6 per cent under option B.[17]

It is important to note that, of course, the greater the transfer value, the greater the impact on poverty reduction. Therefore, if the Government of Sri Lanka wished to further enhance the impacts of introducing a UCB, it could increase the transfer value.

Figure 4.8 Impact of the UCB options and Samurdhi on the national poverty rate, using the USD5.50 per day (2011 PPP) international poverty line

Source: Kidd et al. (2020a).

Finally, the child benefits are estimated to have significant impacts on inequality. For example, by 2030, option B would reduce the Gini coefficient from 0.39 to 0.37, a fall of 5.5 per cent. In reality, the reduction will be higher, as the analysis does not take into account the increase in taxation to finance the UCB

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[16]   Note that when examining potential reductions in the national poverty rate by 2030, the analysis only looks at the impact of a UCB. Of course, by 2030, other factors will also affect the poverty rate. As such, the actual poverty rate in 2030 may well be different to the findings given here.

[17]   Comparing the impact of a UCB and the Samurdhi programme on the national child poverty rate, a UCB would have a greater relative impact. While Samurdhi reduces the national child poverty rate from 5.1 per cent to 4.1 per cent by 2030, UCB option B would reduce it to 1.9 per cent by the same year.

programme. According to the IMF, not only will a reduction in inequality build national social cohesion and a more peaceful society, but it will also increase economic growth (Grigoli & Robles, 2017). Furthermore, the higher incomes received by families would enable them to increase their investment in their children by offering them better diets and an improved home learning environment, improving child (and human capital) development.

4.3.2. Potential impacts of a package of universal life cycle social protection stimulus measures in response to the COVID-19 crisis

This article also demonstrates the potential impacts of a package of universal life cycle social protection stimulus measures provided for at least six months, as well as of continued annual investment in life cycle social protection in Sri Lanka. As outlined in Table 4.3, the package includes a UCB providing LKR 3,000 per child per month (provided to the female caregiver, where present) alongside an old age pension and a disability benefit, each providing LKR 7,000 per month. The cost for this package of schemes would be 0.25 per cent of GDP per month, or about LKR 233 billion (1.51 per cent of GDP) for six months.

**Table 4.3 Proposal for a package of universal life cycle social protection stimulus measures**

Scheme	Age of eligibility	Transfer value (LKR per month)	Transfer value (% of 2019 GDP)	Cost (% of 2019 GDP)
Child benefit	0–17 years	3,000	5	0.71
Disability benefit	0–64 years	7,000	12	0.15
Old age pension	65+ years	7,000	12	0.65
Total				**1.51**

Source: Proposals developed by authors.

Figure 4.9 looks across the welfare distribution and shows the likely impacts on household incomes of the schemes in the package. As discussed earlier, projections indicate that household incomes in Sri Lanka reduced by up to 27 per cent in the first six months after Sri Lanka confirmed its first case of COVID-19. Under the proposed package of life cycle social protection schemes implemented for six months, the impacts would have been mitigated significantly, as incomes would have reduced by only 9 per cent.

The life cycle schemes would be strongly pro-poor, as those in the bottom three deciles would, on average, be in a better position than before the crisis. Indeed, among the poorest decile of the population, incomes would be almost four times *higher* than before the crisis. Importantly, there would be a significant reduction in income losses for those on a middle income, who have been particularly hard hit by the crisis (in terms of income losses).

Figure 4.9 Impacts of the life cycle transfers on the incomes of households across the welfare distribution, post-COVID-19
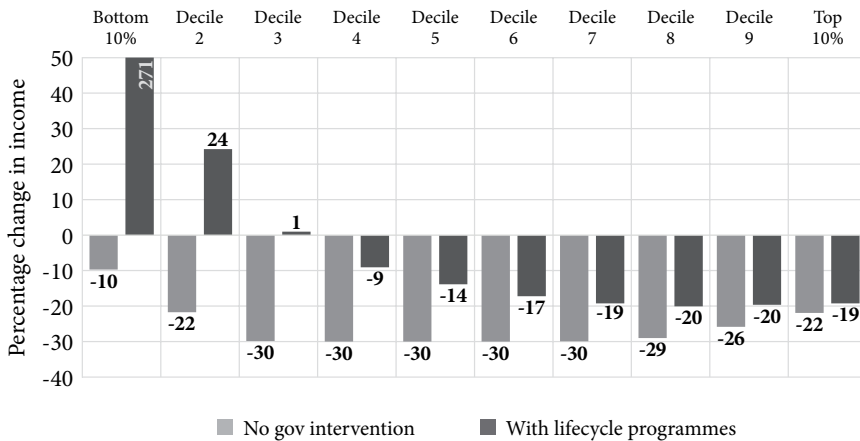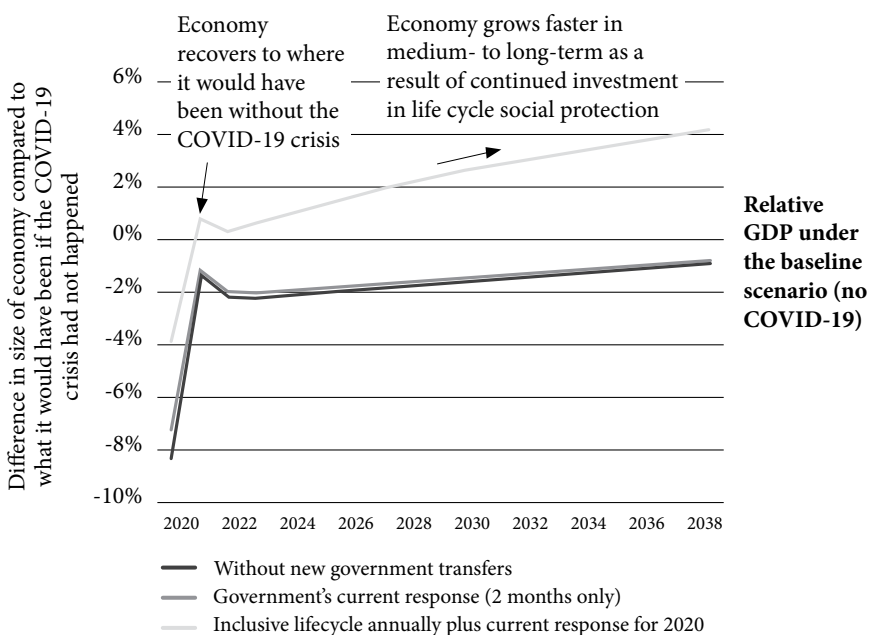

Source: Kidd et al. (2020b).

It would benefit Sri Lanka to follow the same path that the successful countries of today once followed (when they were poorer than Sri Lanka is now): build a modern social protection system as part of the economic growth/recovery strategy. By generating greater consumption across the economy, both the depth of the recession and the risk of escalating social tensions would be reduced, thereby enabling the economy to recover more quickly. Maintaining a comprehensive social protection system even beyond the COVID-19 crisis could generate higher growth in the future owing to the multiplier effects on the economy.

Figure 4.10 compares the simulated impacts of continuous life cycle social protection transfers with government emergency response measures and a scenario without response measures. It shows the minimum impacts on economic growth if the Government of Sri Lanka were to continue investing LKR 250 billion per year in social protection – just over 1.5 per cent of GDP in 2019, adjusted to March 2020. The computable general equilibrium modelling predicts that the continued investment in life cycle social protection would result

in the economy recovering to where it would have been by 2021 had the COVID-19 crisis not occurred. By 2030, with the continued investment, the economy would be 3.9 per cent larger than if the Government implemented no further fiscal stimulus. In reality, the impacts on economic growth of such investment are likely to be higher still, since the computable general equilibrium model only examines the effects of greater consumption and demand.

Figure 4.10 Simulated impacts of continuous life cycle social protection transfers, assuming the COVID-19 crisis lasted six months

Source: Kidd et al. (2020b).

4.4. USE AND POLICY IMPACT OF THE EVIDENCE GENERATED

The evidence presented in this article builds on existing policy developments within Sri Lanka. The work of UNICEF has informed policy dialogue on inclusive social protection policies with key ministries such as the State Ministry of Samurdhi, Household Economy, Micro Finance, Self Employment and Business Development, and conversations with high-ranking government officials and relevant stakeholders such as the Presidential Task Force on Economic Revival and Poverty Eradication, members of Parliament, think-tanks and civil society

organizations. As a result of this advocacy, two notable policy developments have taken place between 2020 and 2022.

Firstly, the COVID-19 crisis has become a catalyst for policy change globally, including in Sri Lanka. Government measures to curb the spread of COVID-19, such as nationwide lockdowns, had consequences for the labour force, particularly informal workers. For instance, daily wage workers were unable to earn income because they could not attend work, while many others lost their jobs. The Government of Sri Lanka quickly recognized the need to protect families during the crisis and requested technical support from international institutions.

UNICEF leveraged this window of opportunity to advise the Government to use existing social protection programmes to implement a stimulus measure that was announced merely 10 days after the imposition of curfew restrictions in Sri Lanka. The total cost of this immediate support measure was around LKR 55 billion, or 0.33 per cent of GDP, and it covered around 66 per cent of Sri Lankan households during the first two months of the crisis.

During April and May 2020, the Government used key social assistance programmes such as Samurdhi, the Senior Citizens Allowance, the Disability Allowance and the Chronic Illness Allowance to provide an additional emergency transfer of LKR 5,000 per month to vulnerable families. Instead of supporting only the existing beneficiaries of these programmes, the Government also included those on the waiting list (horizontal expansion). Additionally, the Government expanded coverage of the emergency transfer to include those whose livelihoods were affected by the pandemic, who may have been ineligible for these schemes, through an open application process. Eligibility for the emergency transfer was subject to approval by rural committees at divisional level.

Evidence generated by UNICEF and Development Pathways highlights that this response was not without its challenges, which is unsurprising given the speed with which it was implemented and the reliance on existing social protection programmes that had high exclusion errors to begin with. Indeed, 34 per cent of Sri Lanka's population is estimated to have been excluded from support despite experiencing a reduction in income, including a significant proportion of both children and older persons. Such challenges call for further evidence generation and continued dialogue to strengthen the national policy and legislative framework to improve systems and progressively realize inclusive social protection beyond the COVID-19 crisis.

Secondly, the research presented in this article has been leveraged to increase political and public support for life cycle-based social protection systems at different levels of government. UNICEF has presented this evidence directly to government leaders and officials, including the Prime Minister and the Minister of Finance, to discuss potential reforms. Complementary activities undertaken to generate understanding and awareness of the proposed policies include training courses for government officials, United Nations staff and key civil society actors.

Most notably, UNICEF has successfully advocated for the Government of Sri Lanka to expand its existing nutrition voucher programme for pregnant women and lactating mothers. As a result, the Ministry of Finance announced in the 2022 Budget that pregnant women and lactating mothers would now receive the nutrition voucher for 24 months rather than 10 months (Ministry of Finance, 2022).

The process of evidence generation and policy dialogue is ongoing, as UNICEF and Development Pathways are continuing to produce an analysis of the potential impacts of an inclusive, life cycle social protection system, including a UCB, in 2022 (Ministry of Finance, 2022). Using this analysis, UNICEF has begun discussions with the Government of Sri Lanka on extending and reforming the existing nutrition voucher scheme for pregnant women and lactating mothers, and on reforming Samurdhi, as a first step to building a UCB.

The compounding social and economic crises affecting Sri Lanka present significant challenges to public services in the country. During a time of crisis, however, the rationale for inclusive social protection is also strengthened. Rather than a cost, a UCB is a public investment in Sri Lanka's society, human capital and economic recovery. This article has demonstrated that a UCB is affordable when compared with the existing costs of Samurdhi. Indeed, ongoing policy developments show that political will for a UCB can be strengthened, in particular within the context of the pressing need for progressive tax reforms to increase public revenues and sustainable public investments, as recommended by the IMF.

4.5. CONCLUSION

This article has presented results of ongoing evidence generation on the potential impacts of a universal child benefit and universal life cycle social protection measures in Sri Lanka. It has demonstrated significant positive impacts on income and poverty, including consumption, of households with children, as well as economy-wide impacts of continued investment in life cycle social protection.

To use this evidence effectively and promote policy reform for the progressive realization of a UCB requires a paradigm shift. In the context of a prevailing paradigm that overemphasizes economic policy and limited fiscal space, civil society has made slow progress in building commitment across government for inclusive social protection.

Nonetheless, while the COVID-19 crisis has challenged the policy environment of Sri Lanka still further, it has also underlined the population's susceptibility to income shocks and the importance of guaranteeing children's access to public services. Globally, as well as in Sri Lanka, temporary social protection measures have been a crucial part of fiscal stimulus policies. Universal approaches have

been endorsed at the global level by the United Nations, the World Bank and the IMF (IMF, 2020; World Bank, 2020).

By implementing permanent social protection reforms, however, families with children in Sri Lanka could access constant support, resulting in more sustainable impacts on poverty reduction and the promotion of child development.

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