



The Role of Social Protection in Times of Uncertainty and Polycrises

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HARVARDKennedy School
Evidence for Policy Design



Social Protection plays a critical role

- **Cash transfers and food support programs** help people meet their basic needs
- **Conditional cash transfers** can invest in the health and education of children, supporting the current generation while also reducing the transmission of intergenerational poverty
- **Pensions** can help the elderly from falling into poverty
- **Health insurance** can help people get necessary health care, while also helping to ensure that a health emergency does not drive someone into debt or poverty

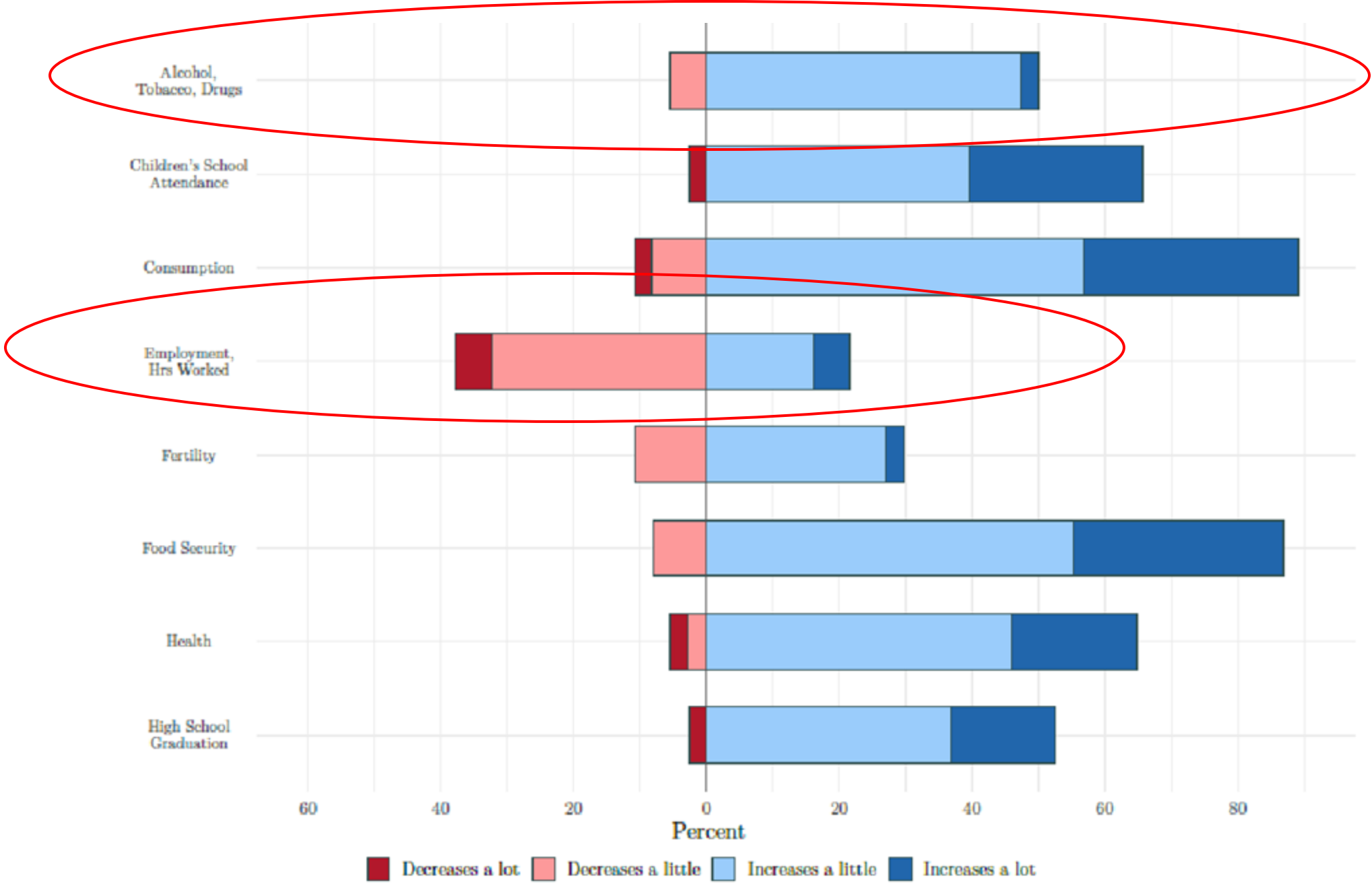
Politically contentious, driven in part
by a series of myths



Myth #1: Programs Create Negative Incentives

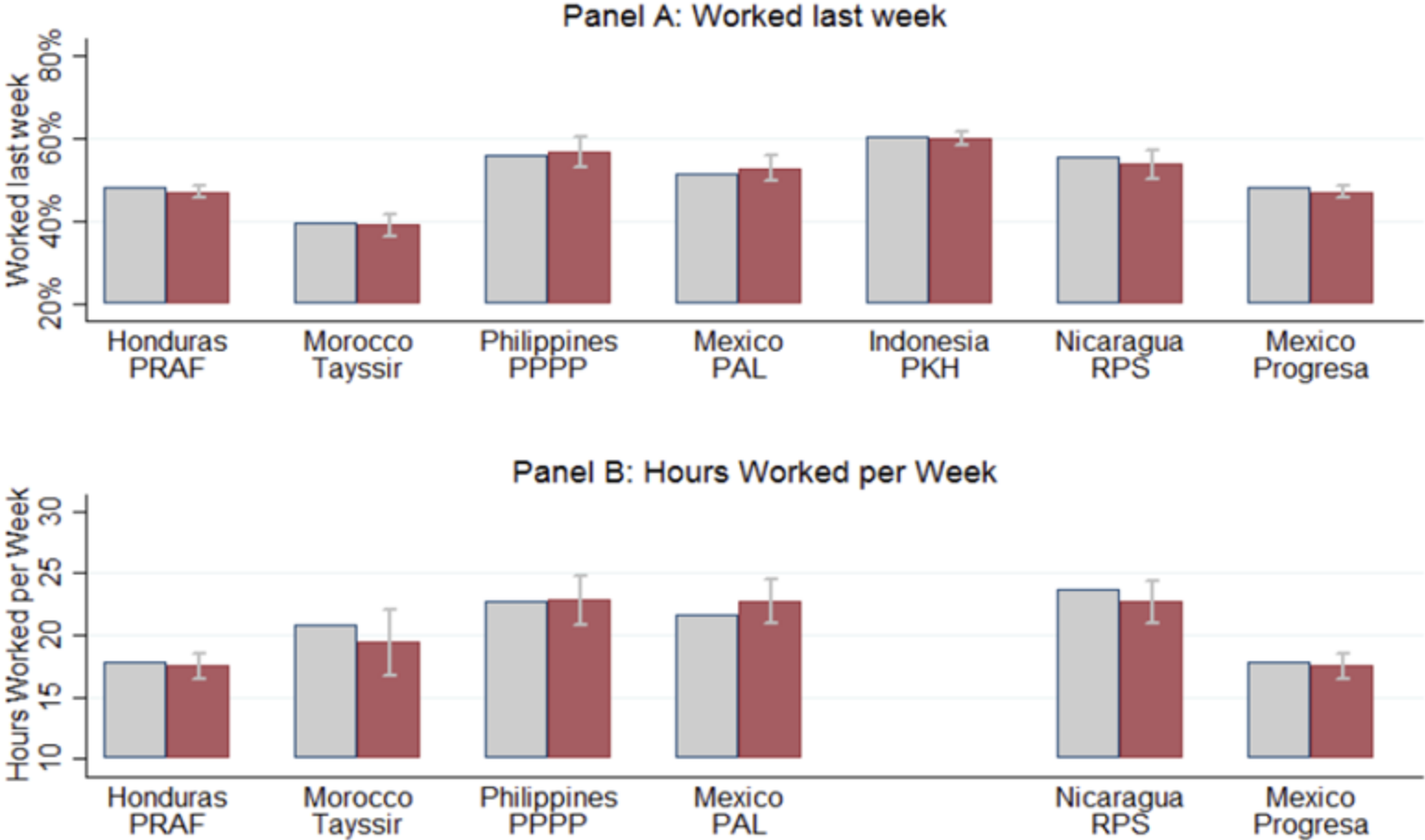
People who get these programs are lazy, prefer to be on the “dole”

They spend their money on the ills of society – cigarettes, alcohol, and drugs.



No evidence of dis-incentive effects for work

Figure 2: Experimental Estimates of Cash Transfers on Work outcomes



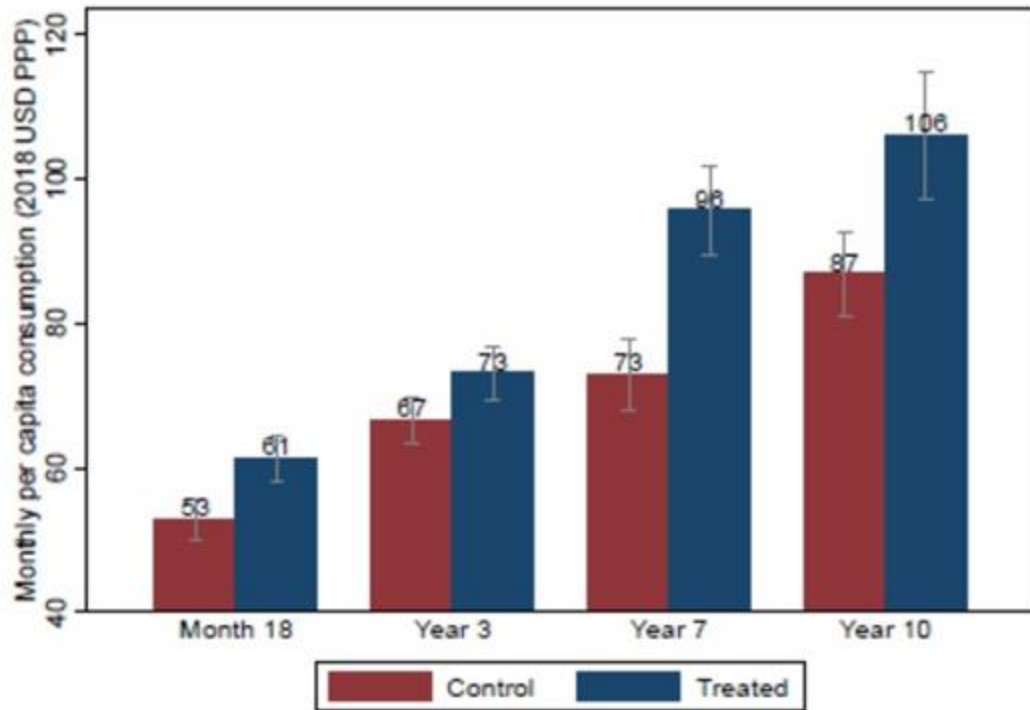
Emerging evidence that some of these programs can even boost productivity

- Increasing health and educational investments for kids (e.g., Barham, Macours, and Maluccio 2018; Araujo and Macours 2021)
- Increasing investments in business or farms (e.g., Gertler, Martinez, and Rubio-Codina 2012; Bandiera et al. 2017; Banerjee et al. 2015)



Figure 1: Consumption and income over time

(a) Per-capita consumption (2018 USD PPP)



- “Big-push” program providing a large asset transfer to the poorest Indian households.
- Treatment effects persist 10 year out
- One channel for persistence is that treated households take better advantage of opportunities to diversify into more wage employment, especially through migration.

Table 2: Most Important Metric to Judge Whether a Cash Transfer Program is Successful

	Mean Ranking
Food Security	2.80
Targeting	3.39
Consumption	3.90
Children Schooling	3.81
Spending Type	4.17
Health	4.47
Employment/Business Ownership	5.14
Observations	38

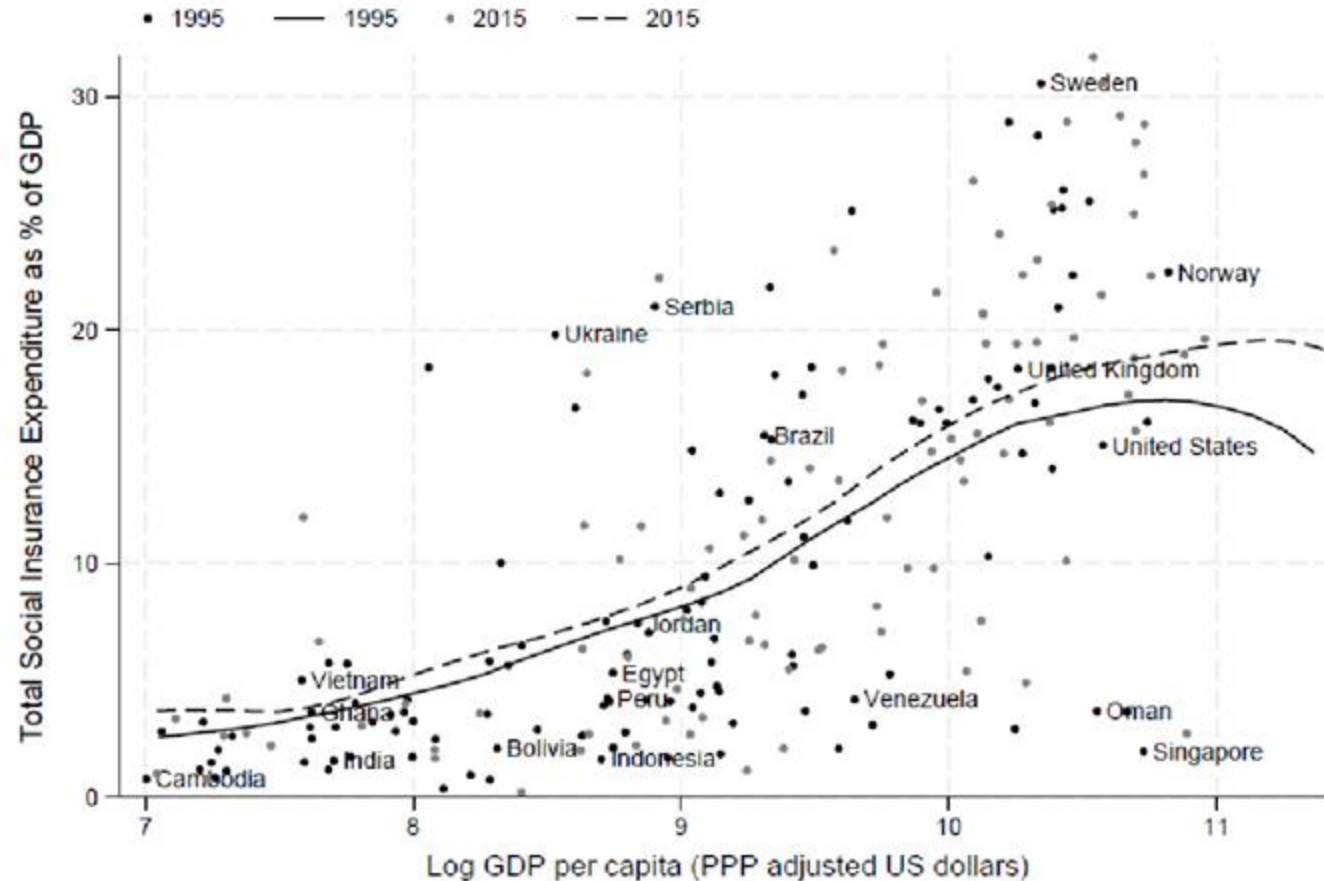
Blindspot: policymakers may not see how these programs can boost employment and opportunities



Myth #2: These programs are no longer necessary

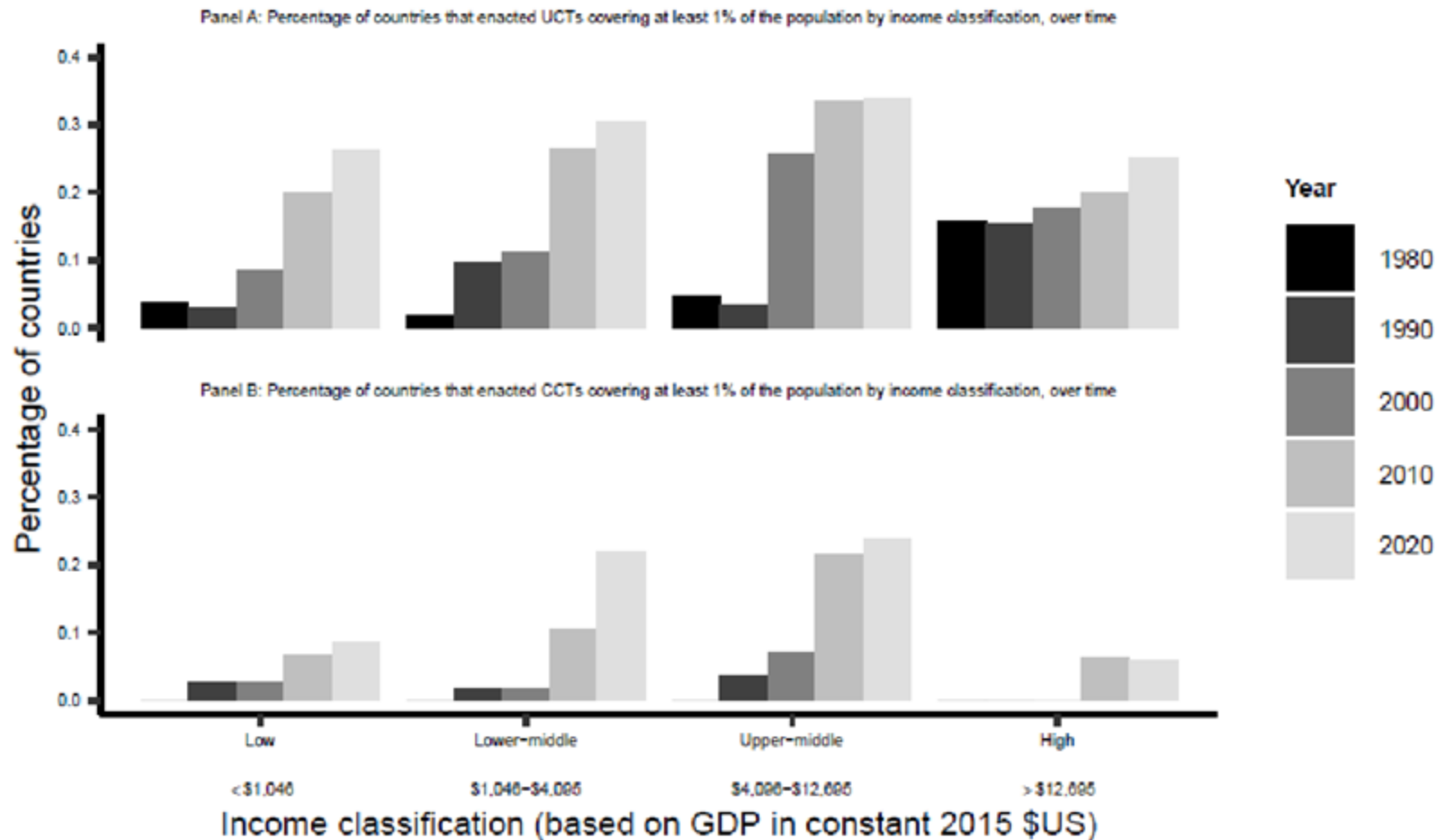
Social protection is seen as “anti-poverty” programs

As countries grow, and they transition out of poverty, these programs are obsolete



- We plot social insurance expenditures as a share of GDP
- Clear upward slope: richer countries, in general, spend much more on social insurance than poorer countries.
- The 2015 line is uniformly above the 1995 line: even at a given income level, countries tend to be doing more social protection than before

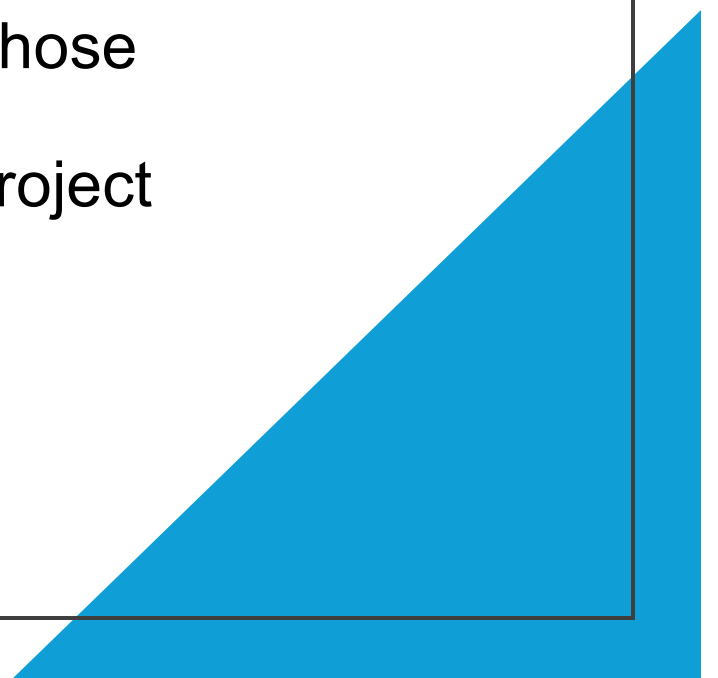
Notes: This is an updated and expanded version of Chetty and Looney (2006), which plots these data for 1996.



- We plot UCT and CCTs by income category and decade
- Find similar patterns that programs are increasing even within program group

Important to note though....

The fact that these programs exist, however, does not mean that they have sufficient budget to cover all of those who are in need, e.g. Brazil's Bolsa Familia program versus Cote d'Ivoire's Productive Social Safety Net project





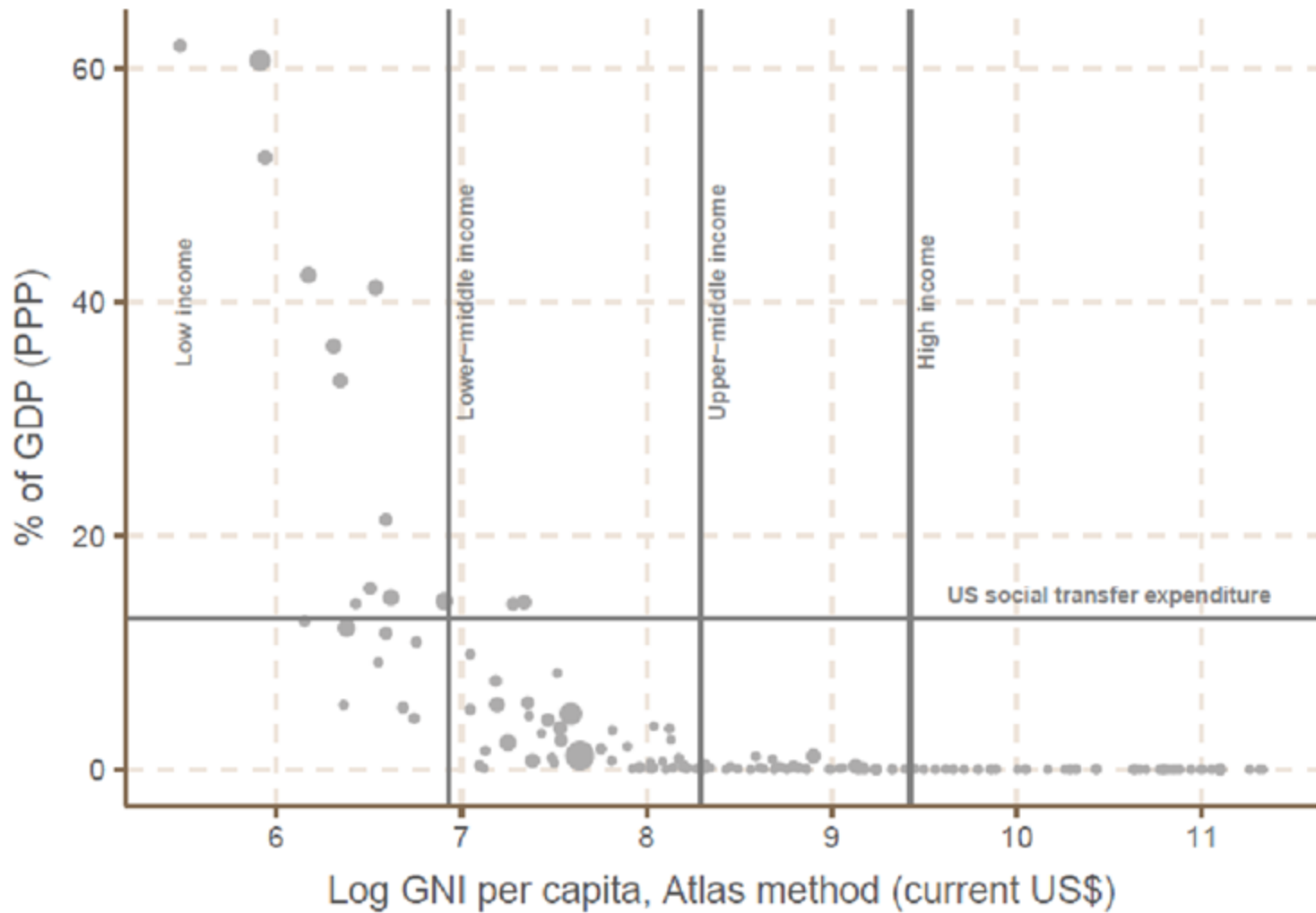
Myth #3: These programs are expensive and are unaffordable

...more complex,
depending on the
politics, societies
varying goals

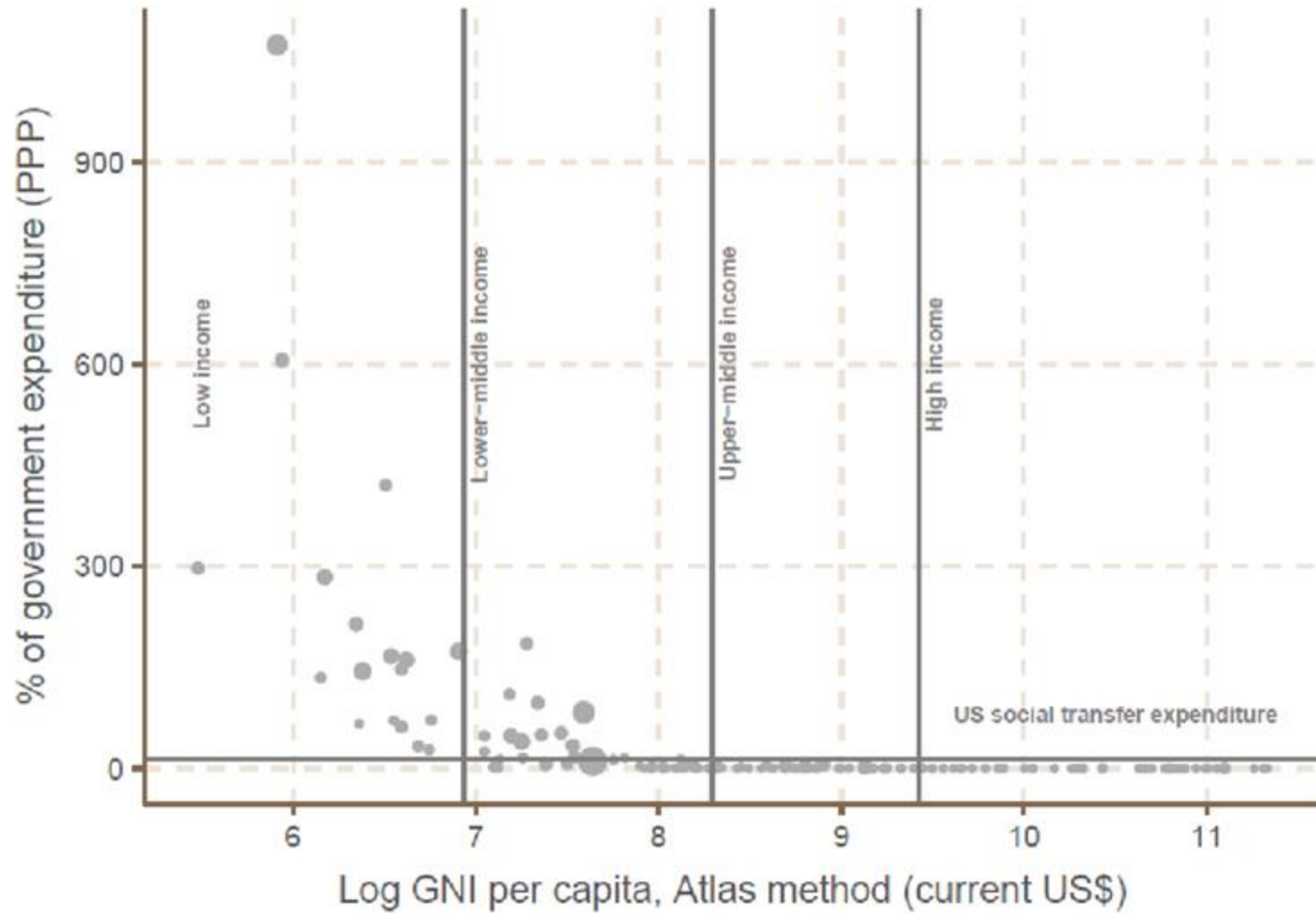
...whether we
consider both
domestic resource
mobilization and
foreign aid

A Simple Exercise

- What are the resources that each country would need to give everyone below the poverty line a transfer of PPP\$2.15?
 - In principle, one could bring everyone to the poverty line for less money than this if one could give larger transfers to those further away from the poverty line, and smaller amounts to those closer to it –but this is harder logistically and so we assumed equal transfers.
 - On the other hand, this may understate the extent of the problem, since giving transfers only to those below the poverty line assumes that one can solve targeting challenges.



- Most middle-income countries, including many lower-middle countries, are likely to be able to finance large, meaningful social assistance programs themselves.
- Low-income countries cannot and will either need to have much more limited social assistance goals, or additional external assistance – or both.



- Similar story when you examine the need as a function of government expenditure
- Highlights for financing challenge for lower-middle income

Could we solve global poverty?

- We calculate how much each country could contribute to combating poverty domestically if each country were to spend the same share of its national budget on social assistance as the United States
- We then calculate how much additional financing is needed to provide a transfer of PPP\$2.15 to every poor person in the world beyond that.

Money is not the issue....

It would take **US\$100 billion per year** total in global financing

To compare, in 2023, the OECD countries collectively gave **\$223 billion in official development assistance (OECD 2023)** – more than 1.5 times what would be needed to cover cash transfers to eliminate poverty globally.

What is then the issue?

Political Will and
Conflicting Needs:
both Domestic
and Global

Logistics and
coordination

Conflict