



“Helping People” IMF/PIIE Rethinking Fiscal Policy Event

Rema Hanna
Jeffrey Cheah Professor of South East Asia Studies, Harvard
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HARVARD Kennedy School
Evidence for Policy Design

Growing Social Protection in LMIC

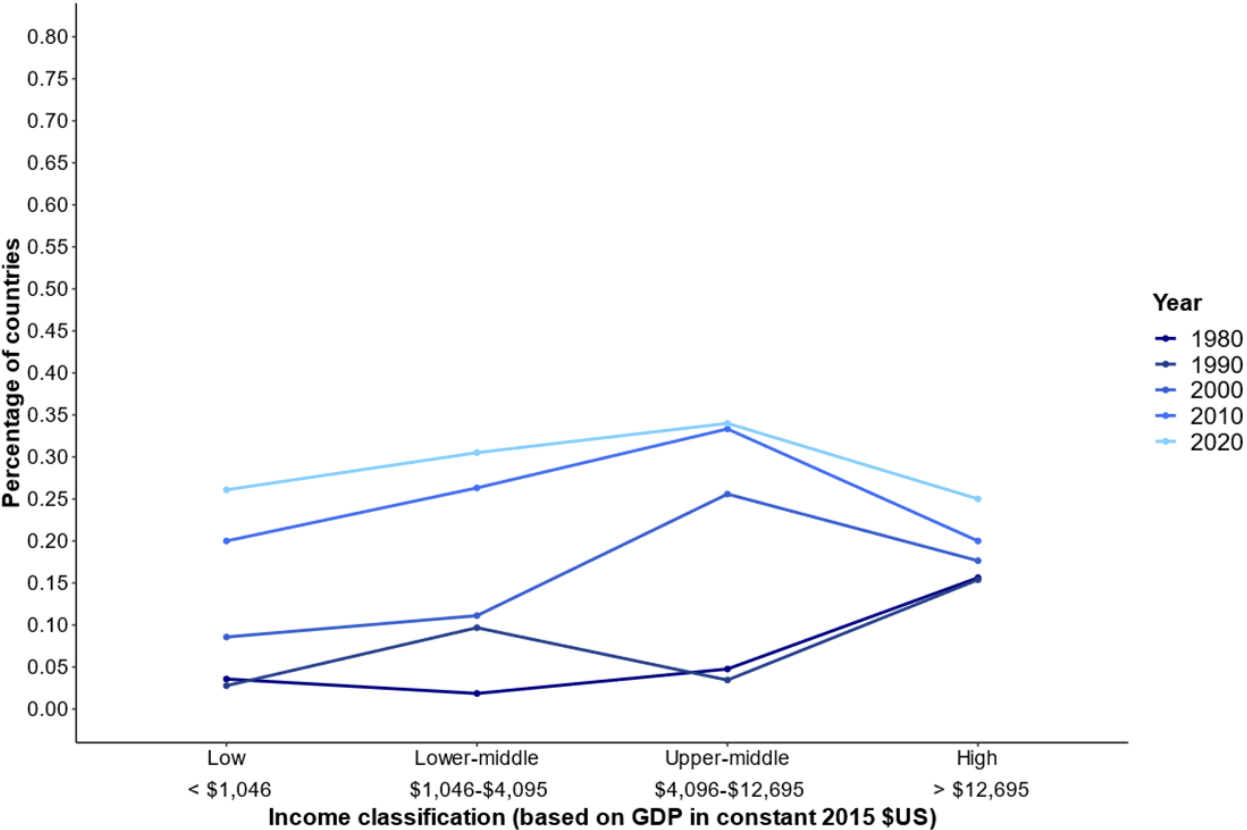


- Safety nets cover ~ 2.5 billion people
- >120 LMIC run cash transfer programs for the poor
- >70 run social pensions

Budgetary and implementation challenges that are similar but more pronounced than high income countries

Increase in social protection both across and within income group

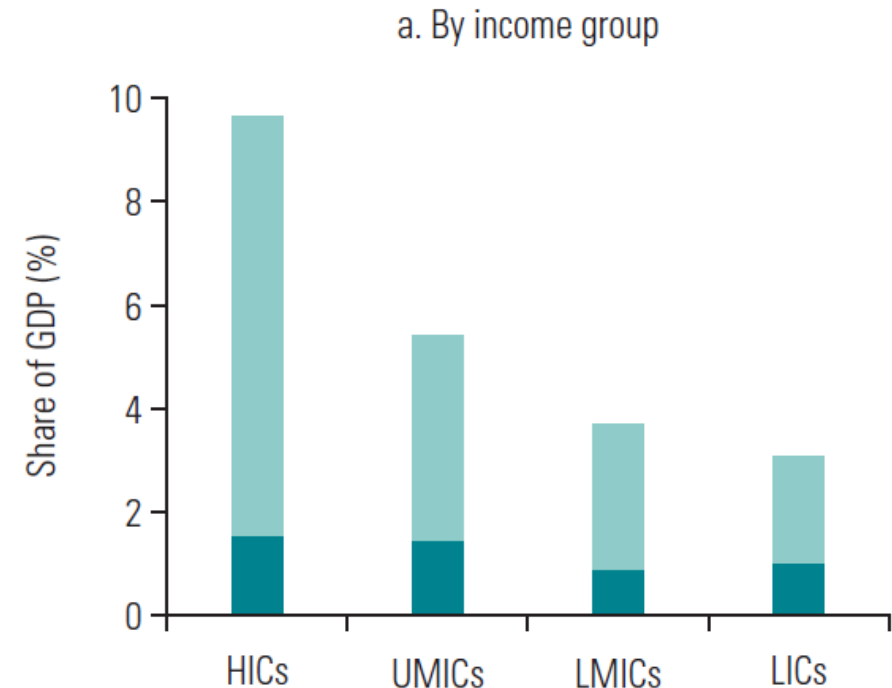
Figure 1: Percentage of countries that enacted UCTs covering at least 1% of the population by income classification, over time



Source: Banerjee et (2022)

Fiscal Response Larger in High Income Countries

- Fiscal policy extremely important
 - WB estimates that without this fiscal response, poverty would have been 2.4 percent higher during the pandemic
- However, LMIC spent a lower share of GDP than HIC during the pandemic
- (also true in non-COVID times)



Who did well in the pandemic?

- Countries that spent more, covered more people
 - Needs not lower
 - Londoño-Vélez and Querubín (2022) showed that cash transfers had effects on food purchases and asset sales for those who missed the cutoff of eligibility
- Had existing systems and programs in place that could be expanded
 - Identification systems, targeting systems, distribution mechanisms

What should we be taking away?

- Increase budgets to invest in human capital
 - Tax revenue, how we direct aid
 - Inefficient programs (e.g. energy subsidies)
 - Using research to improving existing programs
 - Banerjee, Hanna et al (2018) on transparency mechanisms
 - Banerjee, Hanna, et al (2023) on transition from in-kind to food stamps
- Improving responsiveness through more adaptive systems
 - Static targeting systems often based on assets, automatic stabilizers not built in
 - Example: During pandemic, Indonesia implemented community targeting (Alatas, Banerjee, Hanna, et al 2012) to bring in soft knowledge to fill in gaps
 - New technologies and data to design flexible systems, particularly around shocks

Let's not forget....

- Conflict and displacement:
 - ~40% of the global poor reside in fragile and conflict-affected economies
- Building effective safety net systems and social insurance for middle class, not just focusing on the extreme poor

Thank you!