

# Social protection: An effective shield against global crises

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*The world is going through a multiple crisis: Covid19, food and energy price hikes due to war in Ukraine. People in low and middle-income countries are especially suffering. Their governments should extend the scope and scale of social protection schemes in order to tackle extreme poverty, ensure access to food and basic health care to all its citizens and build a shield against the next external shock to come.*

During the last twenty years, the world has faced a number of shocks that have hit all countries globally. This includes, for example, the 2008 global economic crisis, the Covid19 pandemic and the war in Ukraine. All this occurred in the context of rapid climate change, which caused unprecedented floods, droughts and heat waves. These shocks have one

thing in common: they threaten the livelihoods of poor and vulnerable people and exacerbate existing inequalities in income, nutrition, health, education and other aspects of well-being.

Governments, especially in low- and lower middle-income countries can do little on their own to avoid the shocks as such, but they can try to cushion their effects by extending the outreach of social protection schemes, setting up new ones and increasing the benefits paid in particular to low-income people. Cash-for work programmes such as the Rural Employment Guarantee Scheme in India are particularly effective in that regard; they provide income to people who are ready to work in the creation of badly needed infrastructures such as roads, dams, freshwater pipes, and sewerage. Thereby, they protect the livelihood of low-income people, ensure that only those in real need benefit from the programmes, and prevent additional people from falling into poverty. Universal child benefits and social pension schemes can also be very helpful for this purpose as the case of Lesotho shows. Many countries, such as Brazil, Nicaragua, Iran and Indonesia have made good experiences with conditional and unconditional social assistance schemes as well.

Women are less represented in the labour force and are more often employed in the informal sector, thus they benefit much less from work-related social insurance. For them, schemes like cash transfers and public works can be particularly effective. At the same time, it is important to design these policies using a gender lens, to make sure they actually promote women's empowerment rather than increasing their workload and reinforcing existing gender norms.

The strength of these schemes – when adequately designed – is that they do not only help their beneficiaries, but also prevent a decline in external demand from turning into a general consumption slump. Wherever social protection programmes are already in place, governments can increase their budgets in order to compensate for any external income slumps; the costs are typically not prohibitive, especially if governments sustain anticyclical fiscal policies. Social protection programmes are thus not only microeconomic but also macroeconomic stabilisers that prevent the collapse of entire economies. Moreover, they can also boost the local economy if programme beneficiaries buy locally. The World Bank estimates this

local economy effect to be up to five-fold the original budget of social protection schemes.

Before Covid19, on average, low-income and lower middle-income countries were spending merely 1-2.5% of GDP on social protection (excluding health), against 16% for high-income countries. However, some countries, such as Lesotho, Mongolia, and Timor-Leste devoted far more than 5% of GDP already before Covid19. Many others – like Ethiopia, Mozambique, Morocco, and Pakistan – have significantly increased their spending on social protection in response to the crisis, often with the support of donors. However, often these countries have implemented only short-term measures providing rather small benefits, leaving recipients highly vulnerable to manifold risks.

It is time for national governments to transform emergency measures into more universal, stable, and rights-based programmes to guarantee to most people a shield when the next large shock occurs. Low and middle-income countries should start by building social protection floors including universal health protection, social pension and child benefits schemes, and cash-for work programmes for vulnerable working age people. Donors can support partner countries with technical and financial assistance for the start-up and reform of social protection programmes. They can help, for example, to build central registries of social protection beneficiaries or design a systemic policy approach that harmonises the different existing programmes. In some cases, donors should also fund current transfers, e.g. in war-affected countries lacking a central government. Finally yet importantly, donors should fund a global shield protecting low and lower middle-income countries against climate risks.

In parallel, many countries should intensify their investment into health and employment policies, especially the equipment of primary health care facilities and vocational training. The recent crises have affected people's life not only in financial terms. Covid19, for example, has dwindled the income of many households – especially in the informal economy but also unveiled the limited capacities of health systems in many countries.