CASH TRANSFERS

MYTHS vs. REALITY

Cash transfers are regular money payments to poor households.

**MYTHS**

1. **Cash will be wasted on alcohol and tobacco**
   - Reality: 1-2% of food expenditures
   - Across 6 countries, no evidence of increased expenditure on alcohol and tobacco.

2. **Transfers are just a ‘hand-out’ and do not contribute to development**
   - Reality: In Zambia, evidence shows cash transfers increased farmland by 36% and the use of seeds, fertilizer, and hired labor.

3. **Cash causes dependency, laziness**
   - Reality: In several countries, including Malawi and Zambia, research finds reduction in casual wage labor, shift to on-farm and more productive activities.

4. **Transfers lead to price inflation and disrupt local economy**
   - Reality: No inflation detected in 6 case study countries.

5. **Child-focused grants increase fertility rate**
   - Reality: In Zambia, cash transfers showed no impact on fertility. Early pregnancy reduced by 34% in Kenya, 10.5% points in South Africa.

**REALITY**

- **In Lesotho**, alcohol expenditure actually decreased.
- **Majority of programmes** show significant increase in secondary school enrolment and in spending on school uniforms and shoes.
- **In fact**, cash transfers lead to positive multiplier effects in local economies and significantly boost growth and development in rural areas.

**Why not?**

- Beneficiaries are a small share of community, typically 15-20%.
- They come from poorest households, with low purchasing power and thus don’t buy enough to affect market prices.
- Local economies can meet the increased demand.

**FAO 2016**

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