

## Myth-busting? How research is refuting common perceptions about unconditional cash transfers

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*Six common perceptions associated with cash transfers are investigated using data from eight rigorous evaluations of government unconditional cash transfer programmes across seven countries in sub-Saharan Africa. The evidence refutes each claim. Used in policy debates, these perceptions undermine well-being improvements and poverty reduction, in Africa and globally.*

The rise of cash transfers as a policy tool in developing countries has increased exponentially in the past decade. Cash transfers have been shown to reduce poverty and have widespread development impacts – often larger than traditional forms of assistance. Cash also provides recipients with dignity and autonomy over use.<sup>1,2</sup> Nonetheless, cash assistance remains a smaller portion of social safety net programming as compared to in-kind assistance.<sup>3</sup>

Policy-makers and other stakeholders often cite anecdotal or dated evidence of adverse impacts of cash or argue that beneficiaries are not using cash ‘wisely.’ These narratives may play a role in the political and social acceptability of unconditional cash transfer (UCT) scale-up.

Based on a recent paper using rigorous evaluations conducted on large-scale government UCTs in sub-Saharan Africa (SSA), in collaboration with the Transfer Project, this brief summarizes evidence on six common perceptions associated with cash transfer programming: Whether transfers: 1) induce higher spending on alcohol or tobacco,

2) are fully consumed (rather than invested), 3) create dependency (reduce participation in productive activities), 4) increase fertility, 5) lead to negative community-level economic impacts (including price distortion and inflation), and 6) are fiscally unsustainable. Ample evidence refutes each of these claims.

### CASH TRANSFER PROGRAMMES, DATA AND METHODOLOGY

The Transfer Project is a multi-partner initiative of UNICEF, the Food and Agricultural Organization of the United Nations (FAO), Save the Children UK, and the University of North Carolina at Chapel Hill, in collaboration with national governments, and other national and international researchers. Table 1 summarizes the key components of the suite of eight evaluations in across seven countries utilized: Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe. Although specific programme objectives varied, all programmes are run by government ministries and were designed with poverty-related goals in mind – including the improvement of food security, health, nutrition and education of children, and household resilience to negative shocks. In addition, nearly all countries include components giving priority to labour-constrained households or households caring for orphans and vulnerable children (OVCs). Transfer size ranges from 7% (Ghana) to 27% (Zambia Child Grant model) of pre-programme household consumption. Three programmes give flat transfers (Kenya, Zambia both models), while the remaining give variable transfers based on household size. In all programmes, cash was given unconditionally.

- 1 Blattman C and Niehaus P. 2014. ‘Show them the money: Why Giving Cash Helps Alleviate Poverty’. *Foreign Affairs* (published May/June issue: <https://www.foreignaffairs.com/articles/show-them-money>).
- 2 UNICEF ESARO/Transfer Project 2015. ‘Social Cash Transfers and Children’s Outcomes: A Review of Evidence from Africa’. <https://transfer.cpc.unc.edu/wp-content/uploads/2015/12/Social-Cash-Transfer-Publication-ESARO-December-2015.pdf>
- 3 Honorati M, Gentilini U. and Yemtsov, R.G. 2015. *The state of social safety nets 2015*. Washington, D.C. World Bank Group. <http://documents.worldbank.org/curated/en/2015/07/24741765/state-social-safety-nets-2015>.



**Table 1: Programme and evaluation components of Unconditional Cash Transfers included in Transfer Project**

Country	Programme	Year programme began	Implementing ministry	Evaluation design
(1)	(2)	(3)	(4)	
Ethiopia	Tigray Social Cash Transfer Programme Pilot (SCTPP)	2011	Tigray Bureau of Labour and Social Affairs	Longitudinal Propensity Score Matching
Ghana	Livelihood Empowerment Against Poverty (LEAP)	2008	Ministry of Gender, Children and Social Protection	Longitudinal Propensity Score Matching
Kenya	Cash Transfers for Orphans and Vulnerable Children (CT-OVC)	2004	Ministry of Home Affairs, Department of Children's Services	Randomized controlled trial
Lesotho	Child Grant Programme (CGP)	2009	Ministry of Social Development	Randomized controlled trial
Malawi	Social Cash Transfer Programme (SCTP) [Expansion]	2009	Ministry of Gender, Children and Social Welfare	Randomized controlled trial
Zambia	Child Grant (CG) model of the Social Cash Transfer (SCT) programme	2010	Ministry of Community Development, Mother and Child Health	Randomized controlled trial
	Multiple Categorical Targeting Grant (MCTG) model of the SCT programme	2011	same	Randomized controlled trial
Zimbabwe	Harmonized Social Cash Transfer (HSCT)	2011	Ministry of Public Service, Labour and Social Welfare	District Matched Case Control

Notes: Year programme began denotes when pilot was first implemented, not necessarily year of programme expansion tied to evaluation. Source: Handa et al. 2016.

Although the Transfer Project evaluations incorporate multiple methodologies, the results here come largely from the quantitative impact evaluations which follow households over time among treatment and comparison groups. In the majority (five) of the evaluations summarized, the gold standard of experimental designs, randomized controlled trials (RCTs) were implemented. Further details of the programme designs and evaluation methodology by evaluation are available in the full paper (See: <https://www.unicef-irc.org/publications/899/>)

## SUMMARIZING THE EVIDENCE

### *Perception 1: Transfers induce higher spending on alcohol and tobacco*

A common argument against use of cash transfers, particularly UCTs, is the fear that beneficiaries will spend cash on undesirable temptation goods or non-essential luxury items – including alcohol and tobacco. Evidence from six countries (Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe) found no significant positive impact of transfers on alcohol or tobacco expenditure; in one country (Lesotho), transfers actually decreased expenditure on alcohol. Perceptions of community-level alcohol use in four countries

also indicated no evidence of increases in transfer communities, vis-à-vis the comparison communities. These results are in line with a systematic review and meta-analysis which examined 50 estimates from 19 experimental and quasi-experimental studies of cash transfers (both conditional and unconditional) in low and middle-income countries.<sup>4</sup> Across studies, there are either no significant impacts or significant and negative impacts of transfers on temptation goods, with two outlier exceptions. The Transfer Project evidence shows that cash transfers do not induce higher spending on alcohol and tobacco. In fact, cash transfers could play a role in decreasing consumption of temptation goods by reducing poverty-related stress and increases in overall well-being. However more research is needed to specifically test this hypothesis.

### *Perception 2: Transfers are fully consumed (rather than invested)*

A perception often voiced is that cash will be utilized for short-term consumption only and not invested (either in human capital or productive activities). In other words, there are concerns that cash is a 'hand out.' Given that the average

<sup>4</sup> Evans DK & A Popova 2017. Cash Transfers and Temptation Goods. *Economic Development and Cultural Change* 65(2).

beneficiary household in the Transfer Project evaluations is well below the poverty line and faces chronic food insecurity, this concern is not unreasonable. However, across the eight evaluations, we find that households make significant productive investments, based on examination of impacts across a range of productive investment indicators that include livestock and agricultural asset ownership, use of seed, fertilizer, and value of harvest sales. Although the magnitude and range of impacts vary, in several evaluations there are significant impacts across the majority of indicators (i.e. in both evaluations in Zambia and in Malawi). In addition, there are significant education impacts for school age children across countries, with secondary school enrolment impacts across six evaluations ranging from 6 to 16 percentage points. This findings illustrate that rather than only utilizing transfers for short-term consumption smoothing, households are also making investments in human and productive capital, which have potential to make longer-term changes in poverty and inter-generational transmission of poverty.

### **Perception 3: Cash creates dependency (reduces participation in productive work)**

A common perception among many policy makers, the media and stakeholders in general is that cash transfers foster dependency: poor families who receive financial support will work less and become lazy, leading to dependency on the transfer. This concern is repeatedly raised, despite the fact that the typical beneficiary household is well below the poverty line, and transfers are not large enough for households to live on transfer income alone. Summarizing evidence across eight evaluations on a range of adult labour force participation indicators (e.g. measures of wage work, and measures of own farm/agricultural or small business operations), for the majority of indicators, there are no impacts. However, the story that emerges is nuanced. Transfers decrease agricultural wage labour in four cases (Ethiopia, Lesotho and both Zambia evaluations), and increase own farm and business activities in three cases (both Zambia evaluations and Zimbabwe). Since paid labour in these rural settings is often the least desirable form of labour, this shift can be viewed as beneficial for households, resulting in more autonomy and higher returns on labour. It is also useful to remember that the typical beneficiary household contains children and youth as well as elderly members, usually outnumbering working age adults. This would suggest that these households are not necessarily able to significantly increase labour participation, and would benefit from the option to exit less desirable forms of labour. Our results are consistent with other studies, including experimental findings from six countries which finds no systematic evidence that cash transfers discourage work.<sup>5</sup> Overall, we conclude there is no systematic evidence that transfers lead to dependency.

5 Banerjee, A., Hanna R, Kreindler G and Olken BA. 2017. Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs Worldwide. *World Bank Research Observer* (forthcoming).

### **Perception 4: Transfers targeted at households with young children will increase fertility**

Policy makers often fear that cash transfers targeted at households with young children will have the unintended consequence of increasing fertility, in an effort to obtain increased benefits. Transfer Project evidence from four countries (Kenya, Malawi, Zambia and Zimbabwe) on fertility-related impacts finds no impact of transfers on the number of young children in different age groups in Kenya, Malawi and Zambia.<sup>6</sup> In addition, on the individual level, we find no increases in total fertility in Zambia. Instead, we find decreases in women who report ever having a stillbirth, miscarriage or abortion.<sup>7</sup> Furthermore, in Kenya, female youth (aged 12- 24) are more likely to delay first pregnancy; a benefit also found on examination of South Africa's UCT.<sup>8,9</sup> In summary, in no instance has a government UCT been found to increase fertility in SSA. Fears that cash transfers will incentivize increased fertility appear to be based on anecdotal evidence and do not withstand rigorous evaluation.

### **Perception 5: Transfers will lead to negative economic impacts on local markets**

There is a fear that transfers injected into small, isolated communities may lead to negative impacts on local markets, including price distortion and inflation. Evidence on community-level prices from five evaluations across three countries find no significant changes in prices of commonly found goods, with one exception – the price of beef in Lesotho. In addition, in seven countries we apply a general equilibrium model to study local economy-wide impact evaluation (LEWIE).<sup>10</sup> Local economy simulations indicate that rather than having no effect at all or making everyone worse off through inflation, programmes generate substantial impacts to the non-beneficiaries through strengthening the local economy: the multiplier effects range from 1.27 in Malawi to 2.52 in Ethiopia (Hintalo area). In terms of price distortion and inflation, there is little evidence to suggest a negative effect on markets, and instead transfers actually boost local economies through the small cash injection.

6 Stecklov, G., and Winters, P. 2011. Do Cash Transfers Impact Childbearing and Childrearing? Experimental Evidence from Sub-Saharan Africa. *Working paper*.

7 Palermo, T., Handa, S., Peterman, A., Prencipe, L, and Seidenfeld, D, on behalf of the Zambia CGP Evaluation Team. 2016. Unconditional government social cash transfer in Africa does not increase fertility. *Journal of Population Economics*, 29(4): 1083-1111.

8 Handa, S., Peterman, A., Huang, C., Halpern, C. T., Pettifor, A., and Thirumurthy, H. 2015. Impact of the Kenya Cash Transfer for Orphans and Vulnerable Children on Early Pregnancy and Marriage of Adolescent Girls. *Social Science & Medicine*, 141, 36-45.

9 Heinrich C, Hoddinott J, Samson M. 2017. Reducing Adolescent Risky Behaviors in a High-Risk Context: The Effects of Unconditional Cash Transfers in South Africa. *Economic Development and Cultural Change* (in press).

10 Thome K, Taylor JE, Filipski M, Davis B and Handa S. 2015. The Local Economy Impacts of Social Cash Transfers: A Comparative-country Analysis. *Working paper*: <http://www.fao.org/3/a-i5375e.pdf>

### Perception 6: Cash transfers at scale are not fiscally sustainable

As cash transfers are institutionalized and scaled-up as part of government programming, there have been concerns about both cost-efficiency and fiscal unsustainability in the medium- and longer-term. Costing studies carried out for Transfer Project evaluations computed cost-transfer ratios or CTRs (the ratio of administrative costs to transfer costs) to measure the cost-efficiency of the programmes in three countries (Kenya, Lesotho, Zambia - both models). Despite initial large fixed start-up costs and the complex targeting approach, CTRs fell after three/four years of programme implementation to a value between 0.34 (Kenya) and 0.63 (Zambia MCTG). Furthermore, we utilize key programme parameters from six countries to conduct cost simulations for scale-up of national programmes.<sup>11</sup> Simulations assume a hypothetical programme would target the ultra-poor, be scaled up to 20% of the national population, set the transfer amount equivalent to 20% of households' baseline monthly consumption and incur administrative costs of approximately 12%. Based on government spending for 48 countries in SSA over the 2008-2012 period, results show that the annual cost of a UCT would range from between 0.1 and 2% of GDP for most countries, with an overall average of 1.1% of GDP. As a percent of general government expenditures, the price tag is higher; an average of 4.4% across countries: below 1% for nine countries, from 1-5% for 21 countries, 5-10% for 14 countries and over 10% for four countries (the Democratic Republic of Congo, Zimbabwe, Central African Republic and Madagascar). We conclude that not only is the expansion of UCTs feasible based on national budgets, but it has also been found to be more cost-effective than in-kind transfer programmes of identical value in rigorous studies comparing the two.<sup>12</sup>

### BUSTING THE MYTHS: IMPLICATIONS FOR POLICY MAKERS

Using rigorous evaluations conducted on large-scale government UCTs in SSA, we find ample evidence refuting six common perceptions which may lead to under-investment in cash transfer programmes. The use of these myths in policy and public debates threaten to undercut well-being improvements and reductions in poverty in SSA and globally. Policy-makers should not fall into the trap of utilizing these myths, which are unsupported by data, to argue against cash transfers – and by so doing, miss opportunities to benefit the populations in most need.

**For additional information, please see:** Handa, S., Daidone, S., Peterman, A., Davis, B., Pereira, A., Palermo, T., and Yablonski, J. on behalf of the Transfer Project (2017). 'Myth-busting? Confronting Six Common Perceptions about Unconditional Cash Transfers as a Poverty Reduction Strategy in Africa' UNICEF Office of Research – Innocenti Working Paper 2017-11 (See: <https://www.unicef-irc.org/publications/899/>)

[www.fao.org/3/a-i6460e.pdf](http://www.fao.org/3/a-i6460e.pdf)

<https://youtu.be/0GGxQ3hdACO>

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11 Plavgo I, de Milliano M & S Handa. 2013. The Cost of Social Cash Transfer Programs in sub-Saharan Africa. Transfer Project Brief: [https://transfer.cpc.unc.edu/wp-content/uploads/2015/09/TransferProjectBrief\\_2013\\_The-cost-of-social-cash-transfer-programs-in-sub-saharan-africa.pdf](https://transfer.cpc.unc.edu/wp-content/uploads/2015/09/TransferProjectBrief_2013_The-cost-of-social-cash-transfer-programs-in-sub-saharan-africa.pdf)

12 Gentilini, U. 2016. Revisiting the "Cash versus Food" Debate: New Evidence for an Old Puzzle? *The World Bank Research Observer* 31 (1):135-167.

