CASH TRANSFERS MYTHS vs. REALITY

Cash transfers are regular money payments to poor households

MYTHS | REALITY

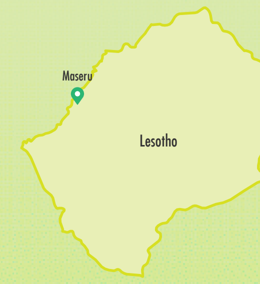
Cash will be wasted on alcohol and tobacco

1-2%

Alcohol and tobacco represent **1-2%** of **food expenditures**

Across 6 countries, **no evidence of increased expenditure** on alcohol and tobacco

In **Lesotho**, **alcohol expenditure** actually **decreased**



Transfers are just a 'hand-out' and do not contribute to development

In **Zambia**, evidence shows **cash transfers increased farmland** by

36%

and the use of **seeds**, **fertilizer**, and **hired labor**

As more agricultural inputs were used, **overall production increased** by

36%

and farmers engaged more in markets

Majority of programmes show **significant increase in secondary school enrolment** and in spending on school uniforms and shoes

Cash causes dependency, laziness

In several countries, including **Malawi** and **Zambia**, research finds **reduction in casual wage labour**, shift to on-farm and more productive activities

There is **little evidence** transfers lead to **reduction in work effort**

In fact, cash transfers **lead to positive multiplier effects in local economies** and **significantly boost growth** and **development in rural areas**

Transfers lead to price inflation and disrupt local economy

No inflation detected in 6 case study countries

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**

2.00 $ 1.00 $

Local economies **can meet the increased demand**

In **Ethiopia**, for every dollar transferred by the programme, about **$1.50** was generated for the local economy

Child-focused grants increase fertility

No impact on fertility in women in Zambia

-34% **-10.5%**

Early pregnancy reduced by 34% in Kenya, 10.5% in South Africa

Food and Agriculture Organization of the United Nations

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