

# Impacts of Cash Transfers in Africa on Poverty, Food Security, Productivity, Resilience, and Local Economies: An Evidence Brief

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## 1. INTRODUCTION

Social protection cash transfers are a core element of many countries' poverty reduction strategies. Many African countries have invested in and expanded these programmes due to strong evidence that cash transfers can help meet key development outcomes, such as helping to break the intergenerational persistence of poverty and improving economic security, food security, education, and health. Nevertheless, at a coverage rate of 19.1 per cent, Africa has the lowest regional rate of social protection coverage globally (only 12.6 per cent of vulnerable persons are covered by social assistance in Africa, yet coverage in many countries is substantially lower) (1). While many countries in Africa have invested in and expanded their social protection systems and almost every African country now has at least one social safety net programme, coverage gaps still persist (1, 2). A better understanding of the evidence on cash transfers in Africa is needed to advocate for and inform decisions on future expansion of social protection programming in the region. In this brief<sup>1</sup>, we summarise the impacts of cash transfer programmes in Africa on monetary and multidimensional poverty, food security, productivity, resilience, and the local economy. Guided by the hypothesised pathways outlined in the conceptual framework (Figure 1), we reviewed evidence, prioritising systematic reviews, narrative reviews, and meta-analyses of impact evaluations of cash transfer programmes with a focus on evidence from Africa, as well as individual studies (published reports and peer-reviewed articles) from the [Transfer Project](#)<sup>2</sup>. For outcomes where there were gaps in the evidence from Africa, we drew on global reviews and evidence.



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## HIGHLIGHTS

### THE EVIDENCE ON CASH TRANSFERS IN SUB-SAHARAN AFRICA SHOWS THAT AT THE HOUSEHOLD LEVEL:

- Cash transfer programmes significantly reduce the proportion of people under the **poverty level** (poverty headcount) and the depth of poverty (poverty gap) in sub-Saharan Africa.
- Cash transfers can also reduce **multidimensional poverty**, including among children, though few studies examine this outcome.
- There is consistent and strong evidence that cash transfer programmes help beneficiary households meet the immediate **material needs** of their children.
- Cash transfers increase households' **savings**.
- Cash transfers do not reduce adults' participation in work (**labour supply**) and often enable them to shift to more productive and preferred types of labour.
- Cash transfers have strong **productive impacts**, as households invest them in livestock and operation of micro-enterprises, leading to increased livelihood diversification and resilience.
- Impacts of cash transfers on **farm productive assets** and farmland ownership is mixed.
- Cash transfer programmes enhance households' **resilience** and protect households from protect households from the negative impacts of weather shocks, including droughts and heavy rains, through improved asset ownership, savings, and **livelihood diversification** pathways, with the poorest households reaping the greatest benefits.
- There is limited evidence on the impacts of cash transfers on **improved dwellings**, including **water, sanitation, and hygiene (WASH)** outcomes, but among a small number of studies, improvements in use of treated water, improved flooring, and reductions in crowding and use of shared toilets have been found.

## HIGHLIGHTS (CONT.)

### IN TURN, AT THE COMMUNITY LEVEL:

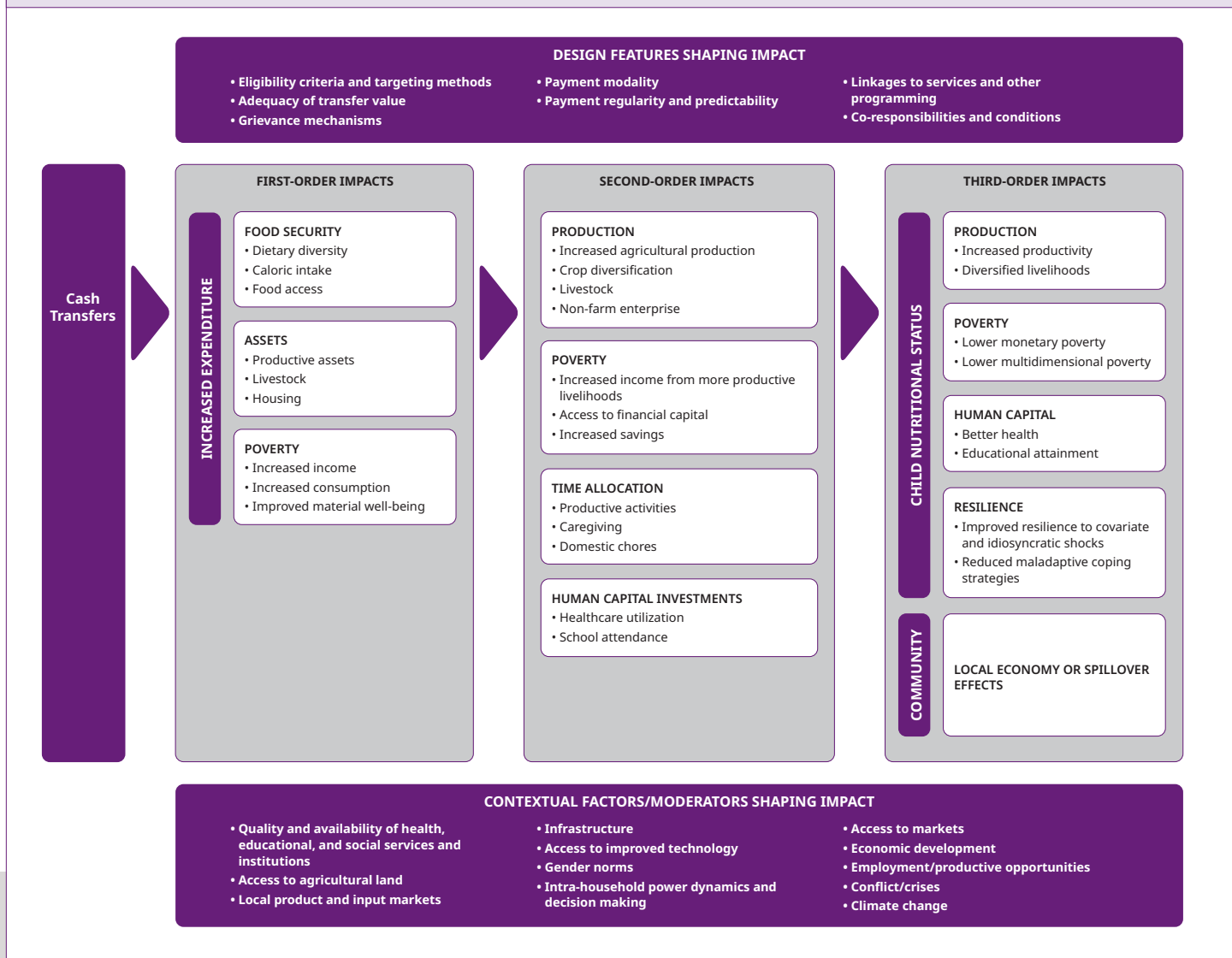
- There is no strong evidence that cash transfers drive up food prices in local markets.
- Cash transfer programmes have resulted in significant income **multiplier effects** in local economies in sub-Saharan Africa.
- Cash transfers have a **return on investment** through retail and local production.
- There is evidence suggesting government-led social cash transfers increase **trust** and **social cohesion** in Africa. However, transparency in targeting criteria is critical to avoid tensions.



Source: ©UNICEF/UN0663897/Schermbrucker

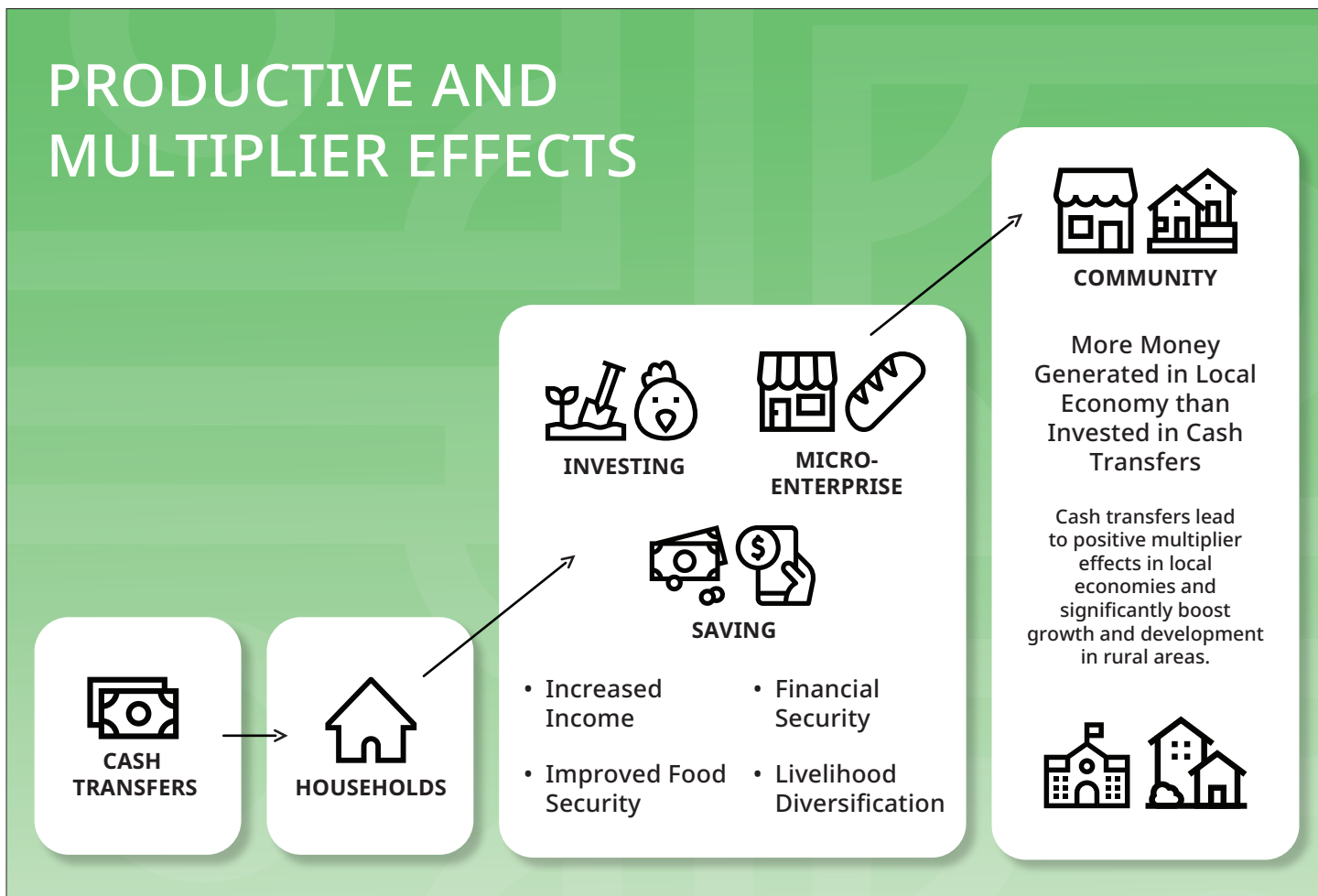
Impacts of cash transfer programmes are often moderated by design and implementation features, such as the size (or value) of the transfer; payment frequency (e.g., monthly vs. quarterly payments), payment predictability/reliability, and payment mechanisms; the duration of programme support; the existence and types of possible programme conditions or co-responsibilities (which can also have negative effects); and the existence and types of integrated linkages to complementary interventions.

FIGURE 1. CONCEPTUAL FRAMEWORK LINKING CASH TO POVERTY, FOOD SECURITY, PRODUCTIVITY, RESILIENCE, AND LOCAL ECONOMY EFFECTS



## 2. WHAT THE EVIDENCE SAYS

Figure 1. Productive and multiplier effects



### Poverty

Cash transfers reduce monetary and multidimensional poverty and increase households' spending.

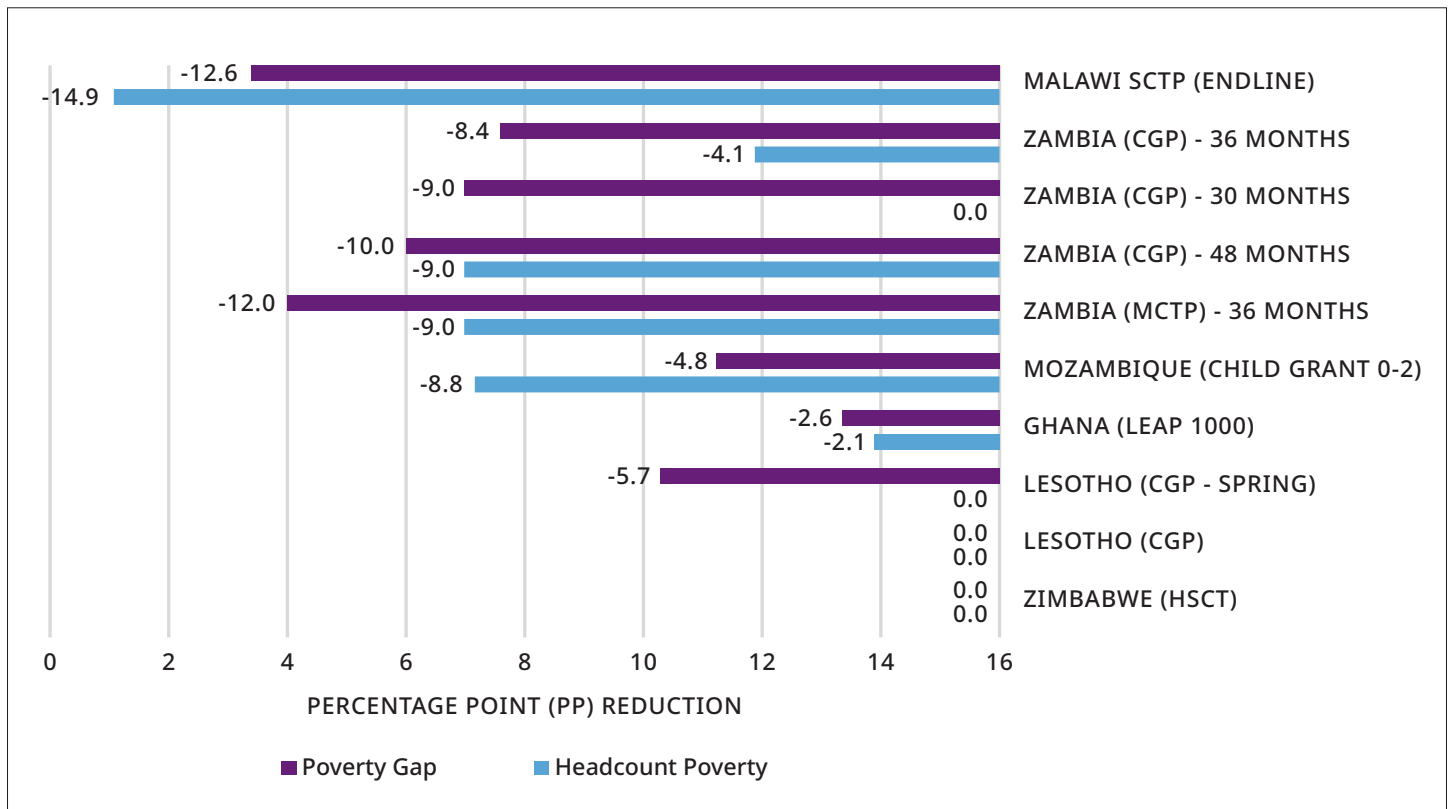


Multiple reviews and evaluations done under the Transfer Project show that cash transfers reduce monetary poverty as measured by **poverty headcount** (per cent of the population under the national poverty line) and **poverty gap** (severity of poverty) and substantially increase **households' expenditure** on food and non-food items in Africa (3). However, evidence is clear that cash transfers do not increase expenditures on alcohol and tobacco.

Transfer Project evaluations show that cash transfers reduced poverty headcount, ranging from 2.1 percentage points in Ghana to 15.3 percentage points in Burkina Faso (4,5). Transfer Project evaluations also showed reductions in the poverty gap, ranging from 2.6 percentage points in Ghana to 12.6 percentage points in Malawi (4,6). Individual studies (both Transfer Project and non-Transfer Project) have also found that cash transfers reduced **multidimensional poverty** in Lesotho, Ghana, Kenya, Ethiopia, and South Africa (7,8).

**MODERATORS:** The effects of cash transfers on monetary poverty depend on design and implementation features, such as the size of transfer (and whether adjusted for inflation over time), duration of receipt, payment mechanisms, and regularity of payments.

Figure 2: Impacts of cash transfers on headcount poverty and poverty gap in Africa



CGP = Child Grant Programme  
MCTP = Multiple Categorical Targeting Programme  
HSCT = Harmonised Social Cash Transfer



Source: ©UNICEF/UNI679038/Mmina/Elephant Media

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## MYTH:

Cash transfers are a handout, not an investment.

## REALITY:

Cash transfers are invested in human capital (education, nutrition, health, agriculture, and training). They also improve households' resiliency to shocks. Additionally, cash transfers have a return on investment when spent in local economies, generating additional income and creating a multiplier effect. These factors are drivers for economic growth.

## Food security and dietary diversity

Cash transfers increase food security, including increasing food expenditures, food consumption, dietary diversity and caloric intake.



Multiple reviews and a meta-analysis have found that cash transfers increase food consumption (as measured by 6 per cent increase in caloric intake in Africa) and expenditures on food (by 12 per cent in Africa) (9). In addition to a general increase in food consumed, the diversity and quality of foods consumed is enhanced. More specifically, cash transfers in Africa increase consumption of grains by 17 per cent, fruit and vegetables by 11 per cent, and animal source food by 32 per cent (15). Transfer Project evaluations of cash transfer programmes have also found positive impacts on food expenditures in Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia, and Zimbabwe and on dietary diversity in Malawi, Mozambique, Zambia, and Zimbabwe (7, 10, 11, 12, 13, 14, 15, 16).

**MODERATORS:** In rare cases where cash transfers did not improve food security, the lack of impacts were often explained by inadequate design features (low transfer value or failure to maintain the real transfer value against inflation) and implementation problems (irregular payments) (17).



Source: ©TransferProject/Michelle Mills/Ghana 2015

## Material well-being

There is substantial evidence that cash transfer programmes in sub-Saharan Africa help participating households meet their basic material needs.



Transfer Project evaluations show that cash transfers increase the likelihood that children have a change of clothes, shoes, a blanket, or all three items in Zambia, Ghana, Tanzania, Malawi, Mozambique, and Zimbabwe (7, 11, 13, 16, 18, 19, 20, 21).



Source: ©UNICEF/UNI118060/Pirozzi

### MYTH:



Cash transfers increase spending on alcohol and tobacco.

### REALITY:

Evidence shows clearly that households receiving social cash transfers do not spend more on temptation goods, such as alcohol (16). Studies show that spending on these goods either does not change or is reduced.

### MYTH:



Cash transfers are fully consumed (rather than invested).

### REALITY:

Cash transfers increase the probability that households have any savings, as well as the amount of savings. Cash transfers also have strong productive impacts in sub-Saharan Africa, as households invest in livestock ownership and the operation of non-farm enterprises. Impacts on ownership of farm productive assets is more mixed.

## Savings

Cash transfers have strong impacts on the presence and amount of households' savings.



Multiple reviews have found that cash transfers increase the probability that households have any savings (by 49 per cent, on average), as well as the amount of savings (by 61 per cent, on average) (9). Transfer Project evaluations in Ghana, Lesotho, Mozambique, Zambia, and Zimbabwe confirm these findings. In addition to household savings, cash transfers also increase women's likelihood of having any savings. In Transfer Project evaluations, the increased probability of women having savings in the past month ranged from 4.3 percentage points in Zimbabwe to 12.0 percentage points in Ghana (11, 13, 16, 19, 20, 22, 23, 24).

## Productive Impacts

National cash transfer programmes increase livestock ownership and operation of non-farm enterprises, leading to livelihood diversification. However, impacts on ownership of farm productive assets is more mixed.



Multiple reviews show that cash transfers increase households' purchase of livestock and operation of small businesses (micro-enterprises). A meta-analysis showed that, in Africa, cash transfers increased the probability of owning livestock by over 40 per cent (9). Cash transfers also increase diversity of the type of livestock owned and the number of livestock (17). Transfer Project evaluations showed that cash transfers increased livestock ownership in Ethiopia, Ghana, Malawi, and Tanzania. These increases in the probability of

livestock ownership ranged from 5.6 percentage points in Ghana to 22 percentage points in Malawi. Transfer Project evaluations show, in some (but not all) countries, that cash transfers increased the probability of households operating a non-farm enterprise in Mozambique and Zambia, ranging from 3 percentage points in Zambia's Multiple Category Targeting Programme to 14.4 percentage points in Zambia's Child Grant Programme. Impacts on ownership of farm productive assets and farmland ownership is more mixed, with some studies indicating positive impacts, and others finding none. Productive impacts from routine cash transfers often materialise at a second stage, as households tend to spend cash first on food and immediate needs. Once these needs are met, households invest in productive activities. As with other impacts, adequate transfer amounts are required to see significant productive impacts (for example, around 20 per cent of pre-programme baseline expenditures) (11, 19, 20, 25). Building meaningful household resilience requires a household to have an adequate duration of support from a cash transfer programme to enable these productive investments to stabilise and contribute more substantially to the household economy.

## Labour Supply

Cash transfers do not reduce adults' participation in work (labour supply).



Multiple global reviews found that cash transfers result in little to no change in adult labour supply (3, 26, 27, 28). Transfer Project evaluations have found that cash transfers allow participants to switch from less preferred types of labour (casual day labour) to more preferred (often more productive) types of labour, such as own farm production and small businesses, including in Zambia and Zimbabwe (27, 29). This substitution from casual wage labour to more preferred labour activities suggests an overall benefit of cash transfers.



Source: ©UNICEF/UN0836615/Andrianantenaina

## MYTH:



Cash transfers make people lazy, work less, and encourage them to be dependent on handouts.

## REALITY:

Evidence confirms that cash transfers do not reduce adults' labour supply. In fact, they often enable households to shift to more productive and preferred types of labour over other types of labour. Social protection programmes can be designed to further enhance these productive impacts and ultimately support households in sustainably exiting the programme.

## Resilience

There is promising evidence that cash transfers can enhance household resilience, including through the development of positive coping strategies, livelihood diversification, and by reducing vulnerability to shocks. However, fewer studies have examined resilience outcomes, and more research is needed.



Source: ©UNICEF/UNI125896/Asselin

While the evidence is limited, there is more and more evidence emerging that demonstrates that routine social protection cash transfers can improve households' adaptive capacity and ability to respond to future shocks (30). Evidence shows that non-contributory social protection (including cash transfers) in rural Africa can support resilient and inclusive agricultural growth through relaxation of credit and liquidity constraints, managing consumption risk, and relaxing psychological constraints, as well as increase income (25). For example, studies in Lesotho and Malawi found that cash transfers increase resilience in advance of shocks through a combination of factors, including improved access to services and safety nets, asset ownership, and household adaptive capacity (as measured by improved asset ownership, diversified livelihoods, and increased

capacity to withstand shocks) (31). In Lesotho, effects were even larger among households that were comparatively more vulnerable prior to the rollout of the cash transfers (32). Another review found that social assistance programmes (including a combination of cash and in-kind transfers) improved households' coping responses, reduced maladaptive coping strategies that disproportionately harm women and girls, and improved adaptive behaviours, such as diversification of livelihood activities (33).

Figure 3. Income multiplier effects of cash transfers in sub-Saharan Africa



Notes: Nominal income is not adjusted for inflation, and real income is the nominal income adjusted for inflation.

Source: Taylor, Thome, Filipski. (2016). "Local economy-wide impact evaluation of social cash transfer programmes." In *From Evidence to Action: The Story of Cash Transfers and Impact Evaluation in Sub-Saharan Africa*, pp 94-116. Ed. Davis, Handa, Hypher, Winder-Rossi, Winters, and Yablonski. Oxford: Oxford University Press.

## Local economies



Cash transfers have multiplier effects (they generate more cash across the local economy than the value of the cash transfers provided through increases in local spending, benefitting other community members). Cash transfers generally do not cause inflation.

As cash transfer participants increase their demand for goods and services, they use their cash in the local community. The income from the transfers is transmitted to other community members, including many who own local businesses and do not receive cash transfers. In this way, the benefits of cash transfers multiply. A global review showed that most studies find positive multipliers (34). Transfer Project evaluations have found multipliers in sub-Saharan Africa ranging from 1.27 in Malawi to 2.52 in Ethiopia. This means that, for example, in Malawi, a dollar transferred to cash transfer participants adds 1.27 dollars to the local economy (implying a spillover of 0.27 dollars (35, 36). While policymakers may have concerns about inflation, evidence shows that the low proportion of households receiving cash transfers in a community and the relatively modest amount of the transfer is not large enough to have inflationary effects on local economies, except in isolated communities where markets are poorly integrated and supply-side constraints exist.

## Social cohesion



There is evidence suggesting government-led social cash transfers increase trust and social cohesion in Africa.

A review of programmes in the Sahel found that social protection programmes increase trust (in peer groups and government), cooperation for the common good and resource sharing, involvement in community groups, and inclusive identity among cash transfer participants (37). Nevertheless, there is some evidence of negative impacts among non-beneficiaries, particularly when targeting processes lack transparency or are perceived as unfair. A second review found that cash transfers generally increase social cohesion in post-conflict settings globally (38), while findings from a third global review in broader contexts (not limited to post-conflict or the Sahel) were more mixed (39). Transfer Project studies find that cash transfers in Ethiopia, Ghana, Kenya, Lesotho, Kenya, Malawi, and Zimbabwe increased social capital and enabled participating households to rejoin social networks (40). Qualitative evidence from the Transfer Project indicates that cash transfers increased social inclusion, including the ability to participate in mutual aid and economic collaboration (for example, savings groups) (41).



Source: ©TransferProject/Michelle Mills/Ghana 2015

### MYTH:



Cash transfers lead to negative effects on the local economy and markets.

### REALITY:

The evidence shows that cash transfer programmes do not cause inflation in local economies. This is likely because coverage rates for cash transfer programmes are low (generally less than 10 per cent of the population) and because amounts transferred are too small to cause inflation. In fact, most studies find positive multipliers whereby cash transfers improve earnings of non-participant households when cash transfers are spent in the local economy at local businesses.

### MYTH:



Cash transfers can disrupt social cohesion or aggravate underlying tensions, creating divisions between those receiving and those not receiving the cash.

### REALITY:

The evidence shows that cash transfer programmes generally do not cause increased tensions between participants and non-participants. In fact, they lead to increased trust, social capital, and strengthened social networks. However, there may be increased jealousy among non-beneficiaries when targeting processes are perceived as unfair. In fragile settings in particular, transparency of selection criteria and coordination and harmonisation of programmes are essential to preventing potential risks to social cohesion during implementation.

## 4. KEY TAKEAWAYS

- Programme design and effective implementation are key factors in achieving desired impacts – for example, payment irregularity or a decrease in the real value of the payment amounts can drastically reduce programme effectiveness. A ‘do no harm approach,’ which entails transparency, coordination, and inclusion of local communities, is also necessary to ensure no negative impacts on social cohesion.

Some key programme characteristics needed for effective cash transfer programmes include:

- Adequate transfer amounts (for example, 20 per cent of pre-programme household expenditures for broader impacts on human capital and productive capacities)
- Transfer values that keep pace with inflation
- Effective delivery mechanisms (predictable, timely, and accessible)
- Adequate duration of programme participation
- Inclusive design, targeting, and delivery features (taking into consideration barriers faced by vulnerable groups including women, persons with disability, ethnic minorities, among others)

- While this review focused on cash transfer impacts, linking cash transfer recipients to complementary programming and services (integrated social protection programming or ‘cash plus’) through case management and strengthened Management Information Systems (MIS) can further boost effects of cash transfers. These complementary interventions and services are particularly important for vulnerabilities where financial barriers are not the only barriers households face in changing behaviours (for example, in some contexts, education or child marriage have large cultural or behavioral determinants), and thus cash may need to be complemented with additional programming to achieve deeper impacts.

- Cash transfers help beneficiary households be more productive, invest in productive assets, and engage in more agricultural and small businesses activities, suggesting that cash transfers can increase productivity overall and support livelihood diversification. These investments, in turn, increase household resilience. In this way, cash transfers can play a protective role, providing a buffer when families encounter adverse economic, climate, or security-related shocks. Nevertheless, some labour-constrained households (for example, those headed by elderly or persons with severe disability) may be limited in their ability to expand their productive potential. Thus, programmes should plan for households that are likely to have an ongoing need for social assistance measures.

- The context in which cash transfers are delivered influences potential impacts. Contextual factors include overall public perception of social protection and whether cash transfers are implemented in fragile contexts with adverse climate events, political unrest, conflict, limited market and service availability and quality, or prevailing social norms that limit inclusion. Programme design, delivery, monitoring, and evaluation need to take this context into careful consideration in order to make iterative improvements over time to achieve maximum positive impacts.

- Attention should be paid at all stages of programme development, implementation, and evaluation to ensure that programmes work for vulnerable sub-populations, including women and girls and people with disabilities. Because gender inequalities create unequal social and economic structures which limit women’s work opportunities, social status, and control over resources and disproportionately burden them with care responsibilities, women often experience higher rates of poverty and food insecurity. Attention to these factors can ensure that programmes do not perpetuate exclusion but rather meet their transformative potential.

- Broader impacts on outcomes linked to sustainable poverty reduction (for example, enhanced productivity, livelihood diversification, and gender equality outcomes) often require sufficient time to materialise. Thus, monitoring and evaluation efforts should be designed with these elements in mind and impact evaluations should be sufficiently funded to follow the same households over longer periods of time.



Source: ©UNICEF/UNI702957/Dicko

## 5. METHODOLOGY

The evidence summarised in this brief is drawn mainly from systematic reviews, narrative reviews, and meta-analyses, with a focus on Africa, as well as impact evaluations conducted by the Transfer Project in Africa. For outcomes where there exist reviews but there are gaps in the evidence from Africa, we draw on global reviews and evidence. For outcomes where systematic reviews and meta-analyses were not available, we draw on evidence from individual studies, identified through searches in PubMed and Google Scholar. The Transfer Project is a collaborative network between UNICEF, FAO, University of North Carolina, national governments, and local research partners, which aims to provide rigorous evidence on the effectiveness of large-scale national cash transfer programmes in Africa and facilitate uptake of this evidence for the development of cash transfer and social protection programmes and policies.

### Definitions:

- **NARRATIVE REVIEW** – examines many studies on a single topic and narratively synthesises the findings to draw more generalisable conclusions. Narrative reviews may be traditional narrative reviews or systematic reviews.
- **SYSTEMATIC REVIEW** – comprises a systematic search of the literature, involving a detailed and comprehensive search strategy. Systematic reviews synthesise findings on a single topic to draw generalisable conclusions.
- **META-ANALYSIS** – uses statistical methods to combine estimates from multiple studies to synthesise data and develop a single quantitative estimate or summary effect size. Meta-analyses are often performed as part of systematic reviews but require a large enough number of studies examining similar interventions and outcomes.
- **IMPACT EVALUATION** – an evaluation which uses rigorous methods to determine whether changes in outcomes can be attributed to an intervention (such as a cash transfer). Impact evaluations may use experimental (where treatment and control conditions are randomised at the individual or community level) or quasi-experimental methods to identify a counterfactual (what would have happened to the treatment group had they not received the treatment).



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## REFERENCES



## ENDNOTES

- 1 This brief is one in a series of briefs examining impacts of cash transfers on different domains, including poverty, health, education, gender equality, and adolescents. Briefs were commissioned by UNICEF and funded by the William and Flora Hewlett Foundation.
- 2 Established in 2008, the Transfer Project is a collaborative network between the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization of the UN (FAO), University of North Carolina, national governments, and local research partners. Its goals are to provide rigorous evidence on the effectiveness of large-scale national cash transfer programmes in sub-Saharan Africa and the Middle East and to use this evidence to inform the development of cash transfer and social protection policies and programmes via dialogue and learning.

