12 - 13 July 2014 –Traditionally development aid has come in the form of food, water and other basic survival supplies, however cash transfers are gaining ground and having profound impacts. The debate around cash transfer today is no longer about whether it should be done, but rather about how it should be done.

Transferring cash to those who desperately need it is proving to have more dramatic and long-lasting effects than simply supplying enough goods for survival. And a cash transfer of as little as US$12 per month for an impoverished family could determine whether a child eats properly or goes to school or not. The Transfer Project , a study on the impact of the grants in many African countries led by UNICEF, showed that the quality of life of people receiving cash transfers improved significantly.

In last month's newsletter we looked at remittances . Every day, millions of migrant workers wire home whatever sums they've been able to save, and often fall victim to high transfer charges. Others, such as the Somali diaspora, use an unofficial system named Hawala turning to trusted members in their community. These funds however, come from family members and are sent to family members.

The question of cash transfers for development aid is slightly different, though the impact is similar. There is no established blueprint and each program must be designed according to the local socio-economic conditions, experts say. Up for debate is how to hand out the cash and whether conditions should be imposed on the grants or not.

In Mexico and Brazil, for example, grants will be dependent on a minimum number of days of school attendance, or on a parent taking his or her child for “well baby” checkups. While the trend in Africa, where state capacity is usually weak, is towards non-conditional programmes. The conditionality debate is very nuanced as policymakers view it more from the perspective of whether it will help achieve their objectives or not rather than whether it is “right” or “wrong”'.

Carolyn Heinrich, professor of public affairs and economics at Texas University explained to IRIN, “I can't say we've heard counter-arguments. We've been doing `trickle down' for a long time before starting cash transfers and we've never seen the kind of impact that we have with cash transfers.” These impacts include better nutrition and health, improved school attendance and less risky sexual behaviour.

The two main criticisms of cash transfer programmes are that they do not create jobs and that they can be misused by those who benefit from them. But research contradicts this and finds that more often than not, “the poor make the right choices”, Dugan Fraser, who worked with the Economic Policy Research Institute, told IRIN news. Mostly they use the money to buy food, clothes, get their children to school, and sometimes even save some.

Michelle Adato, who has researched the impact of cash transfers for many years, believes the strongest incentive for cash transfer programs is that research has shown a direct correlation between a lack of early capital investment in children and ongoing cycles of inter-generational poverty.

Source: IRIN News