Cooling the hype on cash transfers

By Jonathan Pryke

The charity GiveDirectly has been generating a lot of hype over the past few years for turning the conventional aid paradigm on its head by giving cash directly to poor people via their mobile phone. By cutting out the middle they can drastically reduce waste and ensure 93 cents in every dollar makes it to a recipient. They are also running two RCTs on their programs to measure impact and performance, which show some positive initial results and are publicly available here. GiveWell (discussed previously on the blog) has also bumped them up into their three recommended charities. (You can hear more about GiveDirectly's work in this episode of NPR's 'This American Life".)

From an initial read there is a lot to like about cash transfers. They are committed to empowering poor people, they cut waste and overheads and there is initial evidence to show that they deliver a positive return on incomes of the poor. But is the hype running ahead of the impact? Kevin Starr and Laura Hattendorf of the Mulago Foundation certainly think so, explaining in this excellent blog why we are "mistaking an important experiment for a proven solution". Addressing the 'revolutionary' hype behind cash transfers, the authors state:

> *'It's an experiment—an important one, but an experiment nonetheless. We hope we're wrong, but our hunch is that it is more of a 1-year reprieve from deprivation than a cost-effective, lasting "solution to poverty."'*

The authors make a lot of valid points, and their entire post is worth a read, but their argument basically boils down to the point that cash transfers don't have as large (or lasting) income gains as other interventions.

> *"When you don't have access to high-quality education, information, and*

> *products, it can be hard to make optimal decisions and take effective action. The poor don't spend the cash on stupid things; they just may not have access to great things… such as water purification, education, health care, fortified foods, and farm extension services."*

This argument resonates with me, and surprisingly with cash transfer advocates as well. Chris Blattman, a popular development blogger and long-term advocate of cash transfers, has posted a reply to their piece on his blog. In it, Chris argues that we should not be viewing cash transfers as a panacea for the poor; rather they can be viewed as a baseline from which to assess the cost effectiveness of other interventions. Those that are consistently found wanting will have a much harder time justifying why they shouldn't just be giving cash. You can also read GiveDirectly's response here.

The jury is clearly still out on the relative impact that direct cash transfers will provide, but if the least that they do is set a baseline of cost effectiveness that NGOs and donors must aspire to pass to justify their work surely that must be good for the world's poor.

About the author/s

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Jonathan Pryke worked at the Development Policy Centre from 2011, and left in mid-2015 to join the Lowy Institute, where he is now Director of the Pacific Islands Program. He has a Master of Public Policy/Master of Diplomacy from Crawford School of Public Policy and the College of Diplomacy, ANU.