**To fight poverty in Africa, a new-old solution: cash handouts**

Most agree that simple cash transfers can help in the shorter-term. But the longer-term effects are uncertain because of a complex mix of factors.

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MAKHOARANE, LESOTHO

Like much of Africa, Lesotho is cluttered with clues that the world cares about its plight.

Its sleepy capital, Maseru, is home to an alphabet soup of global do-gooders – FAO, CARE, UNICEF, HELP, SOS – and the roads that cut through its rural highlands are flanked by slouching signboards announcing a seemingly never-ending parade of aid projects: wells and micro-lenders, new school buildings and community clinics.

And yet, the tiny country – that pebble-shaped dot submerged inside South Africa on a world map – [remains perplexingly poor](https://www.wfp.org/countries/Lesotho). More than half its population lives below the national poverty line of $1.08 per day, and some 33 percent of all children under the age of 5 have been stunted by malnutrition.

Indeed for many in the humanitarian world, countries like Lesotho raise a question that is both breathtakingly simple and nearly impossible to answer: How do you actually make poor people less poor?

Shake a stick anywhere in Africa, and you’re bound to bump into someone trying to figure that out, whether it’s an NGO doling out pregnant goats to Ugandan villagers, a wheezing Mercedes truck carrying sacks of USAID-sponsored grain into eastern Sierra Leone, or Madagascan government officials negotiating with Asian garment makers to build massive textile factories inside their borders.

But over the past decade, a far simpler approach has also gained traction on the continent, pushed by a growing crowd of governments, NGOs, and researchers.

They argue that the best way to make the poor less poor is just to give them the very thing they don’t have enough of.

Money.

That’s it. Cut a check and then cut out. No conditions, no rules, no strings attached.

In some ways, it’s an old idea – welfare payments in the United States, after all, have been going for nearly a century. In others, it seems to fly in the face of nearly every piece of conventional logic about international aid and charity. Won’t money make people dependent? And if the poor don’t need others' smarts and hand-holding, after all, then what are aid workers doing there at all?

“This isn’t a panacea for poverty, but it can be a big contributor to reducing it,” says Mookho Thaane-Ramasike, a social policy officer for UNICEF Lesotho, which provides technical support for a government cash transfer program here that gives small amounts of money to poor families with children.

The idea that donors can just give away money and the lives of the poor will rapidly improve is an captivating one. It means an end to the expensive, byzantine bureaucracy through which aid is often channeled. Giving away money requires far less oversight – and therefore far fewer resources – than almost any other form of assistance, particularly if done without any strings attached.

And if cash grants aren’t the only solution to poverty, they at least provide a useful baseline – if you can’t show your project works better than just giving away the cash equivalent of its cost, then why bother?

It also means that big, complicated ideas aren't needed to improve the lives of the world’s most vulnerable people.

“This puts the choice in the hands of the poor, and not me,” said Michael Faye, one of the co-founders of the charity Give Directly, which distributes unconditional cash to the poor in East Africa, [in an interview](http://www.nytimes.com/2013/08/18/magazine/is-it-nuts-to-give-to-the-poor-without-strings-attached.html) with *The New York Times*. “And the truth is, I don’t think I have a very good sense of what the poor need.”

Among the Silicon Valley set, Give Directly has achieved an almost mythical status. [Google gave the charity $2.4 million](https://www.google.org/global-giving/global-impact-awards/givedirectly/) in 2012, and last year Facebook’s co-founder, Dustin Moskovitz, and his wife, Cari Tuna, announced [they would donate $25 million](http://www.goodventures.org/research-and-ideas/blog/announcing-a-25-million-grant-to-givedirectly) from their personal fortune, writing that “governments and donors spend tens of billions of dollars a year on reducing poverty, but the people who are meant to benefit from the money rarely get a say in how it’s spent.”

Short-term improvement

But if the notion of giving poor Africans money to solve their own problems has a certain glitzy appeal, scratch below the surface and the reality, predictably, is a bit more complicated.

To start, not all cash transfers are created equal.

As with any social welfare program, how well giving away cash works depends on a wide variety of factors – such as who’s doling out the checks, how much they’re giving, how often, and what aspects of people’s lives they’re trying to improve.

A charity like Give Directly that funnels large sums of cash – about $1,000 – to people on a one-time basis is a different animal than, say, monthly social welfare payments from the South African government.

While there isn’t substantial long-term data on either approach, [an early study](http://www.princeton.edu/~joha/publications/Haushofer_Shapiro_Policy_Brief_2013.pdf) of Give Directly programs suggests that giving someone a large chunk of cash all at once helps them rapidly acquire expensive assets that might have been out of their reach before, like a sturdier roof or a herd of cows. But the tactic has “decreasing marginal returns” as time passes. (Give Directly plans to begin a long-term experiment with a [“basic income” grant](http://www.slate.com/blogs/moneybox/2016/04/14/universal_basic_income_this_nonprofit_is_about_to_test_it_in_a_big_way.html) soon.)

“The debate on what’s working is clearly not over,” says Berk Ozler, a senior economist for the World Bank who has studied the [effects of cash transfers](http://blogs.worldbank.org/impactevaluations/cash-transfers-sorting-through-hype) in Africa.

In any case, though, he says it’s clear that giving people money in almost any form makes their lives better in the short term. While they’re receiving the cash, they eat better, their kids go to school at higher rates, they replace their leaky grass roofs with metal. [In some cases](https://www.princeton.edu/~joha/publications/Haushofer_Shapiro_Policy_Brief_2013.pdf), they even seem to be demonstrably happier and less stressed.

Proponents say this in itself is an accomplishment for silencing naysayers who said poor people couldn’t be trusted to not blow their newfound stashes of cash on alcohol, cigarettes, or gambling. (A number of critics of money transfers have [raised concerns about corruption](https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9727.pdf), but so far there is no substantial evidence that cash is any more prone to being siphoned off or stolen than other donated goods.)

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Only a pause button?

On the other hand, says Mr. Ozler, particularly when you’re giving out the equivalent of a year’s wages at a time, as Give Directly does, “it’s not surprising that after a short period of time people are doing much better. However there’s less evidence to show that such programs make a difference in the long term.

In one study, for instance, Ozler and a team of researchers [tracked a group of Malawian school girls](http://reliefweb.int/sites/reliefweb.int/files/resources/ow2_147_malawi_2302_-top.pdf) who were given small unconditional cash transfers ($10 or less a month) to support their education. While they were receiving the money, researchers found, the gains were impressive: More of them stayed in school and delayed marriage and pregnancy.

But within five years of the program ending, nearly all of the progress had been reversed. The transfer program, the authors concluded, had been “akin to pushing a pause button” on harmful life choices – rather than stopping them altogether.

Similarly, a 2014 analysis of [Lesotho’s Child Grant Program](http://www.opml.co.uk/sites/default/files/draft_CGP%20Follow%20Up_v11_exec.pdf), which provides about 26,000 poor families with between $25 and $50 every three months, showed that the money has spurred modest but important gains for families here. More kids have enrolled in school and own shoes. They eat more varied diets. Local economies have picked up.

But the report concluded that it was not entirely clear what the grant – which families continue to receive until their children age out of it – [hoped to achieve](http://www.opml.co.uk/sites/default/files/Lesotho%20CGP%20pol%20options%20policy%20brief_WEB.pdf). Was it meant to simply act as a modest safety net for the country’s very poorest, to keep them from outright destitution? Or was the purpose something more ambitious – say, to actually get people out of poverty altogether?

Those working on the program say it’s the latter, but they now acknowledge that cash alone – especially in small quantities – won’t do the trick.

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“The money is never enough,” says Tsosane Monyamane, a local counselor in Makhoarane, near Maseru. “R360 [about $25] in three months can only go so far.”

Companion programs

That is why government, alongside local charities, are now stacking other programs on top of the cash transfers, developing projects to help farmers use their grants to build more efficient, drought-resistant home gardens, or training women how to form savings and lending groups to begin stashing away bits of their new windfall.

“The scope of social protection [for the poor] should be viewed as very wide,” says Molahlehi Letlotlo, Lesotho’s Minister of Social Development. “Cash transfers are just a small portion that enables someone to live from morning to sunset. But if you simply keep people on cash grants then you are not addressing the root problem … of poverty, of unemployment.”

Indeed, researchers have found that giving people money helps most when their main barrier to advancement is just that – a lack of cash. But the challenges of poverty go far beyond money, and when the problem is the 10-mile walk to the nearest clinic or the fact that there’s no market to sell one’s goods, solutions may require more than cash can provide.

In Latin America, where cash transfer programs are older and more institutionalized than they are in Africa, most money is handed out along with conditions – to receive the checks you must keep your child in school, for instance, or take them for regular check-ups at the local clinic.

Though that model has critics, it has [largely been effective](http://www.csmonitor.com/World/Americas/2013/1117/Brazil-s-Bolsa-Familia-welfare-model-or-menace). But conditions are also expensive and bureaucratic to enforce, which is why many African countries have chosen to forgo them.

Still, without conditions, it can be hard to make small amounts of money spark big social changes. In Lesotho, for instance, the government designed its child grants in large part to help keep children in school, but has found that 60 percent of the grant ends up going toward something far more basic – food.

“That showed us there are actually even bigger problems in the household that need to be addressed” before education can even be considered, says Ms. Thaane-Ramasike of UNICEF.

Lesotho’s government has recently piloted a conditional cash transfer program, where the money is tethered to school attendance and check-ups, but for now, the vast majority of the cash it doles out continues to come without strings attached.

For Mathakane Moroka, a mother of four, that money has been indispensable. She used it to buy her children shoes and replace their uniforms, she says. And on top of that, each month for a year, she managed to squirrel away about $1 in her local savings group. By the time the money came back to her with interest at the end of last year, she had $20.