

Just Give Them the Money

Unconditional cash transfers challenge traditional views of development work—by giving money directly to the poor and letting them decide how to spend it

BY Floyd Whaley

Three years ago, Ho Van Tin supported his wife, three children, and one grandchild with the income derived from one cow and one buffalo. That was before the resident of An Loc Commune in central Viet Nam was given the equivalent of about \$150 for his family to spend as they chose.

Today, the Tin family has four cows and one buffalo, and they own their home.

“With the money we were provided, we bought a cow, and now we have four,” says Tin. “We rent out the cow for plowing, but most of the money comes from when the cow has a calf. We can keep the calf, feed it up, and later sell it or just sell it as a calf if we need the money. With the recent increase in the value of cows, we make around 5 million dong (\$260) or more per cow; I recently sold a calf for 4 million dong (\$200). For me, this is a good life change!”

Tin’s family took part in an atypical project by the aid organization Oxfam Great Britain, which gave villagers in An Loc Commune, in Ha Tinh Province, a one-time cash payment. The money came with no conditions, except the agreement to report over a 3-year period on how the money was used. Some payments were as much as \$375, more than half of the average

annual income of a poor household in the commune.

The program is a variation of the increasingly popular “conditional cash transfer” programs that provide cash payments conditional on providing a service of some kind (such as work), or taking part in a socially beneficial activity, such as attending a school or health clinic, or agreeing to spend the money on a specific priority, such as housing or starting a business. In contrast, “unconditional cash transfers” are cash payments made to poor individuals or households without conditions attached.

“Unconditional cash payments empower people,” says Steve Price-Thomas, the Viet Nam Country Director of Oxfam Great Britain, which ran the program in An Loc, a poor rice-growing community along Viet Nam’s central coast. “These payments allow people to spend however they deem appropriate. We felt that poor people clearly have the right to decide how the money is spent. What better than to put money in their hands and let them decide what to do with it?”

MAKING DIVERSE CHOICES

The project challenges some traditional views about development assistance.

“The standard approach of development projects is for



professional experts to lead in identifying suitable livelihoods rather than empowering individual households to make diverse choices,” notes an Oxfam study on the program.

The program also cuts down on “the high level of administrative and consultancy costs faced by international NGOs [nongovernmental organizations] and donors due to the high number of project staff and partners involved in designing and implementing standard livelihood



NO STRINGS ATTACHED Women sit counting money at a market in Viet Nam. Oxfam gave villagers in An Loc Commune, Ha Tinh province a one-time cash payment with no conditions, except that they report on how the money was used. The results were encouraging.

don't have similar programs, though Price-Thomas notes that they are monitoring Oxfam's work in the area.

Started in 2006, Oxfam's program gave cash grants to 550 poor and near-poor households in An Loc. Minimal strings were attached: money could not be used for alcohol, gambling, or drugs. Families were chosen through a village meeting in which residents decided which families were most in need.

Reviews of the program found that families had used the money to improve their household food security and overall income, with many investing in cows that generate long-term revenue for the family, Oxfam found. School dropout rates decreased, and gender equity in the village improved, with women sharing control of the money. Most significantly, initial reviews showed the poverty rate decreased by more than one third in two years, to 40.2% in 2008 from 65.1% in 2006. Village leaders attributed the decrease directly to the cash handouts.

MIXED RESULTS

Unconditional cash transfer programs in nonemergency situations are not common enough to have broad data on their effectiveness. Indeed, some programs have shown less positive results. A February 2008 report in India's *Businessworld* magazine, for example, described a direct cash transfer program in Tamil Nadu in which beneficiaries spent the money on cellular phones, soda pop, and motorcycles for which the families could not afford to buy fuel.

projects." It also directly challenges "beliefs in the development community about poor people's ability to make wise and rational use of cash."

Price-Thomas notes that despite the unusual method of distributing the assistance, the program is actually a microcosm of what is happening globally in development assistance.

"Unconditional cash transfers are consistent with what donors are doing at the global level," says Price-Thomas. "This is budget support at the

household level. The same arguments apply for household budget support as national budget support, which is common."

Though many international organizations provide direct cash payments after natural disasters, the program being attempted by Oxfam—providing cash in a non-disaster situation—has not yet caught on with large development organizations. The Asian Development Bank and World Bank



“What helps the poor more, giving them fish or teaching them how to? Some would say the former presumes the poor aren’t all that hungry and will eat a little bit more and then will go drinking with the cash transfers. Others warn that cash transfers could breed dependence of the beneficiaries on the state,” wrote Puja Mehra in the magazine. “Programs need to work both as safety nets and springboards. Cash transfers do not affect structural poverty.”

A 2004 University of California at Berkeley report, *Conditional Cash Transfer Programs: Are They Really Magic Bullets?*, notes that cash transfer programs that impose no conditions can, over the long term, breed the same kinds of dependency problems that welfare payment systems do in the United States and Europe.

“To reduce poverty in the short term, cash transfer programs would have to impose time limits in order to obviate dependence and graduate beneficiaries who are no longer poor,” the report notes. “A program that seeks to reduce poverty in the medium term requires complementary policies that foster the adult beneficiaries’ autonomous capacity to generate income, as well as policies

that increase local demand for work.”

This begs the question of whether unconditional cash transfers are an innovative, new form of development assistance or simply the introduction of North American and European welfare systems to developing countries. Price-Thomas strongly rejects this notion.

“Welfare payments in the US and Europe are long-term, small payments,” he says. “This was a large,

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— Oxfam Great Britain

CASH COWS Reviews of the Oxfam program show families use the money to improve household food security and overall income, with many investing in cows that generate long-term revenue.

one-off transfer, which households knew was coming for months in advance so they could plan for it and avoid the windfall effect. It is different from welfare in that it doesn’t foster dependence.”

Price-Thomas notes the Oxfam program is not meant to replace existing development initiatives.

“This is one weapon in the development arsenal,” he says. “This is important, but it is not enough. It’s not a magic bullet. Poverty is multi-dimensional. The causes and experiences of poverty are varied. But in the particular case of this program, the lives of a significant number of households have changed for the better, and that change is still apparent 3 years later. That doesn’t mean we should stop worrying about education services and women’s political participation and the many other aspects of development assistance. This is a useful tool, but not the only one.” ■