

Research finds outright grants of cash are surprisingly effective form of aid to the poor

October 9 2013, by Georgette Jasen



Cash grants helped young people in Uganda become metalworkers, carpenters, tailors and hair stylists. Credit: Christopher Blattman

The classic proverb says: If you give a man a fish, he will eat for a day. Teach him how to fish, and he will have food for a lifetime. Christopher Blattman's research suggests that if you just give the man cash, he will buy a fishing pole and learn how to fish himself.

Blattman, an assistant professor of international and public affairs and political science, recently completed a four-year study of a government-run program in northern Uganda that gave [cash](#) to groups of young

people so they could learn a trade and start their own businesses. The results surprised him and convinced him that outright grants are the best way to give aid.

"I was very skeptical. I thought the money was bound to be wasted," Blattman recalled in a recent interview on campus. "But most people used the money responsibly and there were huge economic effects."

The data showed that after four years, most of those who received a cash grant were practicing a skilled trade, their income was up nearly 40 percent on average, and business assets increased 57 percent.

"Astonishing numbers," Blattman said.

The program, funded by a loan from the World Bank, was designed to boost the Ugandan economy after 20 years of civil strife by encouraging young people—ages 16 to 35—to move from agriculture to skilled trades. The grants were only about \$400 per person, the equivalent of a year's income for most people in the area. To get the cash, applicants had to form a group with others in their village and submit a proposal showing how they planned to use the money, but there was no follow-up to make sure they used it for that purpose.

Grant recipients became carpenters, metal workers, tailors and hair stylists. Some of the money—about 10 to 20 percent—went for training, either at an institute or as an apprentice to a local artisan, but most of it was used to purchase tools and raw materials. Some of those small businesses grew large enough to hire paid employees, improving the economic situation in an entire village.

"These were mostly farmers who had work 10 to 20 hours a week and earned about \$1 a day," Blattman said. "They're still farming, but now they're getting five to 10 hours a week from their trade. That can make the difference between eating twice a day or three times, or sending your

children to secondary school or not."

The study was done as a randomized control trial with Nathan Fiala of the German Institute for Economic Research and Sebastian Martinez of the Inter-American Development Bank. The World Bank wanted a rigorous evaluation of a program that had been in effect for several years. Of thousands of applicants, 535 groups, each with about 20 individuals, were deemed eligible for grants. About half were chosen by computerized lottery to get the cash and an equal number served as a control group. The Ugandan government is continuing the program.

Blattman also was involved in a separate study of a program run by an Italian humanitarian organization, AVSI, which gave \$150 grants to 1,500 women in northern Uganda. Most of the women became traders, using the money to buy merchandise from nearby towns and villages and resell it. Doing so, they doubled their incomes to about \$20 a month.

In that study, the women were divided into three groups that all received some training, which cost about \$100 per recipient. One group had no follow-up, a second group had one follow-up visit from an aid worker to answer questions and provide support, and the third group had several follow-up visits.

The grant recipients who were followed and accountable for how they used the money did better than the others, but at a much higher cost—as much as \$1,800 per recipient, including the grant, training and follow-up visits, compared with \$250 without any follow-up. That's not cost effective, Blattman said. "The money could help five to 10 people instead of just one."

Blattman, who joined the Columbia faculty in 2012 after four years as an assistant professor at Yale, grew up in Canada. He earned his B.A. at the University of Waterloo and a Ph.D. in economics from the

University of California, Berkeley. He did research on the impact of war and violence in Uganda for his dissertation, working with his wife, a psychologist who now is director of research and evaluation for the International Rescue Committee. His current research involves a program that gives unconditional grants and finds jobs for street youths in Ethiopia.

Programs that give cash grants work best in countries with a stable government where people don't have access to credit, he said, a description of half the developing countries in world. Unconditional grants have "a very high return on investment," Blattman said. "Most of the poor are deserving and use the [money](#) responsibly. They wouldn't otherwise be able to invest."

Provided by Columbia University

Citation: Research finds outright grants of cash are surprisingly effective form of aid to the poor (2013, October 9) retrieved 16 July 2024 from <https://phys.org/news/2013-10-outright-grants-cash-surprisingly-effective.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.