



## Here's what happened when a charity gave \$1,000 each to poor households in Kenya



GiveDirectly gave \$1,000 to poor households in Kenya, showing the impact of universal basic income (UBI) on developing economies.

Image: REUTERS/Finbarr O'Reilly

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- Charity GiveDirectly gave \$1,000 to poor households across Siaya County, Kenya.
- The money had a ripple effect on the region's economy, as every \$1 of cash delivered generated \$2.60 in additional spending.

- While the money amplified existing inequalities, it shows the potential of universal basic income (UBI) programs in developed and developing economies.

Sitting on the banks of Lake Victoria, Kenya's Siaya County is rich in natural beauty. But thousands of people here live below the [government's rural poverty line](#) of less than \$15 a month.

The majority are employed in agriculture, and many live in thatched-roof homes – a simple indicator of poverty in the region.

But what would happen if these people were given a life-changing amount of money?

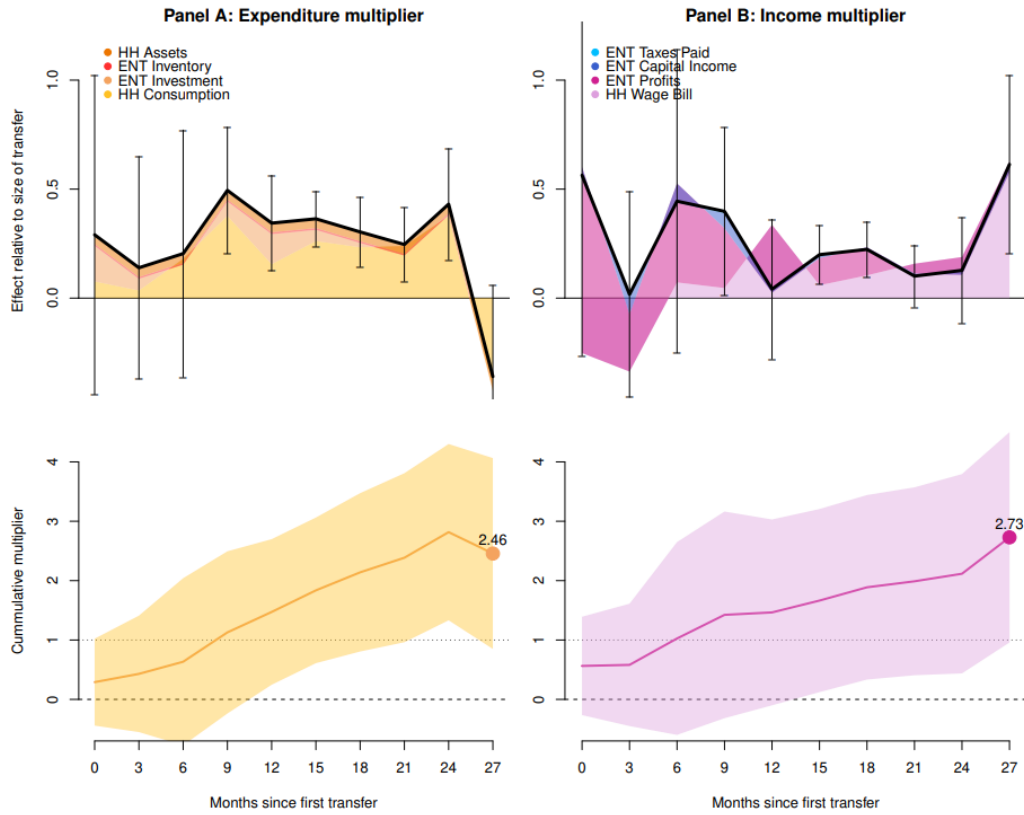
One team of researchers decided to find out. Partnering with the charity GiveDirectly, they set out to discover how cash transfers affect local economies – not just the recipients of the money, but the wider community, too.

## **The ripple effect**

The charity [gave a total of \\$10 million to 328 villages](#). Each of 10,500 households that qualified – by having a thatched-roof home – received \$1,000, paid in three transfers.

The total paid out equaled around 75% of mean annual household expenditure in the region.

Figure 3: Fiscal multiplier over time



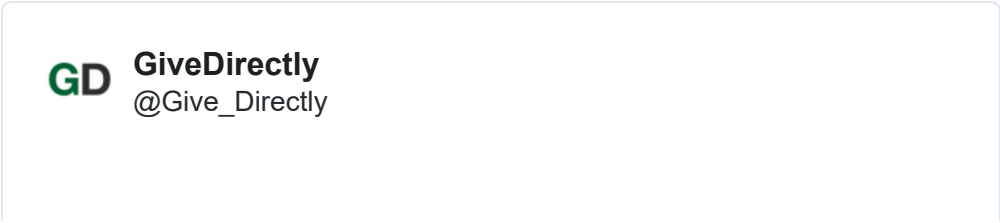
The effects of giving cash directly to a household.

Image: Give Directly

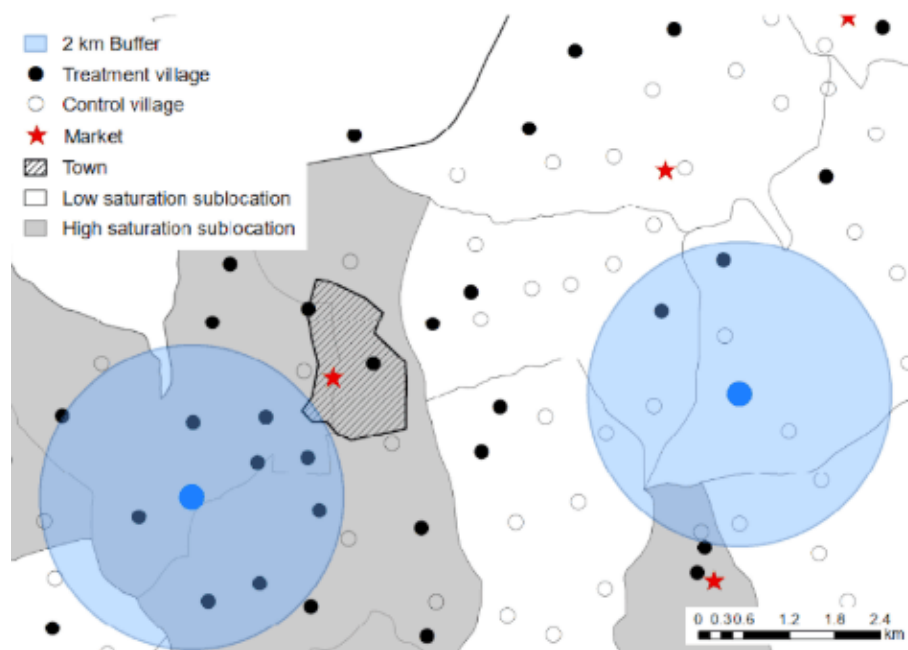
The researchers then studied the effect the money had on recipients, non-recipients, enterprises and markets in the area.

Economists from Berkeley, Princeton, and the University of California, San Diego analyzed a total of 653 villages. They carried out monthly surveys over 2.5 years, looking at 61 local markets. And they found many people benefitted from the cash – not only those who received it, but people in nearby villages, too.

In fact, every \$1 of cash delivered generated \$2.60 in additional spending or income in the area, the researchers say.



How do cash transfers impact the people who don't receive them? Here's how we're thinking about the results of our most recent study: [buff.ly/2KLzh8q](https://buff.ly/2KLzh8q)



[See GiveDirectly's other Tweets](#)

## Basic income

The results of the research raise the prospect of such programs being adopted as a strategy for international aid programmes looking to generate longer-lasting impact. Could universal basic income (UBI), for example, be more useful than traditional methods of poverty alleviation in poor countries?

While universal basic income has been tested in Western countries, including [Finland](#), there are few studies of its effects in developing nations, according to a recent report from [Massachusetts Institute of Technology](#) (MIT).

Similar schemes include those run in Madhya Pradesh, India; two villages in Namibia; and in Iran, where a nationwide cash transfer was introduced in 2011 to offset the withdrawal of food and fuel subsidies. MIT says none of these have

been experimentally evaluated to investigate the long-lasting impact of UBI on developing economies.

This is where GiveDirectly's work could prove to be important. The charity has been studying how cash transfers affect recipients in sub-Saharan Africa for about a decade. But its ongoing research in Kenya, it says, is among the first to measure the macroeconomic effects.

## Room for improvement?

GiveDirectly also reported that while the ripple effect helped people outside the recipient group, it also amplified existing inequalities. Those who received money were classified as the poorest in their villages. Consequently, the benefit they derived from the cash was substantial.

When their funds then entered the wider economy, however, the [gap between rich and poor among non-recipients widened](#) slightly.

Another slightly downbeat finding from the study was that there was little improvement in two key non-financial measures. "Health and female empowerment measures did not change significantly for recipients or non-recipients," the charity says.

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