The rise and rise of GiveDirectly

The cash group is on track to become one of the world's leading global poverty charities.

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Rory Stewart in 2019, as he formally launched his bid to become the new leader of the Conservative Party and prime minister of the United Kingdom in London, England. | Leon Neal/Getty Images

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This week, one of the more interesting charities out there, GiveDirectly, **announced** it had a new leader: Rory Stewart. He is the British writer and politician who formerly led the UK's foreign aid department and ran against — and lost to — Boris Johnson in the race to become Conservative Party leader and prime minister in 2019.

More than anything, the hiring suggests just how far GiveDirectly has come. For those unfamiliar, the group specializes in unconditional cash transfers (UCTs): It identifies poor people and villages, usually in developing countries in sub-Saharan Africa, and distributes cash to them directly, usually via cellphone payment, instead of donations like food and livestock.

Stewart told me in an interview that he was converted to the cause of UCTs by a visit to GiveDirectly recipients in Rwanda earlier this year.

"The thing that struck me was the extraordinary joy and positive feeling from recipients and local mayors," he said. "The sense that they'd seen every NGO come in and out, but nothing with this kind of impact and this kind of speed."

In the decade or so it has existed, GiveDirectly's scale has exploded. It now gives out **hundreds of millions of dollars a year**, not just in poor countries but also, experimentally, to **poor people in rich countries like the US**. It has become one of the world's largest and most important anti-poverty charities.

That evolution, capped by Stewart's hiring, tells us a lot about how the field of global development has changed, and what the future not just of global poverty charity but of foreign aid and social policy could look like.

The growth of GiveDirectly

When it **started raising money in 2011**, GiveDirectly was a scrappy startup founded by Harvard and MIT grad students, most of them academic economists.

It was a daring attempt to operationalize a theoretical conviction common in economics but rarely applied in reality: that it's usually better to give people cold hard cash than "in kind" goods like housing or food because recipients know best what they need, and cash is the most flexible way for them to get it.

Economists have long preferred cash transfers and **decried in-kind programs as inefficient** precisely because they give recipients less flexibility.

But at the time of GiveDirectly's founding, few if any foreign aid agencies or global development charities were giving cash. The idea seemed outlandish, even irresponsible.

Jacquelline Fuller, who runs philanthropy for Google, has said that when she initially pitched the idea of funding GiveDirectly to a boss, they replied, **"You must be smoking crack."** (Google would go on to donate to the charity.)

Stewart told me that when he was working on UK foreign aid and GiveDirectly co-founder Michael Faye asked him for money, he was intuitively skeptical: "I felt [the Tory government] had been telling the British public that we were all about teaching people to fish rather than giving them fish, and this seemed like a fish-giving project."

But the aid and charity landscape of 2022 is wildly different from a decade ago. When I **first wrote** about GiveDirectly in 2013, it had two employees and **$5.4 million in revenue** (already a tenfold increase over the year before). In **2020**, it raised a whopping $306 million.

GiveDirectly has joined the ranks of the world's largest anti-global poverty charities. Heifer International, for instance, the high-profile group that donates livestock and provides training to poor households, **recorded $208 million in donations** in its 2021 report.

GiveDirectly isn't yet at the scale of, say, Doctors Without Borders (**$1.9 billion**) or UNICEF (**$8.1 billion**). But at the rate it's growing, it's not crazy to imagine it could reach that point soon.

In some ways, the hiring of Stewart as GiveDirectly's new head is indicative of this transition in the group's history. When former British foreign secretary David Miliband took over the International Rescue Committee (IRC), few people batted an eye; it's a large organization of the kind a former senior official in a G7 power should be running.

Stewart is a similar figure to Miliband, and that he would choose GiveDirectly is a signal of sorts that the group has hit the big time, and is close to joining the ranks of IRC and its peers.

The ideological victory of cash

GiveDirectly's growth is more than just monetary; it's also political.

The group has directly collaborated with USAID, the US government's primary foreign aid agency, on a **variety of projects**, including **comparing existing USAID programs (occasionally unfavorably!) to just giving cash**.

Other major charities like **UNICEF** or the **International Rescue Committee** have embraced giving cash. And during the pandemic, not only have **many new charities** but **many more national governments** embraced cash as a major method of relief.

The triumph of cash is not solely a product of GiveDirectly's success. **Conditional cash transfers** — cash tied to requirements like a household's members being vaccinated or its children going to school — go back at least to the 1990s when Mexico launched the Progresa program and Brazil the Bolsa Familia program. Those were popular policies and a common topic of conversation in development circles for many years before GiveDirectly arrived.

What's unusual is that, of late, the conditions have been falling away, and the GiveDirectly approach of not attaching strings has become more common.

Both conditional and unconditional cash hold promise for longtime development professionals as ways of avoiding some of the thornier difficulties in their work. Stewart has spent much of his career working in countries in the midst of "nation-building" efforts; he made his name with his popular memoirs detailing these, including a **stint as a Coalition Provisional Authority official in Iraq** and **several years** (and a **famous one-month-long walk**) working in Afghanistan.

In those efforts, the occupying powers talked a big game about building out the basic institutional prerequisites to economic development — things like state control over violence, or prevention of corruption, or rule of law — in the nations they were occupying. But the end results were often disappointing.

"Solving violent conflict is incredibly important, good governance is incredibly important, anticorruption, the formation of civil society, democratic elections — all these things matter," Stewart said.

"But my experience has been that it's almost impossible for most outsiders to have a positive impact on those things because they tend to be rooted in political contexts that are very difficult for outsiders to understand, let alone influence," he added.

It's hard enough for people from the country in question to influence domestic political conditions, given profound differences internal to national cultures. It's even harder for foreign diplomats and aid workers. "It's easy to think that because you're an Afghan you know what's happening in Helmand. That's like treating a Brooklynite as a great expert in West Virginia," Stewart told me.

Cash transfers, for Stewart, avoid these kinds of quagmires by giving resources to people in local communities, and not commanding them to act in certain ways that the international community or national government wants them to act. "Inverting the pyramid and giving power to recipients solves many of these issues," he explained.

Growth through alms?

This explanation of Stewart's may seem defeatist: foreign aid can't control some of the things that really matter, like the strength of the state, so it should settle for just handing out cash. But talking to Stewart, his vision seems less defeatist and more utopian.

GiveDirectly is known for funding a huge amount of research on the effects of its programs, and I asked Stewart what big, unanswered questions about cash the organization might try to answer under his leadership.

"The biggest question is, 'What is the role that cash can play in ending extreme poverty globally?' and modeling how cash might be used to lift an entire country out of extreme poverty," he answered. "Traditionally if we think about models that development players have of what it could mean to stop Liberia being poor, we've tended to think in terms of the development of European countries or China or Southeast Asian countries, and tried to learn lessons from them. A lot of that has been about particular views on property rights, the rule of law, a pragmatically regulated private sector, certain kinds of infrastructure investments, certain kinds of industrial policy."

"We, of course, are interested in whether giving cash transfers might be able to achieve the same effect, and not just in a mathematical sense that if someone's under $2 a day and you give them $2 a day you've ended extreme poverty, which is a tautology. But through a multiplier effect," he said.

To illustrate what he meant, Stewart used the hypothetical of a $3 billion program aimed at Rwanda, giving $1,000 lump sum transfers to every person below a certain income line. That would, of course, mathematically make those people less poor. But Stewart argues it could do something more: It might be able to serve as a form of economic stimulus that fuels growth in the country more broadly. A major study of a **$10 million GiveDirectly program in Kenya** found this kind of multiplier effect. The **most recent version of the study** finds a multiplier of 2.4: Every $1 spent on cash transfers generated $2.40 in activity in the local economy.

This is an intriguing proposal. No country has escaped poverty like this before: As Stewart says, the models of China and other "Asian tigers" point to the importance not of foreign alms but of domestic reforms meant to strengthen export sectors. But such models have proven tough to adapt to different national contexts, whereas sending out cash is viable just about everywhere.

I'll admit to some personal skepticism of the idea that cash programs could have this profound an effect on a national level, simply because there are no cash-driven growth success stories to point to as of right now. But Stewart sounds committed to trying.

As international development secretary, he recalled, "I was trying to show the public that $1 in foreign aid delivers $1 of benefit. But if you show that it delivers $2.40, it starts to feel less like giving a fish and more like giving" — here he pauses and smiles — "a ... magic fish."

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