Direct Cash Giving and Basic Income: A Primer for Donors

Alison Morse, VP, Philanthropic Consulting

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Overview

DIRECT CASH GIVING, an approach for reducing poverty which provides unconditional, recurring payments to low-income individuals and households, has gained momentum in philanthropy circles over the past decade. Although the ideas behind direct cash transfers and basic income have long histories, the model was previously somewhat restricted to public policy and advocacy circles. But the combination of rising inequality and the impact of COVID-19 on low-income households has philanthropists—foundations as well as individual donors and families—paying attention.

In the past, direct cash giving was more common in international development efforts and giving overseas, but the practice has gone domestic. In recent years, advocates, researchers, municipal governments and local nonprofits have been convening pilot programs and case studies across the U.S.

The concept is simple: instead of giving to an organization or program working to alleviate poverty by addressing healthcare, education, food insecurity or housing, donors give funds to organizations who then route the cash directly to eligible recipients, no strings attached. According to the philosophy of the approach, recipients themselves know best how to use these funds and can direct them how they please; whether they go toward rent or utilities, a child’s school supplies or paying down a healthcare bill. The practice is being adapted to fit new and emerging charitable needs. For example, in March, 2022, UNICEF launched a direct cash transfer program in collaboration with the Ukrainian government to support Ukrainian households with young children. In the U.S., new programs offering direct cash transfers are focused on youth experiencing homelessness.

While the concept of direct cash giving may be straightforward, putting it into practice can open a universe of questions about charitable impact, public policy and personal agency. In her book on the topic, Give People Money, journalist Annie Lowrey calls cash transfers a “complicated, transformative, mind-bending” approach to poverty.

So, what should donors who are interested in direct cash transfers know before committing their own charitable capital? We have assembled a short primer on the practice, including its basic tenants, recent examples and some of the debates and ongoing conversations within the emerging world of direct cash giving.
Principles
The practice today goes by many names: direct giving, direct cash transfers (DCT) or unconditional cash transfers (UCT). The work also intersects (but does not completely overlap with) both microfinance and advocacy supporting a guaranteed, basic or universal basic income (UBI) as a matter of public policy.

No matter what it is called, certain basic principles apply:

• **Unconditional:** Direct transfers differ from microlending in that they are direct grants of cash with no expectation of repayment or interest. They don’t resemble “means-tested” government benefits which phase out when or if recipients achieve a specific level of financial stability, either. Direct cash transfers do not typically require specific actions or promises from recipients.

• **Direct:** Nonprofits that facilitate direct cash transfers emphasize a frictionless and direct transfer of funds to recipients, and tend to minimize their own organizational infrastructure. Payments for recipients can arrive in the form of checks, direct deposits or through digital banking products.

• **Trust-based:** Dollars are no-strings-attached and come with no specific conditions on how to spend them. Unlike traditional relief or development, cash transfers do not provide in-kind goods or services like food or healthcare, but rather give the recipient the choice to spend as they best see fit. Like trust-based philanthropy, the model puts a high value on independence, self-determination, agency and autonomy.

What We’re Learning: Research Results
Direct cash transfers and guaranteed income have become major subjects of study within international development, economics and other fields. We have included a few representative findings here:

• GiveWell, an organization that evaluates nonprofits through an “effective altruism” lens, finds that international cash transfers have the “strongest track record we’ve seen for a non-health intervention,” and prioritizes direct giving among its approaches.

• In Stockton, CA, a small donor-supported pilot program in collaboration with the mayor’s office gave 125 residents $500 each month for two years. An independent research team found that program participants fared better financially, experienced better employment results, had more money on hand for emergency expenses and were able to repay debts at higher rates than non-participants.

An independent analysis found that Stockton, CA’s 2019 basic income pilot benefited recipients in a number of ways.
• The Urban Institute examined Washington DC’s THRIVE East of the River basic income project. It found that funders both large and small were motivated to support the project for a combination of reasons, including COVID-19's impact on low-income communities, the 2020 summer of protest against police violence, interest in the direct cash model, and the partnership model behind the effort.

• A “meta-analysis” of 165 direct cash studies in low-income countries found that a majority of them “contributed to progress in the selected indicators in the direction intended by policymakers.”

NON-FINANCIAL BENEFITS FOR RECIPIENTS OF DIRECT CASH TRANSFERS
There is other evidence that cash transfers’ impact isn’t solely economic. Studies have shown positive effects across metrics like nutrition, mental health and newborn development.

• A UNICEF-supported cash transfer program improved the nutritional health of children suffering from severe acute malnutrition in the Democratic Republic of Congo, according to one study published in *BMC Medicine*.

• A study that tracked a cash transfer program in Kenya, run by U.S.-based NGO GiveDirectly, found that recipients, in addition to spending the transfers on food and investing in agricultural equipment, reported improved psychological well-being.

• A study published in *Proceedings of the National Academy of Sciences* found that babies whose mothers had received a cash benefit through a pilot program, funded by a consortium of private donors and the National Institutes for Health, called Baby’s First Years were more likely to show brain activity patterns that have been associated with the development of thinking and learning.”

• However, research results do vary. A recent working paper from researchers at Harvard University and the University of Exeter found “no evidence that [cash transfers] had positive impacts” on “financial well-being, psychological well-being, cognitive capacity, and physical health.”

Opportunities for Donors: Ongoing Pilots, Research and Advocacy
At this stage, donors interested in direct cash transfers or guaranteed income can offer support in a few different ways. Some may wish to finance further demonstrations and pilots, often created in partnership with a municipality. Others will seek to underwrite research and advocacy in partnership with existing nonprofits like think tanks and universities. And other donors may want to fund specific programs by population or area served, such as young people, refugees, homeless individuals or expectant and new mothers.

Whatever the approach, it’s important to note that support for cash transfer programs can complement and supplement donors’ existing giving priorities in other areas like health, nutrition, education, migration and refugees and economic mobility.

For donors who are interested in learning more about ways to give directly, the following is an illustrative, but non-exhaustive, list of current projects and initiatives:

• GiveDirectly is a major player in international direct cash grantmaking. Their primary programs focus on recipients across sub-Saharan Africa in Kenya, Rwanda, Uganda and other countries. They also have programs in Yemen and the U.S. (see below). The group has distributed $550 million through direct cash grants and basic income pilots since its founding in 2008.
• Domestically, GiveDirectly has partnered with the donor-led Georgia Resilience and Opportunity Fund to create *In Her Hands*, a pilot that will provide a monthly guaranteed income of $850 to Black women in Atlanta and in two other communities in Georgia.

• The **Magnolia Mothers’ Trust**, a program of Springboard to Opportunities, provides a monthly $1,000 cash transfer to low-income Black mothers in Jackson, MS for one year. The most recent cohort of recipients reported high levels of satisfaction, increased agency and more time for their children and families.

• Mayors for a Guaranteed Income, a nonprofit group advocating for basic income policies, collects a listing of planned and ongoing basic income projects across the U.S. Donors currently have opportunities to fund philanthropic-municipal partnerships in places like Chicago, IL, Denver, CO, Durham, NC, Oakland, CA and Richmond, VA.

• Donors interested in funding more research and advocacy can support programs like the Economic Security Project's Guaranteed Income work or the Jain Family Institute’s initiative. Dedicated academic research is taking place at the Center for Guaranteed Income Research at the University of Pennsylvania and Stanford University’s Basic Income Lab.

Direct transfers and guaranteed income are developing approaches within philanthropy. For donors interested in reviewing their grantmaking strategies to include the practices, or who wish to learn more, NPT remains ready to help you help others. Contact us at (888) 878-7900 or npt@nptrust.org with any questions.

A previous version of this primer linked to a pilot program in New Orleans which has been discontinued. Donors are advised to conduct due diligence and check in on the ongoing operations of pilot programs before committing philanthropic dollars.

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**Alison Morse** is NPT’s Vice President, Philanthropic Consulting and advises donors with philanthropic strategy and issue-based expertise. Prior to joining NPT, Alison served as a Senior Director at Geneva Global, where she led the Donor Advising practice. She leads multiple engagements with clients who are seeking advisory services to accelerate their giving. She oversees projects that range from coaching donors on giving strategies to conducting research on specific issues of interest. Alison shifted to the field of philanthropy after spending nearly a decade working in non-profits focused on human rights and women’s health.

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