

Why Facebook Cofounder Chris Hughes And Google Are Giving Cash Directly To



GiveDirectly supporter Chris Hughes (Photo credit: Wikipedia)

Here's a radical idea: Instead of providing services or training to the world's poorest, how about giving them cash instead?

GiveDirectly, a U.S.-based nonprofit operating in Kenya, is doing just that, and it's won the support of the likes of [Facebook FB +3.28%](#) cofounder Chris Hughes and [Google GOOG +0.55%](#). Last Thursday night in San Francisco, Hughes and a posse of venture capitalists and tech entrepreneurs including General Catalyst partner Hemant Taneja and Dropbox CEO Drew Houston, hosted about 150 people for wine and conversation about GiveDirectly.

Hughes addressed the gathering, describing how he gave up on nonprofits for a while after [Jumo](#), a social network he founded for nonprofits to spread the word about themselves, failed to gain traction. Then Hughes came across GiveDirectly. "Instead of building hospitals, why don't we just give poor people money? Research shows it's effective," he said. Hughes, who purchased [The New Republic](#) magazine in early 2012 and serves as publisher, also joined the board of GiveDirectly.

Backing up Hughes' point was Jacquelline Fuller, Director of Giving at Google. She told the crowd Thursday night that one of her superiors at Google was extremely skeptical when Fuller first suggested that Google back GiveDirectly. "I was told, 'You must be smoking crack,' " Fuller recalled. But GiveDirectly had exactly what Google wanted: lots of data on

how the recipients of cash used it to improve their nutrition, their health and their children's education. After looking at the data, Google donated \$2.5 million to GiveDirectly.

Paul Niehaus, an assistant professor of economics at UC San Diego and a board member of GiveDirectly, came up with the idea of transferring money to poor people's cell phones back in 2008. He was working with the Indian government to limit corruption and saw how the government there transferred money to people's phones. "I realized I could do that myself," Niehaus told me. He told the gathering in San Francisco that most of the money that's donated to help poor people goes to international development organizations, not poor people directly. GiveDirectly's giving has had "big impacts on nutrition, education, land and livestock" and "hasn't been shown to increase how much people drink," Niehaus emphasized. "A typical poor person is poor not because he is irresponsible, but because he was born in Africa."

GiveDirectly finds poor households – typically people who live in mud huts with thatched roofs – and uses a system called M-Pesa, run by [Vodafone](#) ~~Vodafone~~, to transfer money to their cell phones. Transaction fees eat up a mere 3 cents per donated dollar. Niehaus says plenty of recipients use the money to upgrade their homes by adding a metal roof.

I was initially skeptical when I perused GiveDirectly's website, mostly because I believe that attacking poverty takes much more than cash. Listening to Niehaus and Google's Fuller did help change my mind. And Niehaus did say that GiveDirectly doesn't see cash transfers as a panacea for everything.

Then I spent part of the weekend reading *The Last Hunger Season*, a moving book about small farmers in Kenya written by former Wall Street Journal reporter Roger Thurow. These farmers routinely have to choose between eating and paying school fees for their children during their "hunger season." I kept thinking that if only we Americans could send these farmers a small amount of cash, they wouldn't have to make such difficult choices. And GiveDirectly began to make a lot more sense.

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A Kenyan family who has benefited from GiveDirectly's donation.