



1. Motivation

Socialized graduation programs provide an integrated package of interventions at no cost to marginally poor households in low-income countries. The package is comprised of transfers (in the form of production and/or monetary assets) as well as training and mentoring activities (that aim to enhance some intangible asset). Randomized evaluations have found graduation programs to be cost-effective on average, though with considerable heterogeneity across contexts (Dewatriet et al., 2013). Long-term (7–8 year) effects appear highly encouraging (Gunderson et al., 2017; Korten et al., 2017).

The intangible (training and mentorship) component usually accounts for a substantial portion of program costs. Theories could argue that development practice has a long history of poorly substantiated subsidizing measures (Dewatriet, 2013; Korten, 2017; Korten, 2019; Shapiro, 2017). Why invest in training and mentorship on participants' behalf? Why not give beneficiaries expanded agency over program resources by expanding the monetary transfer portion of the program and allowing them to invest for themselves?

One justification could be that human capital markets are inefficient or incomplete (Fajana, 2015). For example, they may be distorted from financial markets because human capital cannot be easily collateralized (Lazear, 1995). This might explain why the graduation approach

invests in the creation of savings devices, but the approach goes much further, providing extensive training and coaching on microenterprise development and beyond. Its design implies that if participants were left to their own devices – so provided only with unconditional cash transfers – they would under-invest in human capital against their own best interests.

The potential for such “irrationalities” is well established. Recipients' investment decisions can be sensitive to seemingly trivial design features such as the labeling of the transfer (Deaton et al., 2013). Many other behavioral factors – ranging from time discounting (Grootaert and Korten, 2003) to social preferences (Grootaert, 2007) – might cause and persist to large profitable to common opportunities. Further, people's beliefs may be biased: for boundedly rational agents who operate with imperfect information and finite attention, it can be a tall challenge to accurately perceive the returns to available investment options. Program implementers with access to objective data may be in a position to operate more rationally than the individuals in question (see Jones, 2013).

If integrated microenterprise development is in fact a more cost-effective poverty alleviation approach than unconditional cash transfers, this would have significant policy implications. In Sub-Saharan Africa alone, over US\$ 25M are disbursed in the form of unconditional cash transfers on a daily basis (World Bank, 2019), and the competition

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Cash-Plus: Poverty Impacts of Transfer-Based Intervention Alternatives

Can training and mentorship expand the economic impact of cash transfer programs, or would such extensions waste resources that recipients could allocate more impactfully by themselves? Over the course of two years, a Ugandan nonprofit organization implemented alternative poverty alleviation approaches in a randomized manner. These included an integrated graduation-style program involving cash transfers as well as extensive training and mentorship; a slightly simplified variant excluding training on savings group formation; and a radically simplified approach that monetized all intangibles and delivered cash only. Light-touch behavioral extensions involving goal-setting and plan-making were also implemented with some cash transfer recipients. We find that simplifying the integrated program tended to erode its impact.

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