

GiveDirectly

2013 Annual Report



Executive summary

Fellow donors,

2013 was a good year for the direct giving movement.

When GiveDirectly first opened its doors two years ago, giving money directly to the poor was a heretical idea. Now it is at the center of a vigorous debate. Think tanks are asking “Are Cash Transfers the Future of International Development?” while some in the press are even calling them “The Best and Simplest Way to Fight Global Poverty.” Traditionalists are pushing back, claiming that their approaches can do better. In short, we’re seeing a meaningful debate emerge about whether traditional aid is worth what it costs, and whether the poor themselves can do better.

None of this would be happening without two things: our giving, and our commitment to rigorously evaluate that giving.

GiveDirectly received \$5.4M in revenue in FY2013, more than 10 times the previous year, and on par with the most rapid rates of growth seen in the sector. This figure includes a Global Impact Award from Google Giving for expansion within Kenya and entry into Uganda. We grew our team in parallel, with a focus on creating an environment for exceptional talent.

We also received strong, positive results from an independent impact evaluation. GiveDirectly is unusual among nonprofits in that it cooperated on a rigorous, randomized controlled trial and also pre-announced the study before results were available. The study found that direct giving has large impacts on investment, earnings, and mental health, among other outcomes. It did *not* find any evidence of wasteful spending, crime, or inflation.

The results of this study have had an enormous impact. They were reported in leading media outlets, which is itself good news; as NPR put it, “philanthropy is getting nerdier.” They also contributed to nonprofit evaluator GiveWell’s decision to give us their highest rating. GiveWell is the leading nonprofit evaluator; its staff conduct extraordinarily detailed due diligence and make highly selective recommendations. This year they recommended only three nonprofits in total.

The following pages provide more detail on these milestones and on progress more generally. If you are new to GiveDirectly, let me alert you to two things we do a bit differently. First, we generally do not report “success stories.” We value stories, but think that quantitative analysis provides a more objective description of performance. Second, we do not emphasize the efficiency metrics that are standard in our industry (e.g. “program services” share) because they are not useful for assessing cost-effectiveness. We focus instead on what it costs us to deliver a dollar into the hands of a recipient.

Sincerely,

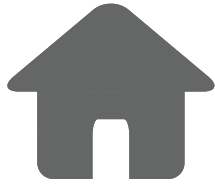
Paul Niehaus
Co-founder and President

Our model has four steps



Donors give.

When donors give, we commit to using their money exclusively for cash transfers and the costs of making those transfers.



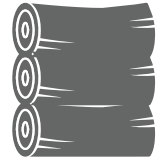
We enroll poor households.

Our recipients make an average of \$0.65 per person per day, and we reach them by choosing poor regions and then using objective criteria like housing materials (i.e., mud and thatch).



We transfer donations to recipients.

We send money to recipients' cell phones using electronic payments services like Mpesa in Kenya and MTN Mobile Money in Uganda.



Recipients use the money to pursue their own goals.

We follow up with all recipients to ensure that they receive their transfers, and to learn how cash affects their lives, collecting granular data on their entire experience.

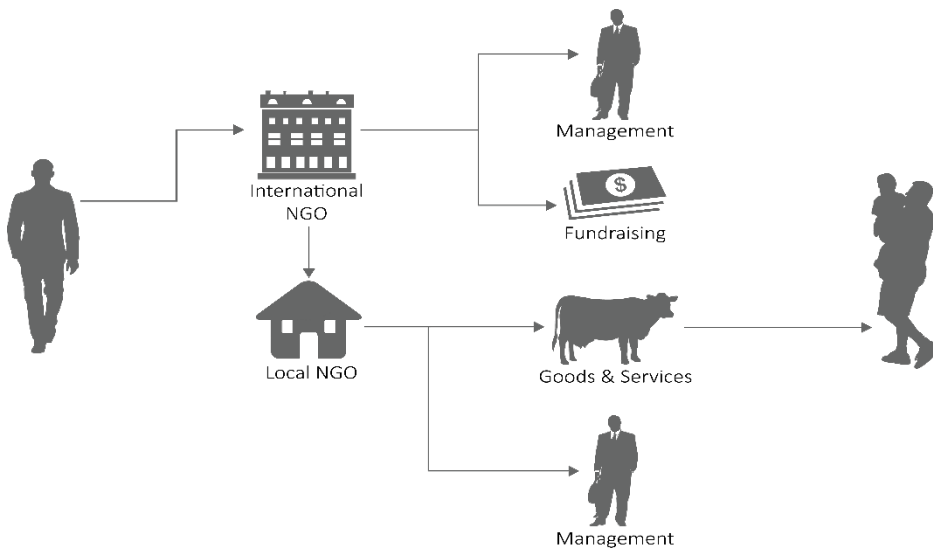


International giving is poised for a fundamental transformation

The old way of giving uses layers of intermediaries.

Traditional models of international philanthropy are complex. Donors typically give to large international nonprofits that manage their money, using some of it to raise additional capital and then working with partner organizations abroad to implement programs. These organizations also manage money (with cost structures

that are largely unreported), making decisions about what goods and services to deliver to the poor. In most cases, donors aren't able to figure out what these costs to deliver or whether there is any rigorous, scientific evidence that they work.



Direct giving is challenging notions of what is possible.

GiveDirectly has introduced a simpler, modern approach: we take money from donors and give it to the poor. We can do this because modern payments technology has drastically cut the costs of sending money securely and electronically to the extreme poor.

At the same time, rigorous new research has shown that the poor are effective at putting money to work to

improve their lives, with documented positive impacts on a wide range of outcomes including nutrition, health, education, earnings, and even hours worked.

This combination of simplicity and effectiveness has started a very powerful conversation in the sector about efficiency and evidence. We're excited to be a part of, and a catalyst for, a transformation in aid.



Rigorous, independent evaluation has shown that direct giving works

An independent, randomized controlled trial of GD's impact showed that transfers have large, positive and sustainable impacts across a wide range of outcomes. The study was pre-announced to ensure that negative

results could not be suppressed. The results sparked a widespread dialogue on effective giving and the importance of evidence in the press.

<p>Assets</p> <p>increased by 58%, or \$278, with investment concentrated in livestock, housing, and durables.</p>	<p>Mental health</p> <p>improved substantially as measured by standard scales.</p>	<p>Food security</p> <p>improved substantially. For example, children were 42% less likely to go entire days without eating.</p>
<p>Income</p> <p>from businesses and agriculture increased by 28% of the average grant size, implying a 28% annual rate of return.</p>	<p>No negative impact</p> <p>Transfers did not affect the incidence of crime and conflict, and did not increase spending on tobacco, alcohol, or gambling.</p>	<p>Empowerment</p> <p>Domestic violence against women fell in both treated households and their neighbors.</p>

Forbes

"It's a radical idea...that is **gaining ground thanks to the data** it's gathered backing up its claims."

The Economist

"...this programme, and others like it, are part of a **shift in thinking** about how best to use aid to help the poorest."

The Guardian

"GiveDirectly [...] **has sent shockwaves through the charity sector.**"

Center for Global Development

"**Should aid be benchmarked** against the cost-effectiveness of cash transfers?"

Peer retail nonprofit

"Later this month, researchers at Innovations for Poverty Action in Kenya will start preliminary research towards a **full randomized controlled trial**... inspired by GiveDirectly."

Bloomberg

"The empirical findings are noteworthy, but what is most important is the movement, still in its earliest stages, toward **rigorous evaluation of whether and how charities are actually helping** people."

Our field teams use best-in-class technology to ensure accountability

Moving millions of dollars to remote corners of the world isn't child's play. In our experience, accountability begins with transparent, digital records of everything that we do.

We then use these data to quantify how we're doing at our core responsibilities.



Ensuring integrity

We conduct independent audits of every single household we enroll, using token number and GPS coordinate comparisons to make sure that all our recipients are who our records say they are.

Locating the poor

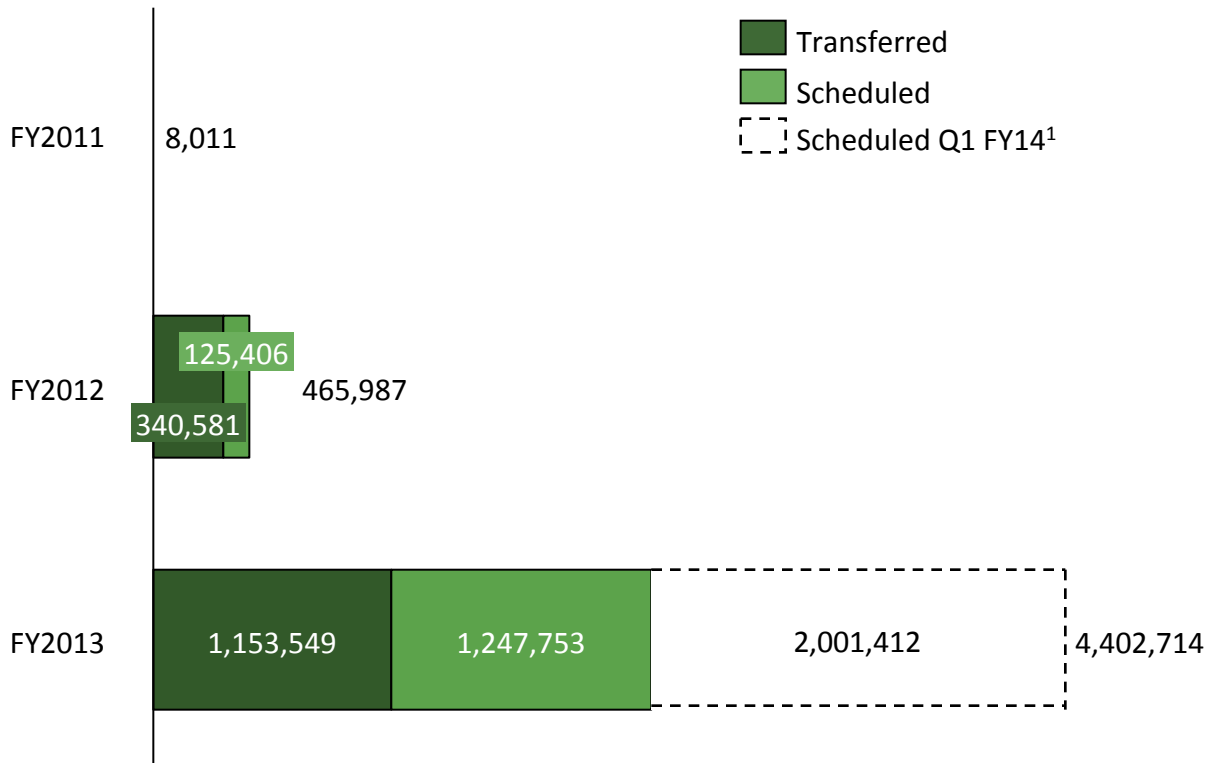
We use crowd-sourced auditing to examine photographic and satellite imagery of each recipient's home and triple-check that it is eligible

Delivering a great user experience

Our call center uses custom-built software to gather data on recipients' experience of the program, and staff compensation is linked to recipients' comprehension of crucial information and their feedback.

Our model is built to scale

Figure 1. Committed and delivered transfers (USD)



¹ Includes \$2M campaign that concluded in October 2013 shortly after close of FY13

We have grown rapidly...

GiveDirectly’s operating model is designed to scale flexibly, using modern management technology to routinize work for our field staff. In FY2013, we reached over 19,000 individuals living in 3,876 households.

We transfer funds to recipients in installments over the course of a year, giving them time to adjust their financial plans. As of FY2013, we have committed a cumulative total of \$4.9 M to enrolled recipients and transferred \$1.5 M of this, with the remaining \$3.4 M still scheduled for delivery .

...and are ready to grow a lot more.

We plan to expand our capacity dramatically year-on-

year in anticipation of continued rapid growth. Our growth strategy is to continue to recruit exceptional *talent* for management and then to maximize the leverage we get from this talent using *technology* to enable managers to coordinate and monitor large teams in real time. In doing this, we will take advantage of a range of modern payments technologies which are spreading rapidly in developing countries, as well as continuing to build our own in-house capabilities on monitoring, fraud detection, and workflow.

We expect to have capacity to move at least \$10 M during FY2014, and to roughly double that figure for FY2015.

Recipient experience has held steady as we scale

Pursuing constant improvement.

We've made a choice to think of recipients as our customers and prioritize an amazing user experience for them, as any company would. We quantify how well we're doing at that by asking recipients questions about their experience— a selection of the most important questions are shown here.

This year we improved our communication methods and introduced "comprehension checks" to ensure that staff properly explained and recipients fully understood every aspect of our program. We expect better communication of unconditionally to further reduce regret on spending decisions shown below.

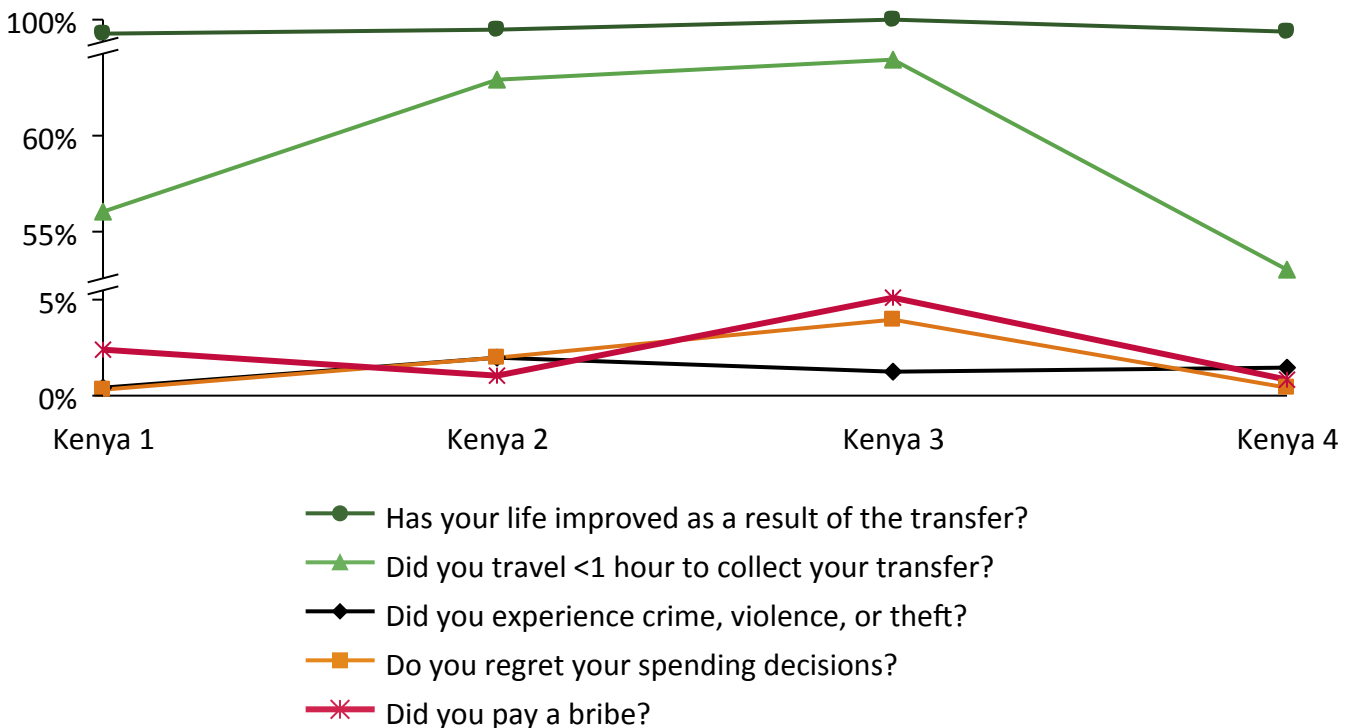
These checks also double as a fraud detection mechanism, and help us identify ways to communicate more clearly and efficiently. We doubled-down on communicating PIN safety and basic financial literacy to help recipients protect themselves from crime, theft or violence, as shown below. We also began pilots of giving

transfers to (almost) every household in a village, in an experiment to see we could reduce the already small numbers of conflict, tension, and arguments that are reported in relation to transfers (6.6% recipients in the most recent campaign reported conflict in their communities). We expect next year's numbers on recipient experience to be even better.

Reducing bribery.

We are pleased to note that in our latest campaign, reports of bribe requests have decreased from a handful of villages reporting bribes to almost none. We suspect this reflects changes to our process including repeated messaging to recipients at every touch point as well as the addition of a village meeting which helped raise public awareness that government officials are not entitled to money from GD transfers.

Figure 4. Recipient experience metrics at end FY13 (% responding "yes")



Note: Kenya 3 is a custom campaign with specialized targeting of a specific demographic group

Operational efficiency hit targets and illustrated trade-offs

Different products, different prices.

We divide our operations into campaigns, and each campaign has its own recipients, timeline, objectives, and efficiency. We report efficiency by campaign so that donors can compare tradeoffs between options: for example, a given campaign might have more expensive enrollment costs, but is able to reach a more vulnerable group of recipients. With GiveDirectly, donors can make an informed decision about which giving “product” they would like to buy, the price, and the impact.

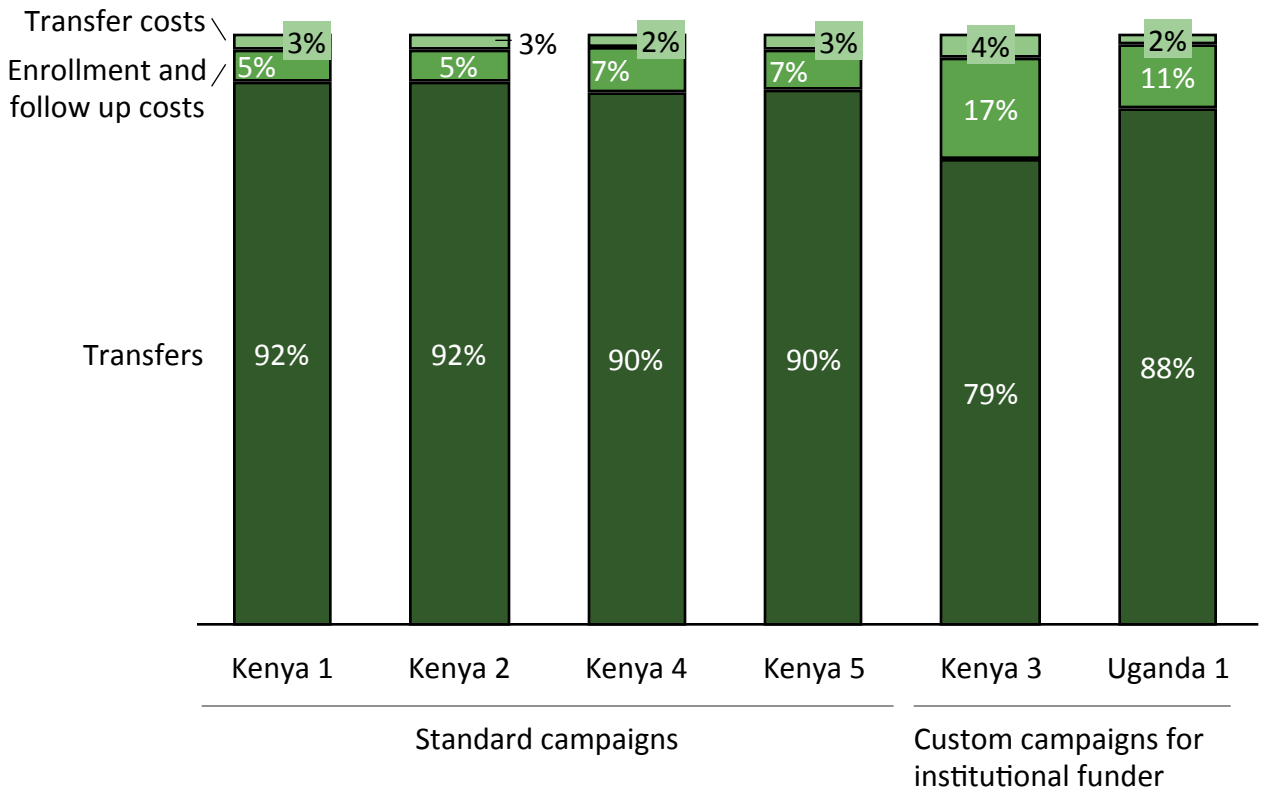
On our “standard” campaigns in Kenya, using public and website donations, we were within our target efficiency at 90.6% overall. This was despite many new costs to upgrade our operations from a “project” to an established organization.

We completed two campaigns funded by institutional

donors that had more complex requirements and were therefore more expensive to implement. In Kenya, we delivered transfers to a very specific demographic— only one or two people per village would qualify. In Uganda, we distributed transfers for the first time using mobile money providers that are less well developed than in Kenya, and require more support from our staff. Going forward, donors will have the option to give directly in Uganda.

90% is not a magic number, and to reach some of the extreme poor it will cost more. We strive to be as efficient as possible, and will be transparent about where differences exist, offering donors the choice of product. In the long term, we expect to be even more efficient due to economies of scale in the model we’re building.

Figure 2. Operational spending by campaign – incurred and committed (% , totals in USD)



Set-up and outreach spending was driven by expansion in Uganda and New York

Funding non-operational tasks

We do not currently accept donations from the public in support of outreach or occasional set-up activities (e.g., legal registration fees). Our view is that the costs and benefits of cash transfers to the extreme poor are relatively easy to understand and communicate, while the costs and benefits of outreach work and fixed-cost investments are more complex. We therefore accept funding for the latter activities from private donors who have been fully briefed on our strategy and methods.

Outreach

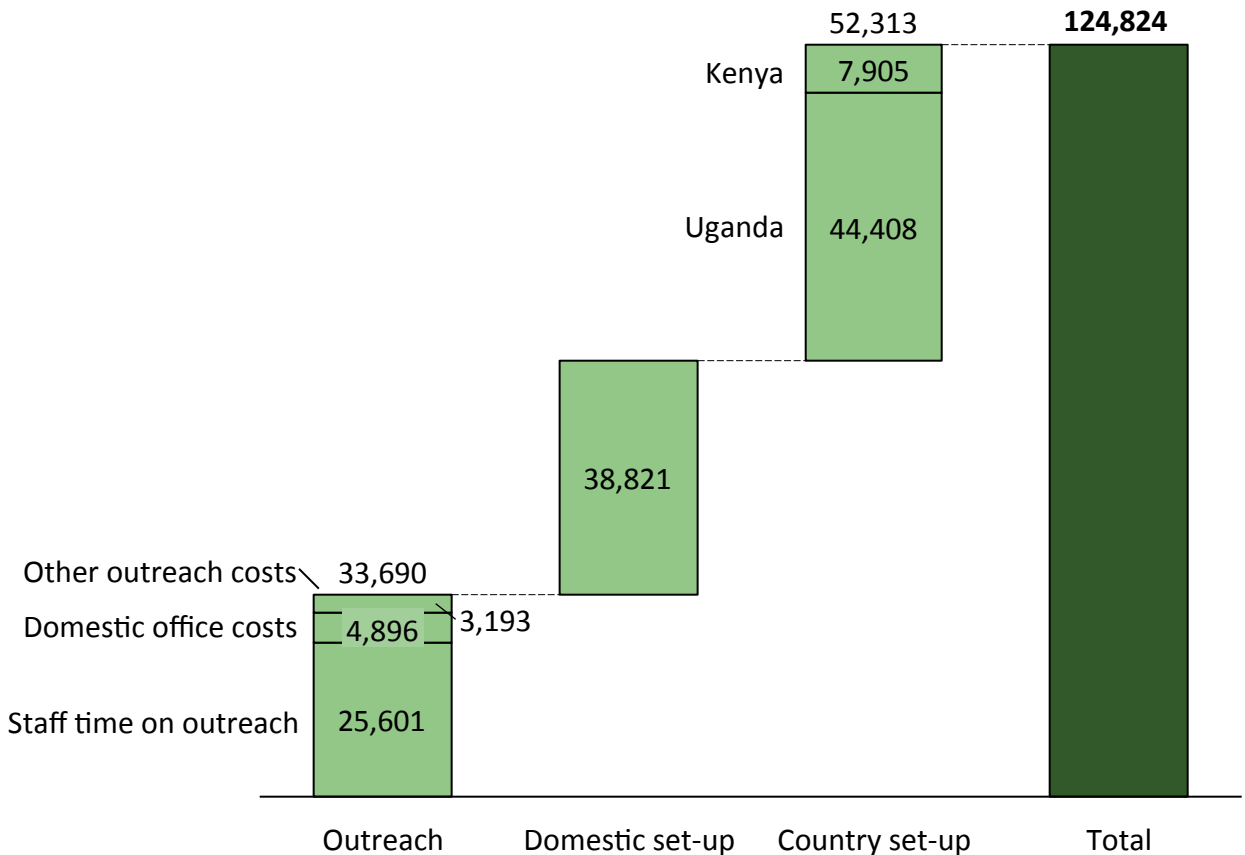
Staff time on outreach included developing funding proposals, providing customer service to public donors who give through our website and other channels, and fulfilling reporting obligations to donors. We also set up

an office in New York City to house our domestic team.

Setting up

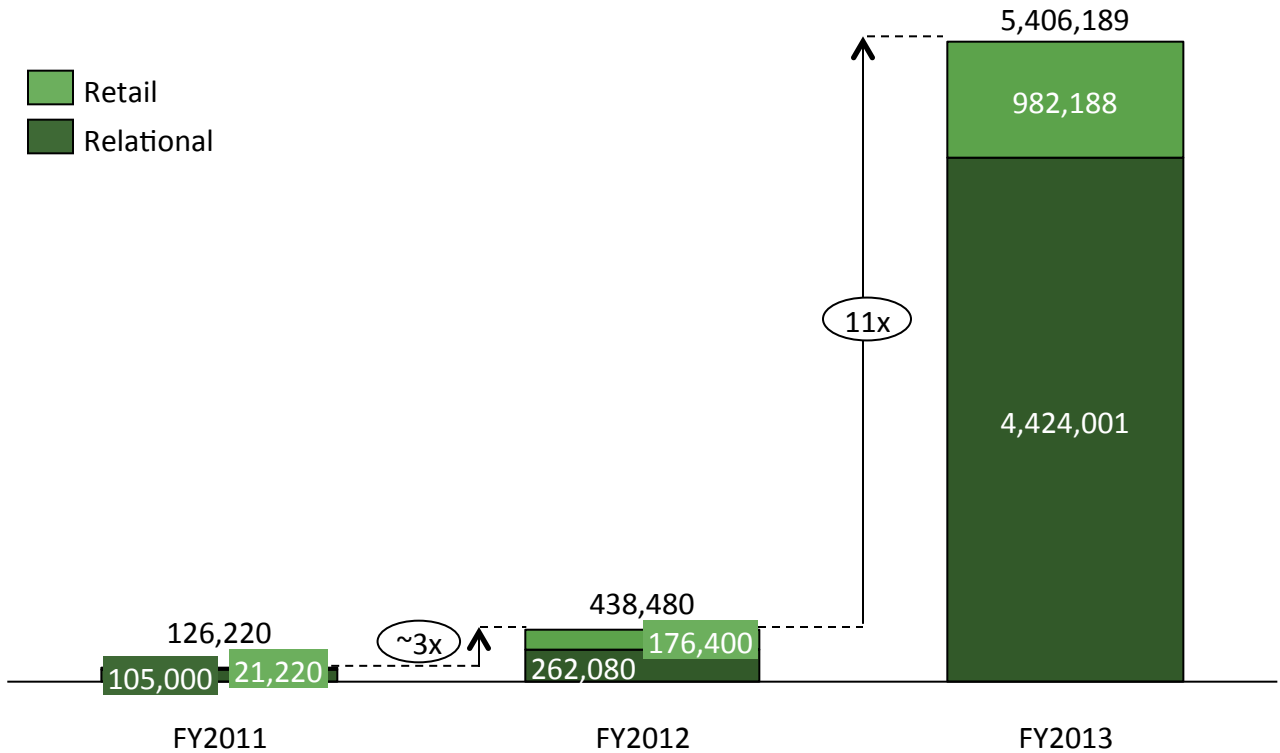
This year saw around ~90K in one-time set-up costs both internationally and domestically as we strengthened and invested in the organization for scale. In Uganda, major costs included registration and incorporation in that country for the first time, and the establishment of our first Ugandan office. In Kenya, we acquired IT equipment and furniture for a larger office space. Domestically, we invested in management time to build a robust financial reporting system.

Figure 3. Spending on outreach, domestic set-up and country set-up (USD)



Revenue growth accelerated, with fundraising efficiency far above benchmarks

Figure 5. Revenue by type (USD)



Growth

Demand for direct giving has increased dramatically. The effective altruism movement as a whole has grown, with organizations like GiveWell gaining traction and donors increasingly concerned about evidence. GiveDirectly gained visibility in forums such as *This American Life* and *The Economist*, and in doing so has helped shape the public conversation on giving.

Revenue grew by 11x this year, most of which was from relational giving from institutions or individuals with whom we have a face-to-face relationship. Retail giving through our website also increased by about 6x. We received grants from Google and GoodVentures, organizations that are known for funding innovative uses of technology and strong evidence-based interventions,

respectively. These sources are diverse, and provide a signal to other donors and governments about our ability to execute and scale.

Efficiency

While the national average cost per dollar raised by nonprofits is 20 cents, at GiveDirectly it was less than one cent. Our website was a particularly cost-effective channel: we spent only \$2,000 to maintain the site and provide support last year, which powered ~2,000 unique, non-recurring donations and over ~\$300K in revenue.



Governance and Financial Statements



Board of Directors



Michael Faye, Director and Chairman

Michael completed a Ph.D. in Economics at Harvard University, specializing in Development and Finance. He has worked with one of India's largest banks in designing consumer finance products and has extensive experience conducting field research in India. Prior to returning to school, Michael worked as a Research Analyst for the United Nations Millennium Project (UNMP), a group headed by Jeffrey Sachs, tasked with preparing a plan for low-income countries to meet the Millennium Development Goals (MDGs).



Raphael Gitau, Director

Raphael is an Agricultural Economist. He holds an M.Sc. in International Development from the National Graduate Institute of Policy Studies Tokyo, Japan and is widely experienced in socio-economic surveys and data analysis. He has over eight years experience working in the East Africa Region in agricultural policy research, analysis, and advocacy.



Chris Hughes, Director

Chris is currently publisher and editor-in-chief of The New Republic. He previously co-founded and served as spokesperson for the social networking site Facebook, and served as Director of Online Organizing for the Obama 2008 campaign where he oversaw the development of My.BarackObama.com along with the campaign's overall online presence. He holds a B.A. magna cum laude in History and Literature from Harvard University.



Paul Niehaus, Director and President

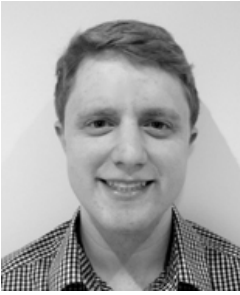
Paul is Assistant Professor of Economics at the University of California, San Diego; a Junior Affiliate at the Bureau for Research and Economic Analysis of Development (BREAD); an Affiliate of the Jameel Poverty Action Lab (J-PAL); and an Affiliate at the Center for Effective Global Action (CEGA). His research examines the design of welfare programs in developing countries, and in particular how to control corruption. He holds a Ph.D. in Economics from Harvard University.



Rohit Wanchoo, Director and Treasurer

Rohit is a Principal at a private equity firm in New York. He previously worked as a Research Analyst for the United Nations Millennium Project (UNMP), a group headed by Professor Jeffrey Sachs, tasked with preparing a plan for low-income countries to meet the Millennium Development Goals (MDGs). Prior to his work at the UN, Rohit worked in finance as an investment banker for Lehman Brothers in New York. Rohit holds an MBA from MIT Sloan and an MPA in International Development from the Harvard Kennedy School.

Leadership



Joe Huston, Kenya Field Director

Joe holds an A.B. in economics from Dartmouth College with a specialization in economic development and international trade and has experience studying and working in China. He joined GiveDirectly from Bridgewater Associates, where he worked as an Investment Associate in its research and trading departments.



Piali Mukhopadhyay, Chief Operating Officer (international)

Piali holds a Master's Degree in Public Administration from Princeton University's Woodrow Wilson School of Public and International Affairs and a Bachelor's degree from MIT. She has extensive field experience working with non-governmental organizations in India, Nepal, Thailand, Zambia, and South Africa. Most recently, she worked for the Jameel Poverty Action Lab (J-PAL) managing a large-scale randomized control trial on anti-corruption measures in the state of Andhra Pradesh, India.



Carolina Toth, Manager for People and Partnerships

Carolina holds an A.B. in Social Studies from Harvard University, with a focus on African Development. Her multiple award-winning thesis focused on children's homes in Nairobi and UNICEF's cash transfer program for orphans and vulnerable children. She worked as a Business Analyst for McKinsey & Company prior to joining GiveDirectly as the first Kenya Field Director.



Stuart Skeates, Uganda Field Director

Stuart holds a B.Sc. in economics from the University of Nottingham. Previously, he worked for McKinsey & Company for three years, based in the London office. During this time, Stuart helped establish the firm's Addis Ababa office and worked on topics including global public health and climate change.



Joy Sun, Chief Operating Officer (domestic)

Joy joined GiveDirectly from McKinsey & Company where she was an engagement manager in the Silicon Valley office. She previously served as Director of Operations at the Clinton Health Access Initiative (formerly Clinton Foundation HIV/AIDS Initiative), where she launched several field operations across Africa and helped lead the organization's growth from a start-up into a global institution with 500 staff and volunteers. She holds an MBA from Stanford Graduate School of Business and a B.S. from Georgetown's School of Foreign Service.