

A conversation with Paul Niehaus of GiveDirectly on September 5, 2014

Participants

- Paul Niehaus – Director and President, GiveDirectly
- Elie Hassenfeld – Co-Founder and Co-Executive Director, GiveWell
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Note: This set of notes was compiled by GiveWell and gives an overview of the major points made by Dr. Niehaus.

Summary

GiveWell spoke with GiveDirectly as part of its process for staying up-to-date on top charities. Topics included a recent case of fraud in GiveDirectly's Ugandan program, GiveDirectly's capacity to expand, and the status of Segovia, a new company founded by GiveDirectly board members.

GiveDirectly prepared a written update to accompany this conversation, which is available here:

<http://files.givewell.org/files/DWDA%202009/GiveDirectly/20140904%20GD%20-%20GW%20check%20in.pdf>

Ugandan fraud case

Nature of the fraud

There were three key people involved in the fraud:

- GiveDirectly Senior Field Officer (SFO), who oversaw the whole enrollment process
- GiveDirectly Office Manager (OM), who fielded complaint calls
- Agents from the mobile money providers

The fraud was conducted by telling transfer recipients that a decision had been made that an additional 50,000 KSh would be deducted from their transfers in order to cover the costs of SIM cards that had been provided. During meetings with recipients, the OM, serving as translator, distorted what Stuart Skeates (GiveDirectly's Uganda Field Director) said: Mr. Skeates said that the recipients were going to continue to receive the full amount expected, and the translator said that 50,000 KSh was going to be deducted.

Some transfer recipients made complaint calls, but the GiveDirectly OM, who was involved in the fraud, was the one fielding these complaint calls as well as helping to monitor paydays.

Discovery of the fraud

1. A GiveDirectly recipient had given their SIM card to the SFO (whose contract had been terminated in April due to an unrelated issue involving a fraudulent receipt he brought to GiveDirectly for reimbursement). The recipient asked the SFO to replace his SIM card (recipients have to travel about 4 hours round trip to get this done) and the SFO had not returned it. This report was made to the hotline that the OM was answering three months after the recipient had given over their SIM card. Mr. Skeates audits the logs of these hotline calls.
2. GiveDirectly had been planning a full round of follow-up surveys as part of its normal process, but accelerated the follow-up surveys in response to this issue. GiveDirectly's backcheck team paused their work on enrollment for the Uganda 2M campaign and called all the recipients in that village (Kosile) to ask whether they had received all of their transfers, had any problems withdrawing, and whether GiveDirectly currently had any of their documents (e.g., SIM cards, IDs).
3. During this process, there were some reports of problems during paydays. Recipients were initially hesitant to come forward.
4. Because of the reports of payday problems, GiveDirectly began calling another village, Kawo, the following day to gather more information. Recipients in Kawo were far more forthcoming with information when asked specific questions about payday problems.
5. GiveDirectly continued follow-ups (conducted by a new Field Officer brought on after the SFO's and OM's dismissals) until it had spoken to about 92% of its recipients across all villages. GiveDirectly also conducted in-person visits to villages.

Dr. Niehaus mentioned two contributing factors to the fraud:

- Because GiveDirectly's Uganda program is fairly small, staff members are filling multiple roles and consequently have more leverage.
- Paydays are coordinated so that transfer recipients all collect their money on the same day. Therefore, the people who were running the event (Senior Field Officer or Office Manager, and a payment agent from the mobile money provider) have a lot of control. Mr. Skeates attends many but not all payday events. In this case, the staff members could predict which days Mr. Skeates would be present and ran the event correctly when he was there and fraudulently when he was not.

GiveDirectly's reaction to the fraud

At the time of the fraud's discovery, GiveDirectly had recently finished registering a new, \$2 million cohort for the Uganda 2M campaign. The fraud occurred during the final round of payments in the previous campaign. Consequently, the fraud did not significantly affect GiveDirectly's capacity to move money in Uganda. The start of transfers to the new cohort was delayed by about two weeks as GiveDirectly paused operations to investigate, but GiveDirectly did not have to change its operational plans.

GiveDirectly filed an initial police report and gave transfer recipients the option of submitting testimonies to police. (GiveDirectly left this optional because it did not want to give the police a list of its recipients.) GiveDirectly is waiting to see what the Ugandan police will be able to do before deciding whether to reimburse recipients who had money stolen, in order to avoid having recipients doubly reimbursed by both the police and by GiveDirectly.

GiveDirectly is making the following changes to its structure and procedures in Uganda:

- Separating jobs that were previously done by one person (e.g., GiveDirectly has moved the complaint hotline and followup calls to an office in Kamapala, so that the employees in charge of these are in a different part of the country and do not know the field staff). GiveDirectly's larger network in Kenya is already structured this way.
- Increasing payday audits by the Field Director from about 25% to 100% of paydays (2 or 3 per month).
- Conducting real-time phone spot-checks, i.e. calling recipients during payday to make sure the event is going smoothly and that recipients are receiving the correct amounts.
- Using MTN Mobile Money (MTN) instead of EZEE Money for more transfers. The network of EZEE Money agents is very limited, so the only feasible option for recipients was to withdraw funds on paydays. MTN has a larger network of agents, so while it is still more convenient for recipients to withdraw on paydays, recipients can seek other options if they prefer.
- Building a network of local, English-speaking informants (e.g., journalists, well-respected farmers). Several people in civil service roles have told Dr. Niehaus that it is important to build such a network. Having English-speaking informants may have helped prevent the fraudulent translation that occurred in this case.

GiveDirectly currently has five Senior Field Officers (SFOs) in Kenya and one in Uganda. A Field Officer in Uganda was promoted to SFO to replace the SFO involved in the fraud, and an interim SFO was brought in from Kenya to work in Uganda for one month to help the Ugandan team recover. SFOs report directly to the Field Director. There is one SFO for each phase of GiveDirectly's process (e.g., census, enrollment, backchecks, phone checks).

The payment agency is conducting its own disciplinary process. GiveDirectly will not be working with the payment agent involved in the fraud again.

Piali Mukhopadhyay, GiveDirectly's Chief Operating Officer, International, has suggested having cameras present to take pictures as people receive their transfers.

Segovia's work will enable better fraud detection and greater data transparency, which will be especially important as GiveDirectly's scale increases.

Other instances of fraud GiveDirectly has experienced include:

- Isolated incidents of M-Pesa agents asking for bribes or higher percentage fees for processing transactions.
- Village Elders claiming to have brought GiveDirectly to their village or to have gotten a particular recipient on GiveDirectly's list and asking the recipient(s) for a gift in return.
- There are likely some transfer recipients who are falsely claiming to live in structures that would make them eligible for GiveDirectly's program.

Government approvals

GiveDirectly recently received its second round of government approvals in Kenya and Uganda. Negotiations for approval with the Kenyan government took a long time. Ultimately, GiveDirectly complied with most of the government's requests (see "GiveDirectly, Ugunja-GiveDirectly conditions"). GiveDirectly did not comply with the request to give the government a list of transfer recipients. The government's formal reason for asking for a list of recipients is to coordinate GiveDirectly's work with that of government cash programs (government programs may wish to exclude recipients of GiveDirectly, though Dr. Niehaus estimates that 2-3% of GiveDirectly's recipients also receive support from government programs, see "GiveDirectly, Government cash transfers follow-up"). It is possible that the government could use the list to check whether GiveDirectly's work is targeted at a particular political party or to attempt to get money from the recipients, so GiveDirectly chose not to provide it.

GiveDirectly worked with a person in the office of the president in Nairobi who may be a useful contact for GiveDirectly in the future.

GiveDirectly's work in Kenya is currently concentrated in ethnically Luo areas. GiveDirectly is considering whether it should begin work in areas dominated by other ethnic groups, even if these are not the poorest areas, in order to send a statement that GiveDirectly's agenda has no political or ethnic bias.

Capacity to expand

GiveDirectly has identified five or six districts in Siaya County in Kenya that are poor enough to be eligible for its program. GiveDirectly has worked in one and received approval to work in a second (Ugunja Division). It took 2.5 months to get this approval. Ugunja has room for about \$3 million¹ in transfer opportunities (given that half of the villages need to be set aside for controls in the general equilibrium study [see below]).

In Uganda, GiveDirectly renewed both national registration and Bukedea District-specific registration for one year. The amount GiveDirectly moves in that year will

¹ 83 non-control villages * 90 households/village * 40% eligibility * \$1,000/household = \$2,988,000.

depend more on fundraising than on approvals. Bukedea has room for about \$23 million² in transfer opportunities. It took about a month to get Bukedea approval.

Currently, GiveDirectly is enrolling about \$1 million-worth of new recipients per month.

GiveDirectly is planning to meet with the governor of Kakamega, who is preparing to implement a \$2 million Conditional Cash Transfer (CCT) program. There has recently been significant devolution in Kenya, and money previously controlled by the federal government has been given to county governors to allocate. This potentially creates opportunities for GiveDirectly to work with the government and offer advice on how to use these funds effectively.

GiveDirectly is currently planning its work in Uganda for next year. Its intention is to always be active in some way, and Uganda is likely to be used for more experimental projects (e.g. GiveDirectly may try serving as payment provider, instead of using a separate agency). The results of such experiments could help GiveDirectly advise public sector partners who may face different situations. GiveDirectly would seek funding from an institutional donor, rather than using retail donor funding, for potentially risky experimental opportunities in Uganda. Uganda also serves as a backup in case political conflict ever prevents GiveDirectly from working in Kenya. GiveDirectly's Kenyan program will likely remain somewhat more efficient than the Ugandan program.

Cash transfers currently fund private goods. GiveDirectly is considering experimenting with a system whereby transfer recipients could propose public goods projects and individuals could pool their resources to fund projects they consider worthwhile. GiveDirectly has discussed this general idea with the Rockefeller Foundation.

Research

General equilibrium (GE) long-term study

This long-term study is currently a major fundraising priority. GiveDirectly has raised \$8 million in funding of a needed \$15 million to maximize the research's impact.

Ted Miguel (University of California) and Johannes Haushofer (Princeton University) will both serve as principal investigators for the study. Professor Miguel has done similar long-term research on de-worming.

The study will be randomized at the village level and will focus on macro-level effects (e.g., changes in prices, new businesses created, etc.).

At one point, GiveDirectly intentionally slowed enrollment in Kenya in order for researchers to conduct baseline surveys for the GE study.

² 115 villages GiveDirectly has not been to * 200 eligible households/village * \$1,000/household = \$23,000,000.

Basic income guarantee study

GiveDirectly would like to conduct a separate study on the effects of a basic income guarantee. The annual cash transfers involved would be smaller than those in GiveDirectly's standard program but granted consistently throughout the recipient's life. GiveDirectly is interested in whether people would take greater risks if they know that their basic needs are met. This study could use the same control-group villages as the GE study.

Segovia

Segovia, a new for-profit company started by GiveDirectly board member Michael Faye, with the involvement of Dr. Niehaus and GiveDirectly board member Chris Hughes, has been incorporated, received a convertible note, and will be working on Series A financing over the next few months. The team, headed by Mr. Faye, consists of:

- A chief of staff
- A Vice President of engineering
- Two full-time engineers
- A full-time designer
- A part-time employee in a product role

Segovia's engineering team is currently working exclusively on GiveDirectly deployment. Mr. Faye and Dr. Niehaus are currently seeking Segovia's first non-GiveDirectly paying client.

Segovia is not currently designed to implement programs. In the future, it may be able to offer technical assistance or implementation services. If both GiveDirectly and Segovia were offering these services, GiveDirectly would likely be more selective about the type of projects it undertakes, while Segovia would be willing to implement projects that are not designed in a way that GiveDirectly would consider optimal. Dr. Niehaus would step out of board decisions determining whether GiveDirectly should take a certain project.

Segovia talks to GiveDirectly staff members Piali Mukhopadhyay, Joe Huston, and Stuart Skeates once per week, and Caroline Toth daily. Dr. Niehaus has been spending about 5-10% of his time on Segovia, which is slightly less than he had expected to spend during the past months.

New board members

GiveDirectly recently added two new board members:

- Jacquelline Fuller, Director
- Bill Meehan, Director

It was important for GiveDirectly to find new board members who are closely aligned with GiveDirectly's vision, because decisions will likely arise for which board members who have roles at Segovia will have to step out.

The Rarieda Randomized Control Trial (RCT)

The Rarieda RCT, which included both a \$300 transfer treatment group and a \$1000 transfer treatment group, did not provide strong evidence on what the best transfer size would be, because it is difficult to assess the relative value of how people use the 1000th dollar versus the 300th. There are also large confidence intervals around any of the findings based on sub-groups because of the relatively small sample size. Dr. Niehaus thinks it is unlikely \$1000 is exactly the optimal size for transfers, but expects returns to be relatively flat around the \$1000 mark, and so feels the costs to slight variance from the optimal transfer size are low.

GiveDirectly has considered experimenting with different transfer sizes to determine the optimal amount, but feels that other research questions are more important. GiveDirectly is not concerned that recipients will run out of good ways to spend \$1000 in transfer funds (e.g., purchasing an iron roof, a cow, and paying school fees for a year will use up most of a transfer). GiveDirectly also believes that while testing transfer sizes could improve its own program, it would be unlikely to affect other cash transfer programs. For example, if a government was considering providing large, one-time transfers, it would not be as concerned with whether \$1000 is the right amount, but rather whether the model of large, one-time grants is effective. GiveDirectly prefers to pursue research questions that it sees as likely to influence public policy quickly (e.g., giving people control over the timing of their transfers). GiveDirectly sees the question of optimal transfer size as one that would require rigorous research to learn about, so it is not inclined to simply vary the size of its transfers as an informal experiment.

It is widely accepted that periodic income transfers can reduce human suffering, but it is much less accepted that large one-time transfers can be effective ways of investing in people. There is less literature on the latter, and therefore more to be gained from researching it. Dr. Niehaus believes that some people mistakenly believe that in-kind transfers of low value can significantly change a poor person's life, when in fact it requires significant investment to lift someone out of poverty.

All GiveWell conversations are available at <http://www.givewell.org/conversations>