

A conversation with Evidence Action, June 27, 2018

Participants

- Kanika Bahl – CEO, Evidence Action
- Leann Bankoski – Senior Manager, Organizational Development, Evidence Action
- John de Wet – CFO, Evidence Action
- Natalie Crispin – Senior Research Analyst, GiveWell

Note: These notes were compiled by GiveWell and give an overview of the major points made by Ms. Bahl, Ms. Bankoski, and Mr. de Wet.

Summary

GiveWell spoke with Ms. Bahl, Ms. Bankoski, and Mr. de Wet of Evidence Action as part of a check-in on a 2017 GiveWell-recommended grant (<https://www.givewell.org/charities/evidence-action/april-2017-grant>). The conversation focused on how Evidence Action has spent grant funds so far and its progress in strengthening its operations in a variety of domains.

Overall spending of the grant

In April 2017, Good Ventures made a grant to Evidence Action of about \$2.6 million. Evidence Action planned to use this grant primarily to strengthen its financial, human resources (HR), and information technology (IT) systems.

Evidence Action spent about \$475,000 of grant funds in 2017 and has spent roughly another \$158,000 in 2018 as of May (about 24% of the grant in total). Evidence Action originally budgeted \$600,000 of grant funds in total for spending in 2018, but it is somewhat behind on that spend and may end up slightly under budget for 2018 (though it does expect its spending rate to pick up for the remainder of the year). This is partially because some planned activities have been delayed and partially because some costs have been lower than expected.

For example, the timeline for Evidence Action's HR compensation review has been pushed back somewhat, and it has not fully spent its allocated HR budget since, e.g., it has not yet hired external consultants. Evidence Action also allocated funds for hiring external consultants for safety and security work, but has not engaged consultants yet because it is still determining which pieces of work to handle internally.

Evidence Action tries to avoid making investments that would produce ongoing overhead costs that might not be sustainable as it grows. Because Evidence Action plans to continue to expand, it expects to have several areas of investment for the grant funds over a number of years and so may spend more slowly than initially planned.

Financial systems

Evidence Action sees its financial systems as its most significantly improved area of operations since 2016. These improvements, particularly to budgeting processes, have freed up more leadership time and attention to focus on maintaining the caliber of current programs, expanding programs, and on Evidence Action Beta work.

Evidence Action's Africa Regional Director recently traveled to country and field offices in Africa and reported that local leadership is appreciative of the improvements, especially having approved budgets and regular timely reports, and local staff accordingly feel better supported by the organization's systems.

Evidence Action's board has noted its satisfaction with the progress in financial management.

Budgeting process

As of January 1, Evidence Action has completed an organization-wide budget using a new budgeting template. Previously, the status of program budgets (e.g. over- or under-spending) had not been easily visible and consolidated, and it required leadership's time to understand and verify program budgets. The new budgeting process has improved that significantly (though Evidence Action is still working to make the new process more streamlined, etc.). It has also improved Evidence Action's ability to predict its room for more funding.

Financial reporting

Evidence Action has transitioned its financial reporting to Intacct, which has been a significant improvement in both quality and timeliness of reports (previously, Evidence Action had done this reporting manually using Excel). Evidence Action is continuing to develop reporting templates and to customize them to programs' needs. Evidence Action has also developed some dashboards in Intacct and plans to give program leads access to Intacct so that they can generate their own reports and dashboards.

Evidence Action plans to run a user satisfaction survey on financial reporting in early July. A survey was previously conducted in July 2017, before the improvements were made.

Financial audit

Evidence Action has the first draft of its audited financial statements. The audit for its African programs is complete and the global audit will likely be done by the end of July, which is a significant improvement over the past two years, when audits were completed in September and December.

Evidence Action also internally tracks the number of items reported in the audit's management letter. Most of the main findings from previous years have been resolved.

Salesforce/Intacct integration

Evidence Action is working on integrating Salesforce and Intacct.

Evidence Action had occasional difficulty getting revenue reported in Intacct's financial statements to agree with donor information records in Salesforce in certain situations, e.g., cases where Evidence Action receives a single lump sum deposit that includes contributions of many individual donors. Currently, Evidence Action reconciles such cases manually, but it is working on automating that process.

Evidence Action had worked on setting up this integration with a third-party service provider. During testing, it became clear that Evidence Action's plan did not cover all of the use cases of funding coming into Salesforce, particularly around how corporate matching was being captured. Evidence Action paused that project (in part to focus on the financial audit) but has now resumed working on it. It plans to test this integration again in July and, if that goes well, roll it out in August.

November 2018 update: This project has been put on hold until 2019 so that Evidence Action can first review the design of Salesforce to ensure that it serves Evidence Action's purposes before integrating it with other systems.

Donor relationships

Evidence Action believes its relationships with donors have benefited from its improved financial systems.

IT systems

Originally, Evidence Action had planned significant changes to its IT systems. Evidence Action has now decided to retrofit some current systems, saving significant costs but also extending the timeline for IT system work.

Evidence Action recruited a new IT manager in February of this year. In June, Evidence Action hired a full-time staff person for technology support in Kenya (previously, Evidence Action outsourced all of its local IT work in Africa to contractors).

Evidence Action expects to put together a more detailed work plan and to ramp up its spending on technology systems in the second half of the year.

HR systems

Evidence Action's work to improve its HR processes is roughly on track, though somewhat slower than planned. Evidence Action's planned assessment of its HR information system was de-prioritized as other areas in HR became higher priority, e.g., standardizing compensation and benefits, policy work around recruitment, internal promotion and transfers, etc. Evidence Action now expects to do an HR information system assessment in late 2018 or 2019.

Strengthening grant management procedures

Evidence Action's recently-hired Senior Grants & Compliance Manager has improved the structure of its grants process at all stages (pre-application, application, implementation, reporting and tracking payments, and close-out). Evidence Action now holds kickoff meetings for each grant to make all of the grant requirements clear up front.

Evidence Action is working on putting a more standardized pre-application process in place so that it has a more detailed and consolidated view of its grant pipeline across programs. It is using Salesforce as a tracking tool for grants.

Learning management

Evidence Action rolled out many of its new policies on HR and IT at the end of last year with sessions attended by all staff. It also rolled out its vision, mission, and values training in 2017; staff reception to that training was positive.

For its training on standard operating procedures, Evidence Action had originally planned to document protocols and train all staff. The new targeted approach involves identifying staff who will be impacted by each new policy (or modification to an existing policy) and train only those staff on the policy and relevant procedures. In October 2017, Evidence Action rolled out accessible guides on its organizational systems, including recorded tutorials, in order to help staff self-diagnose and fix problems.

There has been less learning management activity so far in 2018. Evidence Action plans to roll out new policies in finance and other areas (e.g. occupational safety) during the second half of the year, mostly during July through September.

Security assessments and protocols

Evidence Action is somewhat behind its planned timeline for security assessments. It had originally envisioned doing security assessments and developing protocols country by country, but has now taken a more general perspective on safety, both in terms of occupational hazards and country-level security plans.

Evidence Action is working to figure out 1) the best approach for developing safety plans that are practical and will be used, and 2) how to assess its biggest organizational risks and focus its efforts on those. Evidence Action's profile differs from some other NGOs in that it tends to have a lot of local staff and to have more road safety issues (mainly because the chlorine for Dispensers for Safe Water is distributed by motorcycle).

Evidence Action is developing a template for country-level security plans, which it plans take to the field to validate and update with information from program teams in order to make sure the plan is relevant, practical, and useful to them. It expects that to be done around September.

Evidence Action plans to begin occupational safety training in July and August.

Country-specific legal audits

Evidence Action's original timeline for completing country-level legal audits has been somewhat delayed. Its legal audit for India was completed last year and the audits for its African countries will likely be completed this year.

Evidence Action has been refining its approach to make sure it has the appropriate legal support as it expands and enters into more complex agreements with grantees, partners, contractors, etc. It is in the process of hiring a part-time legal counsel (previously, the vast majority of its legal work had been done pro bono), and expects to have that hire by July or August. That hire will play a role in coordinating legal audits, making sure Evidence Action is compliant with its employment and vendor contracts, and making sure Evidence Action's HR policies conform to statutory standards.

Non-profit status in India

Evidence Action's not-for-profit entity in India, the Evidence Action India Foundation, has been established and is in the process of getting relevant tax approvals for non-profit status. Once finalized, this tax registration will a) make Evidence Action tax-exempt in India, and b) make donations to Evidence Action by Indian taxpayers tax-deductible. Some India-based donors have expressed interest in supporting Evidence Action's work in India; however, Evidence Action has been reluctant to accept donations until it can offer those donors tax deductions.

Given India's fairly strict legal requirements around non-profits, Evidence Action expects a three- to five-year process before it is able to conduct all of its work in India through the Evidence Action India Foundation, mainly due to the approvals required for a non-profit to receive foreign funding. Evidence Action currently pays about \$1 million a year in taxes and fees in India, which will be saved once the non-profit is being fully utilized.

Reserves and investment policy

Evidence Action does not currently receive the volume of unrestricted funding it would need to fund program-level reserves. Ideally, program reserves would be funded by donations made specifically to those programs by a mix of institutional and retail donors. So far, GiveWell is the only institutional donor that has given Evidence Action funding for reserves. Evidence Action has formalized its reserves policy in part to see if having that policy helps it get more traction with other donors to fund reserves.

For multi-year grants (like the Good Ventures grant), Evidence Action does not count funding allocated to future years as "reserves," since those funds are committed to a specific budget (though those funds are invested in line with Evidence Action's investment policy).

Evidence Action's reserve policy is intended to be able to cover fairly significant potential funding gaps in order to protect programs from funding shocks.

Investment gains

Investment income and gains on grant funds go toward the programs the grant is designated for if this is requested by the donor. Evidence Action's investment yields have been about 1% to 1.5%; this might rise to 2% as it realigns its investments.

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