



October 2014



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## Executive summary: changes since last year's recommendation in our three areas

### Direct impact

- We have scaled and formalized processes in our core operating model
  - We will commit an estimated 10.5 M this year, an increase of >200% over last year, and we raised \$17.4 M, a 222% increase over last year's \$5.4 M
  - Our operational model now has a 75% higher throughput per FD, with an expected maximum throughput that is 250% higher
  - We recruited new talent and created new roles to support growth
  - In addition to the focus on scale, we investigated and made process changes for vulnerable fringe cases in the areas of targeting and adverse events
  - We created internal systems intended to increase visibility and control
  - We learned how to better approach government approvals
  - We began rolling out Segovia technology, which we expect to improve the transparency and quality of our work

### Design lab

- Our research agenda has expanded to include evidence on broader types of impacts and design questions
- We now aim to influence the \$400 B CT market

### Benchmark

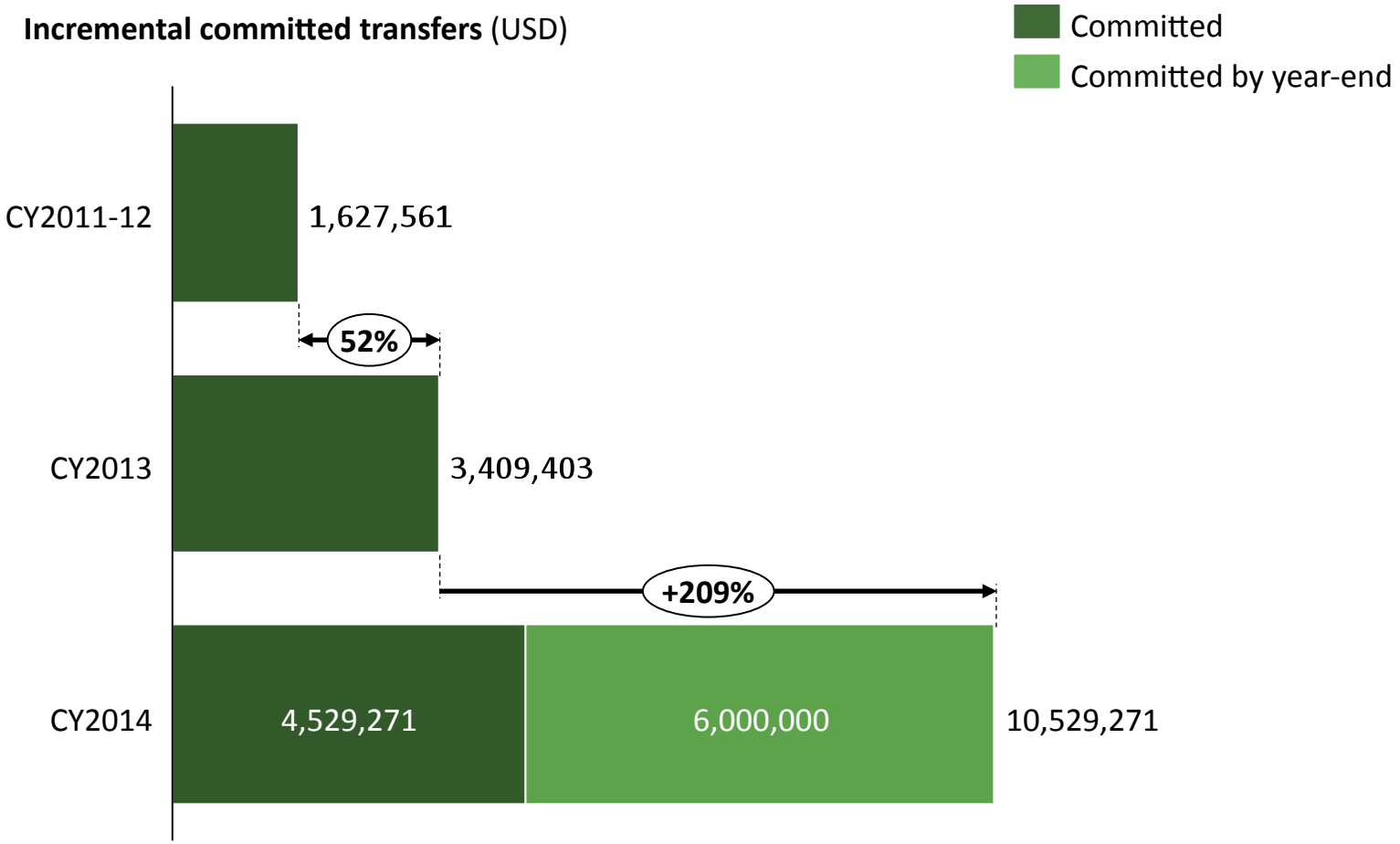
- We are working on setting a new standard for transparency, exposing Segovia database to the public, unfiltered and in real-time
- We're evaluating partnership opportunities based on their potential to advance use of cash as benchmark

## Agenda for today's update

1. Direct impact
2. Design lab impact
3. Sector impact
4. Next year's outlook

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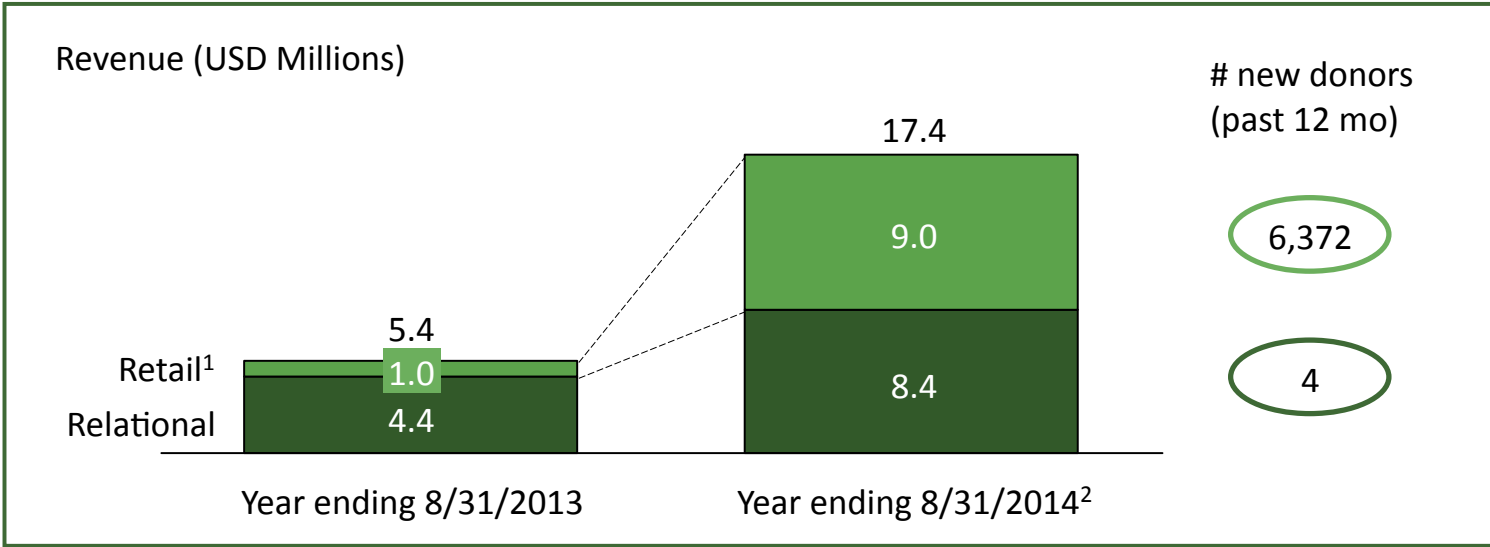
Transfers: We have steadily and significantly expanded the capacity of our field operations



Note: We had previously estimated \$10.8 M in overall field expenditure including transfers and delivery costs (see your 4/8 notes). This estimate suggests we will end the year slightly over that amount.

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Revenue: in the past year, we have grown our donor base in large part due to GiveWell’s recommendation and Good Ventures match



Qualitative updates

**Retail**

- Increased engagement with retail donors, with focus on 5K+
- Invested in tech to enable higher quality, more efficient customer service (e.g., Salesforce)
- Redesigning website with focus on radical, real-time transparency (November launch)

**Relational**

- Secured additional 2M from existing donor in September 2014
- Ongoing positive conversations with 4 new major funders
- DIV proposal for 5.5M pending; under policy review by USAID general counsel

1 Note: we have reclassified GiveWell’s transfers to GiveDirectly as retail (previously classified as “foundation” revenue on our books. Retail also includes some miscellaneous revenue (e.g., interest income)

2 Preliminary; Aug 2014 books being finalized. Excludes 2M relational commitment obtained in Aug 2014

# 1 Operational model: we have refined our model for scale and have investigated ways to target more of the poor

	Change	Rationale	Impact
<b>Rolling model</b>	<ul style="list-style-type: none"> <li>Enrollment steps take place in parallel, rather than sequentially</li> </ul>	<ul style="list-style-type: none"> <li>Increases throughput per FD</li> <li>Enables longer staff contracts, building skill and decreasing recruitment costs</li> </ul>	<ul style="list-style-type: none"> <li>FDs commit ~1M/month (vs. 0.6M prior, representing 75% increase), with an expected max of 2M/month (250%)</li> </ul>
<b>More inclusive criteria</b>	<ul style="list-style-type: none"> <li>Saturation vs. thatched experiment</li> <li>Thatched + pilots</li> <li>Dropped mud walls as eligibility requirement, considering other simple changes (e.g., widows)</li> </ul>	<ul style="list-style-type: none"> <li>Reduce feelings of unfairness and complaints from community about “deserving” but excluded households</li> <li>Reach equally poor households that do not meet thatched-mud-mud criteria</li> </ul>	<ul style="list-style-type: none"> <li>Increased eligibility slightly (~1% more HH/ village) by dropping mud walls.</li> <li>Expected further increases from other simple changes to criteria</li> </ul>
<b>Expanded staffing</b>	<ul style="list-style-type: none"> <li>Field Director full time in Uganda</li> <li>Creation of Project Associate and follow-up SFO roles in Kenya</li> <li>FOs on longer contracts</li> </ul>	<ul style="list-style-type: none"> <li>Management to execute rolling model</li> <li>Greater leverage for FD to work on tech integration , high-level analysis (e.g. “smart” audits)</li> <li>Improve tracking and control of AE mgmt and f/u activities</li> </ul>	<ul style="list-style-type: none"> <li>5 managers with 10 temporary FO at a time end of 2013, now 9 managers and ~25 longer-term FOs</li> </ul>
<b>Uganda-specific protocol changes</b>	<ul style="list-style-type: none"> <li>Harmonization of protocols in key areas</li> <li>Selected primary payments provider</li> <li>Tightened protocols against pay-day fraud</li> </ul>	<ul style="list-style-type: none"> <li>Improves efficiency and coordination of cross-country management</li> <li>Expected reduction in leakage</li> </ul>	<ul style="list-style-type: none"> <li>Enrolled 1,800 households with preferred provider and refined protocol, with first transfer in October</li> </ul>

# 1 Adverse event management: we have formalized detection and resolution mechanisms

## Detection:

- AE tracker generated weekly and reviewed by PA
- Automation code flags problem cases from out-going follow-up calls and incoming hotline calls
- Village elder phone call to pre-identify recipients who are likely to have problems
- Improved survey questions to detect domestic violence
- In Uganda, installed completely independent hotline operator
- Increased pay-day monitoring
- Establishing local informant networks
- Detecting 47 AEs per 1,000 recipients as of today

## Resolution:

- AE specialist roles in Kenya to mediate and arbitrate in household disagreements
- Informal contracts being piloted 2015 to reduce spousal tension
- Augmented pay day security serves as a deterrent for corruption and fraud
- Increased tracking of on timely AE resolution— 81% of AEs have no further actions GD can take to resolve them

AE report attached

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# Internal management: we have formalized systems with the objective of increasing management visibility and control

Example reports attached





	Description	Objective
<b>Financial reporting</b>	<ul style="list-style-type: none"> <li>Formalized quarterly board reports</li> <li>Ongoing policy refreshes</li> <li>New CPA/auditor</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate board engagement</li> <li>More refined allocation; tighter controls (e.g., procurement)</li> <li>Greater focus on controls &amp; other risks; prepare for scale &amp; complexity</li> </ul>
<b>Operational reporting</b>	<ul style="list-style-type: none"> <li>Weekly and monthly operational reports, reviewed by FD/COO and board, respectively</li> </ul>	<ul style="list-style-type: none"> <li>Facilitates board engagement</li> <li>Enables close process monitoring and rapid course-correction</li> <li>Long-term progress monitoring</li> </ul>
<b>Performance management</b>	<ul style="list-style-type: none"> <li>Field staff scorecards, used in performance evaluation and bonus distribution</li> <li>Currently on hold, pending better automation from Segovia</li> </ul>	<ul style="list-style-type: none"> <li>Identifies individual and group training needs</li> <li>Incentivize and reward strong performance</li> </ul>
<b>Focus on culture</b>	<ul style="list-style-type: none"> <li>Monthly and quarterly barometers</li> <li>Emphasis on check-ins, feedback, professional development</li> </ul>	<ul style="list-style-type: none"> <li>Retention, attraction, and satisfaction of exceptional talent despite unusual environment (e.g., geographically dispersed, high-stress, operational focus)</li> </ul>



# 1 Government approvals: we have learned how to better navigate approvals processes

	Kenya	Uganda
<b>Approvals obtained</b>	<ul style="list-style-type: none"> <li>Permission to operate in Ugunja and Siaya districts</li> <li>~2.5 months to obtain</li> <li>Gained capacity to move 3 M as part of the GE study</li> </ul>	<ul style="list-style-type: none"> <li>NGO registration renewed in Bukedea District; national registration renewal under review by NGO board</li> <li>~1 month to obtain</li> <li>Gained capacity to move \$23 M</li> </ul>
<b>Typical approval process</b>	<ol style="list-style-type: none"> <li>Seek buy-in from County and District Commissioner and sign written agreement w/district</li> <li>Ensure Governor's office and relevant Country admin officials informed of expansion activities</li> </ol>	<ol style="list-style-type: none"> <li>Attain approval letter from Resident District Commissioner for natl renewal</li> <li>Attain approval letters from RDC, District Security Officer, District Intelligence Officer, and District Development Officer for local renewal</li> </ol>
<b>Lessons learned</b>	<ul style="list-style-type: none"> <li>Build relationships with senior government contacts or influencers</li> <li>Enlist support of high-level contacts early on if resistance arises</li> <li>Increase cadence of reporting/communication with County and district level officials</li> <li>Begin approvals process with several months of lead time</li> </ul>	
<b>Future plans for expansion</b>	<ul style="list-style-type: none"> <li>Spoken to one official and seeking Ukwala permission now</li> <li>County short-list for expansion: Homa Bay, Nyando, Kisumu counties after Siaya county</li> </ul>	<ul style="list-style-type: none"> <li>Payments pilot in Bukedea District</li> <li>Interest from Minister of Security/MP Nakasongolo in expansion in his district (conversation in process)</li> </ul>

# 1 Team: We gained talent and created new roles to support growth

	Field			Domestic		
						
	<b>Joe Huston</b>	<b>Lawrence Juma</b>	<b>Stuart Skeates</b>	<b>Melissa Harpool</b>	<b>Rebecca Lange</b>	<b>Carolina Toth</b>
<b>Experience</b>	<ul style="list-style-type: none"> <li>▪ Bridgewater</li> <li>▪ Dartmouth</li> </ul>	<ul style="list-style-type: none"> <li>▪ IPA</li> </ul>	<ul style="list-style-type: none"> <li>▪ McKinsey</li> <li>▪ Nottingham</li> </ul>	<ul style="list-style-type: none"> <li>▪ McKinsey</li> <li>▪ UCF</li> </ul>	<ul style="list-style-type: none"> <li>▪ NYU</li> <li>▪ Bates</li> </ul>	<ul style="list-style-type: none"> <li>▪ McKinsey</li> <li>▪ Harvard</li> </ul>
<b>Role</b>	<b>Kenya Field Director:</b> overall responsibility for Kenyan operations	<b>Project Associate:</b> manages day-to-day execution in Kenya	<b>Uganda Field Director:</b> overall responsibility for Ugandan operations	<b>Outreach coordinator:</b> scheduling and relational fundraising coordination	<b>Program assistant:</b> comms and retail fundraising operations	<b>Manager, People &amp; Partnerships:</b> partnerships, recruitment, Segovia project management

- We continue trying to make GD a place where talented people want to work within development
- We believe that talent attracts talent, and have been maintaining a high bar
- The cost of this is higher recruitment costs and longer search times

**1** Segovia roll-out: we expect technology to improve work quality, both directly and via more time spent on higher-value activities

	August + September	October + November	Beyond
<b>Features and activities</b>	<ul style="list-style-type: none"> <li>Design input</li> <li>Feedback on v 1.0 of main features</li> <li>Begin live use of core enrollment database</li> </ul>	<ul style="list-style-type: none"> <li>Follow up staff use Segovia to answer hotline calls</li> <li>Automated AE tracking and management</li> <li>Automated reporting and staff performance management</li> <li>Automated transfers</li> <li>APIs to expose data live to donors</li> </ul>	<ul style="list-style-type: none"> <li>New features to enable processes beyond current state. Ideas include fraud algorithms, biometrics, workflow automation.</li> </ul>
<b>Expected impact</b>	<ul style="list-style-type: none"> <li>FD and PA time savings on manual enrollment tasks. Expected to be liberated ~8 hours per week to work on high value-add activities, after testing is complete</li> </ul>	<ul style="list-style-type: none"> <li>FD and PA time savings up to ~15-20 hours per week</li> <li>Faster AE resolution</li> <li>Better recipient customer service</li> <li>Digitally auditable trail of all data changes</li> <li>Better use of monitoring and auditing time</li> <li>Low-cost transparency to both retail and relational donors</li> </ul>	<ul style="list-style-type: none"> <li>TBD</li> </ul>

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Efficiency has held stable over the past year, with small gains in Kenya and small reductions in Uganda

	<u>Kenya (less Nike)<sup>1</sup></u>		<u>Uganda</u>	
	<u>Actual at 10/24/2013<sup>2</sup></u>	<u>Actual at 5/31/2014<sup>3</sup></u>	<u>Actual at 10/24/2013</u>	<u>Actual at 5/31/2014</u>
TOTAL	% of Total	% of Total	% of Total	% of Total
Direct Grants To HHs	90.6%	91.1%	87.6%	86.3%
Enrollment Costs	1.9%	1.6%	1.4%	1.6%
Transfer Costs	2.6%	2.5%	1.9%	3.3%
Follow-up Costs	0.8%	0.4%	1.3%	1.7%
Core operations	4.1%	4.3%	7.9%	7.1%
Total spend	100.0%	100.0%	100.0%	100.0%

- Kenya improvements driven primarily by scale and increased leverage on senior managers, even with capacity not fully utilized
- Uganda has incurred significant unforeseen expenses related to fraud case, legal/compliance matters and mobile money usage

1 Includes all campaigns through Ke-201402 excluding Nike  
 2 Date of final 2013 update shared with GiveWell  
 3 Reflects end of FY Q3; in process of updating through Q4

## 2 Our research agenda has expanded to include evidence on broader types of impacts as well as design

	<u>Objective</u>	<u>Status</u>	<u>Partners</u>	<u>Potential impact</u>
<b>General Equilibrium &amp; Long-term</b>	<ul style="list-style-type: none"> <li>Understand macro-economics impacts of transfers at scale (in-inflation, job creation, etc.)</li> <li>Measure impacts over a long time horizon (e.g., &lt;5 years)</li> </ul>	<ul style="list-style-type: none"> <li>Started baseline, with long term follow up mechanisms in place</li> <li>Not fully funded—facing a gap of ~8M</li> </ul>	<ul style="list-style-type: none"> <li>Edward Miguel, Berkeley</li> <li>Johannes Haushofer, Princeton</li> </ul>	<ul style="list-style-type: none"> <li>Increase government use of CT programs</li> <li>Increase support for our particular model in proving LT impact</li> </ul>
<b>Behavioral</b>	<ul style="list-style-type: none"> <li>Measure impact of providing information on spending options</li> <li>Measure impact of getting to choose when and how to receive cash</li> </ul>	<ul style="list-style-type: none"> <li>Finalizing protocol, schedule now</li> <li>Scheduled to launch late October</li> </ul>	<ul style="list-style-type: none"> <li>Anandi Mani, Warwick</li> <li>Sendhil Mullainathan, Harvard</li> <li>Anuj Shah, Chicago Booth</li> </ul>	<p>Identify additions to GD's process (or any CTs program's process) that can further improve recipient outcomes that are worth the cost in transfers</p> <p>↑</p> <p>↓</p>
<b>Aspirations</b>	<ul style="list-style-type: none"> <li>Understand if whether non-directive documentaries can assist recipients to get even better returns by boosting their aspirations</li> </ul>	<ul style="list-style-type: none"> <li>Ironing out protocol with the other studies—may be synergies</li> <li>Launches March/April 2015</li> </ul>	<ul style="list-style-type: none"> <li>Stefan Dercon, Oxford</li> <li>Kate Orkin, Cambridge</li> </ul>	
<b>Gender</b>	<ul style="list-style-type: none"> <li>Test if informal contracts can help further reduce domestic violence and improve female empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Small pilot, spring 2015</li> <li>If successful, grow into a more large-scale project</li> </ul>	<ul style="list-style-type: none"> <li>Simone Schaner, Dartmouth</li> <li>Jessica Leight, Williams</li> </ul>	

### 3 We're evaluating partnership opportunities based on their potential to advance use of cash as benchmark

	<u>Rwanda</u>	<u>[Redacted]</u>	<u>IRC and Indonesia</u>
<b>Partnership opportunity</b>	<ul style="list-style-type: none"> <li>Run a CT program in Rwanda that serves as a benchmark for [redacted]</li> </ul>	<ul style="list-style-type: none"> <li>Participating and providing thought leadership in a cash transfer working group</li> </ul>	<ul style="list-style-type: none"> <li>Provide design advice and knowledge on CT programs in which GD is not directly involved</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>Ongoing discussion with [redacted] on the legality of using cash transfers for development</li> <li>Strong interest from [redacted], blocked by legal issue</li> </ul>	<ul style="list-style-type: none"> <li>[Redacted] working to fundraise enough to kick-off the group</li> <li>After a certain threshold, we will invite other participants</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing conversations with IRC and government of Indonesia about aspects of GiveDirectly's program that could be incorporated into their own</li> </ul>
<b>Potential impact</b>	<ul style="list-style-type: none"> <li>Increase [redacted]'s focus on CTs</li> <li>Allow [redacted] funds to go toward CTs for development (and not just humanitarian)</li> <li>Establish a benchmark in a country's portfolio, driving focus onto programs above the CT benchmark</li> </ul>	<ul style="list-style-type: none"> <li>Conceptual frameworks and blueprints that will enable others to use cash transfers as a benchmark</li> </ul>	<ul style="list-style-type: none"> <li>More efficient or effective CT programs for the poor in Pakistan and Indonesia</li> </ul>

# 4 Next year's outlook

## Room for funding

- With current funds, we will stop committing funds in Kenya early 2015, and in Uganda in October
- For 2015, we estimate our room for funding to be roughly \$20 M with current resources, pace, and model, and \$40 M at the optimal pace:
  - In Kenya, we are committing ~\$1M/month and can create the same structure in Ug
  - If we buffer two months for holidays and set-up, that's \$10M/year in both countries
  - Teams are currently 5 FOs and can be increased to 10 with no other changes in structure. SFOs have previously shown the ability to manage teams of 10.
  - Teams of 10 would double our throughput to \$40M/year

## Risks impacting our RFF

#	Risk	Damage to RFF	Steps taken to mitigate
1	Fraud	<ul style="list-style-type: none"> <li>▪ Successful fraud delays funds distribution as we investigate, pause operations, and revise protocol.</li> <li>▪ Ongoing, inherent risk each year</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continuous modification of model in response to successful instances of fraud</li> <li>▪ Segovia technology expected to improve visibility and enable machine learning</li> </ul>
2	Payment platform	<ul style="list-style-type: none"> <li>▪ Providers may have technical problems that prevent us from distributing cash</li> <li>▪ Changing recipients over to a back-up provider would result in delays</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diligence on selecting best platforms</li> <li>▪ Relationships with back-up platforms: Ezee and Aritel in Uganda, Equity in Kenya</li> </ul>
3	Gov't permissions	<ul style="list-style-type: none"> <li>▪ Delays in permission result in a halt in operations, or an increase throughput in areas where we do have permission</li> </ul>	<ul style="list-style-type: none"> <li>▪ Secured more high-level advocates, and looking for more (e.g., board members, coordination with gov't CT programs)</li> <li>▪ Obtained permissions for ~\$26 M more</li> </ul>
4	Security	<ul style="list-style-type: none"> <li>▪ Political violence and terrorism are both risks in Kenya. Western Kenya has not been impacted since 2008 election violence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operations in Uganda provide an alternative, and funds could be shifted more heavily toward UG</li> </ul>