

Conversation between Paul Niehaus and Michael Faye (Directors of GiveDirectly) and Holden Karnofsky and Stephanie Wykstra (GiveWell) on October 6, 2012

Summary:

GiveWell spoke to GiveDirectly because GiveWell is considering recommending GiveDirectly as a top charity (it is now in the “standout” category).

Key points from the conversation:

- GiveDirectly’s revenue last year was about \$500,000 and GiveDirectly spent about 90% of its revenue on the cash transfers. The group has one full-time employee and is in the process of hiring another. It expects that with two full-time employees it could process \$10 million for cash transfers per year.
- There are now midline results from the RCT which will be completed in 2013; since the final RCT survey will include many more questions and will better capture results (purchasing decisions) which reflect the full amount of the transfer, GiveDirectly does not put much weight on its preliminary results.
- GiveDirectly plans to use further donations to expand the reach of its current cash transfer program (which involves giving \$1,000 over 2 years.) However, GiveDirectly may be open to other models, such as spreading the transfers out over a longer period of time, giving smaller amounts, or giving cash transfers to all members of a village rather than to only selected households of a larger community.

***Note:** This is a set of summary notes compiled by GiveWell in order to give an overview of the major points made by Paul Niehaus and Michael Faye in conversation.*

Restricted vs. unrestricted funding:

GiveDirectly will use further donations to expand its current programs. GiveDirectly would consider accepting funding to carry out a new type of project if the funding came from a donor that GiveDirectly could communicate with to lay out clear expectations as to how the money would be used.

Past finances:

GiveDirectly’s revenue last year was about \$500,000. Last year, GiveDirectly spent about 90% of its budget on the cash transfers. About \$20,000 of the other costs were on outreach and website expenses.

Room for more funding:

GiveDirectly is currently giving different amounts to different groups of people (ie some people receive \$1,000 and others receive \$300); with further funds, it would raise the level of giving to those currently receiving less. The amount of additional money needed for this

is \$250,000.

GiveDirectly anticipates that each full-time supervisor-level staff member could process \$5 million in cash transfers per year. It currently has one full-time staff member and is interviewing candidates for another full-time hire. Two full-time employees is GiveDirectly's preferred staff size at present.

Staff members:

Aside from full-time staff, GiveDirectly also employs project-based staff: accountants, field workers who do surveys, and field workers who check that recipient households meet GiveDirectly's criteria. The field workers are supervised by the full-time staff; the current staff member is based in Kenya.

Currency exchange fee:

GiveDirectly spends about 1.2-1.5% of the value of the cash transfers in order to exchange US currency for Kenyan currency.

Randomized controlled trial (RCT):

The impact of GiveDirectly's program is being studied in a randomized controlled trial (RCT), conducted by Innovations for Poverty Action (IPA). The study will be completed in 2013. There are some preliminary midline results; these represent only a sub-set of the questions that will be asked in the final survey.

An example of a midline result that GiveDirectly mentioned is that 40% of the control group of the RCT reported having at least one child who had gone without food for a full day within the last week. 1/3 fewer of the households reported this outcome in the treatment group as compared to the control group.

GiveDirectly told us that the midline survey examined 50 outcome variables and found statistically significant effects in 45% of them at the 5% level.

The average cash transfer recipients had received only \$200 from GiveDirectly at the time when they responded to GiveDirectly's midline survey. It's plausible that recipients who are ultimately going to receive a total of \$1000 will spend the remaining money that they receive differently from how they spent the first \$200. It's also the case that there are annual seasonal expenses associated with wedding season, agriculture and school enrollment. These will show up in the annual survey but may not have shown up in the midline survey.

For these reasons, GiveDirectly said that the midline survey results should not be given too much weight.

Survey data from GiveDirectly:

GiveDirectly carries out its own surveys of the recipients of cash transfers via phone calls. It successfully reached 95% of the people in its first round of enrollment and has so far reached 67% of people in its second round of enrollment.

Some of the topics in the survey which recipients are asked about are:

1. Whether the cash transfers have led to conflict between recipients and non-recipients.
2. How they are using the money and how they plan to use the money.
3. Their suggestions for GiveDirectly.
4. How long it takes them to get a national identification (if necessary) and register to receive cash transfers.
5. How long it takes them to travel to collect the cash transfer and how much it costs them to do so.
6. Whether their lives have improved as a result of the cash transfers

On the first point, GiveDirectly has not yet seen evidence that the cash transfers have led to significant conflict.

On the third point, the most common suggestion from recipients is that GiveDirectly allow those who receive cash transfers to receive them for a longer duration than 2 years.

On the fourth point, it took recipients in its first round of enrollment an average of 1.3 months to register in GiveDirectly's first round of transfers. GiveDirectly cut this amount of time to 0.1 months for recipients in its second round of enrollment.

Option of goods instead of cash:

GiveDirectly gave cash transfer recipients the option of spending some of the money that they receive to buy a phone provided by GiveDirectly. Having a SIM card is needed for receiving the cash transfers. About 70% of people from the last enrollment round accepted this option.

GiveDirectly mentioned that it may be possible to test peoples' preferences for cash versus goods by offering the option to receive either cash or goods in lieu of cash. GiveDirectly is interested in this possibility (but doesn't have plans in the near future to implement it.)

The amount of cash transferred:

GiveWell is concerned that the amount of \$1000 that GiveDirectly transfers to recipients is high and wonders whether giving smaller amounts to a larger number of people would have a more positive social impact and reduce the potential for conflict.

GiveDirectly's aim is for its cash transfers to have a transformative effect on recipients. Their

view is that larger amounts are likely to be transformative than smaller amounts. GiveDirectly believes that a non-repeating \$1000 amount is an appropriate amount for this purpose in Kenya.

GiveWell and GiveDirectly discussed the possibility of GiveDirectly giving smaller-sized, frequent transfers (say \$1/day). This isn't something GiveDirectly is pursuing at the current time but is open to trying this model (or something similar) in the future.

Potential project: whole-village cash transfers

Another possible cash transfer program is that of giving every individual in a village a cash transfer of the same amount. GiveDirectly has some interest in eventually running a randomized controlled trial of this concept at the village level. It would only use money from donors for this if the potential donors knew about GiveDirectly's plans to use their donations for the project and were more interested in funding the project than in funding GiveDirectly's other activities.