

Phone conversation between Freedom from Hunger (Chris Dunford, CEO) and GiveWell (Elie Hassenfeld and Natalie Stone) on February 22, 2011

GiveWell: Our understanding of your model is that you develop training programs related to microfinance and train the trainers who in turn train microfinance institution (MFI) staff to implement the program. Is this correct?

Freedom from Hunger: Our staff spends a lot of time training and in preparation for training. But the training is because we have a dual-track strategy focused on global hunger:

- 1) Evidence-based innovation on how to deal with hunger and
- 2) Distribution of innovations through others to serve the hungry poor.

First we have to show that the innovation works, which means careful research, including randomized controlled trials (RCTs). Distribution means we need to be trainers. The idea is similar to a market test followed by global roll out.

Our main innovation for the past 20 years has been *Credit with Education*. Derived from work done by Grameen, FINCA and Accion, it provides credit, safe savings and education for illiterate adults to improve their knowledge and skills in health and nutrition, and financial and business management.

Right now we are doing more training to roll out innovations than research itself. We add value to microfinance with education and, more recently, health projects. We train organizations to provide group-based microfinance, education and access to health services. Our trainers train the organizations' trainers who then train their staff.

The trainers we train are generally microfinance institution staff. There are also cases in which we train a network of microfinance organizations which then train the MFI staff.

Basically we have a standard curriculum and adapt it to specific organizations. It is analogous to software—we write it, train them how to use it, and customize it to their needs.

Our role is partially to bring learning from one organization to another.

GiveWell: What exactly does Freedom from Hunger pay for and what do its partners pay for?

Freedom from Hunger: It depends on the status of the innovation. If we test an unproven program, then, because of the risk, we will pay for everything. Research and development of new innovations is usually funded through grants from institutional donors. Once we've developed a program, but it's still not totally proven, then there's more cost-sharing. We'll cover our own costs but our partners pay for their costs. A third scenario is one in which an institution will come to us with money to cover our costs to do training, or we help them to fundraise to cover our costs.

GiveWell: Could you provide an example of customization?

Freedom from Hunger: We had the *Credit with Education* program worked out, having built programs from scratch that did only that program. We then started to offer this model to other existing financial service organizations in Ghana. These small for-profit banks wanted a whole package of group-based lending and education as a new product line they could offer to attract new, poorer, more rural clients.

Another example is how we worked with a credit union federation in Burkina Faso. This was very different from what we had done before. This required customization of the *Credit with Education* package to fit with credit union operations. In fact, we pioneered in introducing group-based lending to the global credit union movement.

GiveWell: It sounds like for a long time you were more focused on product development; now you're more focused on disseminating those products. Is that right?

Freedom from Hunger: Yes, but we're always developing new models, such as new forms of the *Credit with Education* program. We don't have a lot of models rolling out simultaneously, and they are generally in different stages of development. We have four basic models right now:

1. *Credit with Education*. The basic package is widespread. We did the first RCT in microfinance, on *Credit with Education* programs in Ghana and Bolivia in the mid-1990s. It didn't get as much attention as the more recent studies because the results were never published in peer-reviewed journals. We effectively showed the positive value of *Credit with Education*, and now we are at the stage in which organizations come to us and say they want to implement the program. Every new partner requires a new customization process. We are still developing education modules on new topics for dissemination through *Credit with Education*, and we want to roll them out to as many organizations and people as possible.
2. *Saving for Change*. This program started in 2005 in Mali as a joint venture with Oxfam America and the Strømme Foundation of Norway. It is a savings-led approach to microfinance. It serves areas or people who are generally beyond the reach of MFIs. There is an RCT going on in Mali, funded by the Gates Foundation and conducted by Innovations for Poverty Action. We've demonstrated that it can be practical for implementation, but because the impact evaluation is incomplete, it's one stage behind *Credit with Education*.
3. *Microfinance and Health Protection (MAHP)*. We work with MFIs to introduce programs to increase access to health services and products. We've done this in five different locations on four continents with five different MFIs and have completed a lot of research on this; this time we're publishing our results through peer-review journals. Now we're in the stage of starting to roll it out. There are still uncertainties about whether all MAHP services can be offered through *Saving for Change* programs; this is a new frontier for innovation.
4. *AIM Youth*. This is a new innovation program to extend *Saving for Change* and *Credit with Education* to youth (13–25 years old). As a still untested innovation, we remain appropriately skeptical but optimistic about its prospects to work well in a variety of circumstances. The MasterCard Foundation has given us a major contract to fund the development and testing of AIM Youth.

GiveWell: Do you follow up with organizations that implement programs you train them on?

Freedom from Hunger: We follow up with further training, particularly to develop or introduce new education modules to their work, and to troubleshoot with technical assistance as needed to help our implementing partners resolve the problems that naturally arise as they expand the program and integrate it within their other operations. We track the partners' progress in our *Credit with Education* status report that is updated every six months with reports from the partners on financial performance and the education modules each organization is implementing. Once they are no longer dependent on Freedom from Hunger for funding or training/technical assistance, we cannot force them to report, so it is a tribute to our good relationship management that they continue to report voluntarily for years afterward.

We are concerned about the quality of implementation. It's a high-leverage strategy, because we train people to do what we know how to do. But we have no lasting control over the MFIs and other partners. We seek to deal with this by providing high-quality training up front and follow-up technical assistance as long as funding allows.

Of 112 partners who continue to report to us (half are in Mexico and many of these just participated in training programs without follow-up technical assistance), we are highly engaged with something like 20 to 40 at this time. In some cases, we have the opportunity to go back in to see how they are doing after a long hiatus of engagement.

We've also developed a system of "impact stories." We learned that reported food security is very sensitive to participation in *Credit with Education* programs. We know that you'll see changes in reported food security before you see other changes. We choose a willing partner, do in-depth qualitative interviews with randomly selected clients, and ask them to tell us their life stories. Then we go back three years later to update their stories and assess to what extent their lives have changed for the better, for the worse, or not really changed at all. We have well over 200 stories from nine countries and are just now going back to the same people three years later to collect their follow-up stories. We hope to offer this impact-monitoring methodology to more organizations in the future.

GiveWell: Are the monitoring reports online or can you share them with us?

Freedom from Hunger: Only the *Credit with Education* report is on our website. Others are shareable.

There are some MFIs that we've worked with that have ceased to report. I estimate it's about 10.

GiveWell: You said that you've found that food security is very sensitive to participation in the *Credit with Education* program. What is the evidence for this?

Freedom from Hunger: The best evidence is from the RCTs in Ghana and Bolivia in the mid-1990s. These experiments were very well constructed, though there were implementation problems in Bolivia—not all clients got education and sample sizes were too small. Those are the studies to look at. In Ghana, food security was very clearly measured. A caution about those two studies is that the research results were reanalyzed by prominent researchers (Jonathan Morduch and Dean Karlan) who found design flaws that reduced statistical power of results. We thought

we were looking at data with clients as the unit of analysis, and they said we actually had to look at the data on the community level.

These studies were, for a long time, the only RCTs that had been done in microfinance. They were quite expensive. We were bothered by the fact that we just had these two examples. The difficulty in these RCTs is that you're not just looking at the intervention but also at quality of implementation, and we clearly had two different quality levels in Ghana and Bolivia.

GiveWell: What about studies that didn't find impact on food security, such as the one from Bénin?

Freedom from Hunger: Bénin is a recent study, and I'm not as familiar with that one. It had both neutral and positive results. I had forgotten they looked at food security. I'd have to read the study again, but if it was a negative result, I have to ask about the quality of program implementation and the context. The MFI went through a lot of turmoil during the time of the study. It's hard to make the distinction between effects of the design of the intervention and the quality of the implementation on the research results.

GiveWell: It seems like this presents a challenge for you in terms of evaluating the evidence that a program is effective. If there are multiple trials, and some point to positive results and some point to negative results, how do you reach a conclusion about the likely effectiveness of the program?

Freedom from Hunger: It is a challenge. We try to look at the full picture, taking into account everything we know. We look at the rigorous evaluations and other monitoring we do (such as the impact stories), and we also factor in more impressionistic evidence from the observations of the partner staff and our own observations. Moreover, results that did not meet the standard for statistical significance often still indicate client change in the predicted direction. This may be further supported by focus-group interviews with clients, which are usually very important for interpreting the rigorous research results, especially when they are a mix of neutral and positive, which is usually the case in RCT results. Ultimately, one of the most important inputs is the years of experience we have, and the confidence that experience gives us in the overall interpretation we make of the totality of evidence. Keep in mind, too, that research may show that the intervention design has good impact when it is delivered properly, but proper delivery may prove to be impractical or too costly for ordinary partner organizations. That sends a very clear message about effectiveness.

GiveWell: If we look at the technical website and regular website, are we seeing everything you look at to know whether programs are effective?

Freedom from Hunger: We have more than what is on the websites that goes into our thinking and decision-making. I believe that 90 percent of what we know from our research and implementation experience of partners is there. Some knowledge is just not yet documented in a form that is posted on the websites. Given all the difficulties with RCTs, we have to depend on the impact stories as a supplement. The papers on impact stories are in progress. There's a major paper about to appear in public on what we've learned from impact stories so far, which

highlights the “why” and “how” of impact.

Academic researchers often contend that you shouldn't roll something out until you've proven that it works. The problem in general, not so much at Freedom from Hunger, is that innovations are developed and people get enthusiastic about them and they decide to start rolling them out before there's good research fully completed. Now there's some hard evidence that microfinance works for the poor, and there's a huge body of less formal evidence and person-years of experience that has generated optimism about the effectiveness of microfinance and the way we add value to microfinance with education and linkage to health care. But so far there is no solid research that refutes our optimism, though it may modify what we think is reasonable to expect in terms of impact.

GiveWell: Have you done research that significantly changed what Freedom from Hunger was doing?

Freedom from Hunger: We learned from the studies in Ghana and Bolivia that microfinance can have impact on food security and more generally consumption smoothing. So, we don't claim that we're lifting people out of poverty. Instead we talk about poverty alleviation, reducing the burden of poverty, especially on families so poor that they were chronically hungry. We also learned from that early research the importance of careful attention to the quality of delivery of *Credit with Education* and similar programs.

GiveWell: How do you choose which MFIs to work with?

Freedom from Hunger: It's a difficult but vital process; our success depends so much on choosing partners well. Our process is constantly under revision. We are looking for partners who are reaching large numbers of people who are chronically hungry (generally those in rural areas), partners who are well managed, and partners who are aligned with our system of innovating, testing and sharing results.

We spend a lot of time with partner organizations at the beginning. Key to this is the orientation workshop. Once we've determined that they are interested and promising, we engage senior management in truly understanding what is involved in adopting our innovation, and try to test their commitment. In the process of the workshop we try to see if they are really ready to commit. We then have another mechanism that comes after the first group of clients has finished repaying their first round of loans. Ideally we send in a team to assess with the partner staff how it has been going. Within the partner organizations, there has to be a champion of the program both at the top and at the level of operations management for the innovation to take hold and work.

GiveWell: How do you know that it's going well after you train people?

Freedom from Hunger: We depend mainly on the reports provided semi-annually for our global performance report. We also want to go back in occasionally to observe and ask questions, and now we are doing the impact stories where we can, but all this depends on funding for follow-up, which donors are not enthusiastic about supporting. Fortunately, our relationship management

with partners is quite good, so they like to see us and they welcome our feedback and are generally responsive to suggestions for changes in their operations.

GiveWell: You've participated in a couple of randomized controlled trials of your *Credit with Education* program. Were those your "normal" programs or different in some way because of the RCT?

Freedom from Hunger: In an RCT, we have to pay a lot of attention to proper implementation. You want to evaluate if it *can* be done right. If you aren't paying a lot of attention, you might have a lot of implementation problems, and the RCT ends up proving that implementation was poor and that is all, which is a total waste of time and money. So the partner staff gets a LOT of help and guidance and general attention from us, much more than if they were not participating in an RCT. But the partners chosen for an RCT are not atypical partners.

GiveWell: How would you respond to the criticism that Freedom from Hunger just comes in, provides training and support, and then leaves but doesn't follow up to ensure that the program is going well and running effectively?

Freedom from Hunger: We do everything we can upfront when we're engaging with our partner to identify possible areas where the project might fail, and address those. We don't have the resources to stay heavily engaged with our partners long-term, and in many cases, because they are independent operating entities, they might not want us to.

GiveWell: What would you do differently if you had more money?

Freedom from Hunger: We could train a lot more organizations in *Credit with Education*, Microfinance and Health Protection and *Saving for Change* and we could do a lot more quality monitoring and troubleshooting as follow-up to the training. We could channel a lot more money into rolling out well-tested innovations. We'd also like to hire more trainers. We've had to turn away a lot of organizations asking for our help to adopt our innovations. Latin America had been lagging in the uptake of our kind of innovation, but now they want more of the type of programs we do. We have to say, "We can send you the material, but we can't help you, we can't do the training ourselves." Our modules are available to all organizations, but training and customization is really important. In recent years we've established overseas offices staffed by local nationals in an effort to make our services more accessible and affordable to local organizations.

GiveWell: How cost-effective is your program as an add-on to regular microfinance (relative to regular microfinance without your add-on)?

Freedom from Hunger: First, I'll address the cost-effectiveness of adding education and health services to regular microfinance with these add-ons. We've done or are supporting several studies. One cost analysis showed that the extra cost for extra education for health and business management is something like 5 to 10 percent of the total cost of the program (looking at four programs over three years of cost data), and this can be covered by the revenue from credit

operations (charging the same interest rates as comparable group-lending programs without the extra education). More recent studies show the extra cost per client per year for providing various health protection options is an average of 26 cents. On the effectiveness side, research has shown that the extra education can improve women's knowledge and practice of better health and nutrition practices and these result in better child nutrition, and it can improve business practices and resulting client business and MFI performance. These are benefits that would not come from microfinance alone. So, the general conclusion we come to is that significant benefits can be provided for remarkably low cost (certainly no more, if not considerably less, than what stand-alone education and health programs cost). We also have evidence that the MFI incurring these extra costs is benefiting financially from increased client recruitment and retention thanks to the add-ons. This is what we call "value-added microfinance."

Second, thinking of Freedom from Hunger's own cost-effectiveness, we are more costly than we might be with a different strategy because we engage so much in research and development. But the benefits of the extra costs are introduction of important innovations to the international development efforts, and these are adopted by many other organizations thanks to our documentation, dissemination and training efforts. There is variation in cost-effectiveness of our training, depending on the size of organization we train. Overall, this is a high-leverage strategy—widespread benefits from the work of a small organization. One way to look at it is that with 45 staff, we're working with 112 partners in 17 countries and through these partners our innovations reached over 2.4 million women in just the prior six months, and when we count the whole families of these women, we've reached over 14 million people.

GiveWell: Can you share budget breakdown information either by R&D v. training v. M&E or by partner year-by-year and number of people reached by partners? We're looking for a "conceptual budget" rather than an accounting one.

Freedom from Hunger: Accounting categories aren't aligned with those categories. We keep our timesheets by project and country. Staff is involved in all aspects of our work. I can't guarantee that we can provide that without special analysis. But we can provide budget and cost information in whatever categories you specify.

GiveWell: Could you provide expenses by project?

Freedom from Hunger: We could provide that with relative ease.

GiveWell: How much is spent on each of the four types of program? We try to focus on an organization's focus, or where the marginal donation would go.

Freedom from Hunger: The quick answer is that it depends on the country or region. *Saving for Change* is in great demand in West Africa, which is not so interested in *Credit with Education*. The opposite is true in Latin America. There is growing demand for MAHP add-ons in India and Southeast Asia. Where money goes is driven by donors and partners, but primarily what innovations our partners want to adopt. The departure from that rule is when a major grant-making institution provides us a lot of money to develop a new innovation. So right now, a lot of money is going into development and testing of AIM Youth.

GiveWell: Are there organizations doing similar work to you?

Freedom from Hunger: There are a few organizations that specialize in a strategy of innovation and dissemination through documentation and training others, and there are many that focus on delivery of integrated microfinance, education and/or health services and there are many that focus on delivery of services to improve food security in various ways, but I know of no other organization that focuses on microfinance-related innovation and dissemination to improve food security of the poor with a combination of financial, educational and health services.