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The Returns to Microenterprise Support among the Ultrapoor: A Field Experiment in Postwar Uganda

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We show that extremely poor, war-affected women in northern Uganda have high returns to a package of \$150 cash, five days of business skills training, and ongoing supervision. Sixteen months after grants, participants doubled their microenterprise ownership and incomes, mainly from petty trading. We also show these ultrapoor have too little social capital, but that group bonds, informal insurance, and cooperative activities could be induced and had positive returns. When the control group received cash and training 20 months later, we varied supervision, which represented half of the program costs. A year later, supervision increased business survival but not consumption. (JEL I38, I16, J23, J24, L26, O15, Z13)

The World Bank, the United Nations, and the United States government have made the eradication of extreme poverty by 2030 a central development goal. Since the world's poor often live in economies with few firms, anti-poverty programs often try to foster self-employment. This includes farm enterprises such as raising livestock for sale, and nonfarm enterprises such as trading or retail. But can the extreme poor be expected to start and sustain such microenterprises? And what constraints hold them back?

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‡ Extreme poverty refers to earning less than the \$1.25 per day international poverty line. See Ban, Hupkes, and Milner (2014) for a discussion of the goals.

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