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**Timeline**

2013-2016

**Sample Size**

6,168 households in Uganda

**Data Repository**

<https://osf.io/mzrkx/>

**Research Implemented by IPA**

Yes

# Variations of Ultra-Poor Graduation Programming in Uganda

## Abstract

Helping the ultra-poor develop sustainable livelihoods is a global priority, but policymakers, practitioners, and funders are faced with competing ideas about the best way to reduce extreme poverty. Innovations for Poverty Action conducted a randomized evaluation to test the impacts of diverse components and variants of the Village Enterprise microenterprise program, an integrated poverty alleviation intervention that provides poor households with a combination of cash transfers, mentorship, business training, and support with the formation of savings groups, over a one-year period. Preliminary results suggest the integrated microenterprise development program led to increased consumption, assets, and income, as well as improvements in nutrition and subjective well-being, and cost-effectiveness appears high. A cost-equivalent cash transfer seems to have less promising medium-term impacts on poverty reduction and subjective well-being than the microenterprise program, though estimates are more ambiguous.

## Policy Issue

Finding cost-effective ways to reduce poverty for the poorest households continues to be a major policy challenge. According to the World Bank, approximately 10 percent of the world's population lives on less than 2011 PPP US\$1.90 a day<sup>1</sup>, and finding more secure and sustainable livelihoods is crucial for these households. Microenterprise development is one key avenue for helping these ultra-poor families develop livelihoods, but some approaches that policymakers had hoped would help— such as microfinance services—have not

substantially improved the living standards of small business owners or their families.

One approach that has recently shown greater promise across contexts on average is the graduation model, a package of sequenced interventions intended to help the ultra-poor develop stable and sustainable livelihoods. But impacts are quite diverse and current implementations are expensive and very high touch, which raises the question about the drivers of effects, and whether they continue to be present as such programs get promoted to larger scale. Given these concerns, it is important to better understand how a more streamlined model stands up to the current model, as a simpler program would be less costly and would also likely scale with greater fidelity. It's also important to "unpack" the program to better understand if individual components are driving the impacts, and if so, what they are.

## Context of the Evaluation

Village Enterprise is a non-profit that provides very poor households in rural, East Africa with a combination of cash transfers, mentorship, business and financial literacy training, and support for the formation of savings groups over a one-year period. The Village Enterprise program is meant to help extreme poor households develop sustainable livelihoods. It looks a lot like ultra-poor graduation, but is less intensive, and therefore, less expensive. Group-based and shorter in duration (one year vs. two), the Village Enterprise program costs roughly a third of the cost (in USD PPP terms) of the least costly graduation program evaluated in a six-country study.

Participants in this study were households eligible for the Village Enterprise program. Over 95 percent of them were reliant on subsistence farming and agricultural day labor. Forty-eight percent of the households were living on less than a dollar a day and another 39 percent were living on between one and two dollars a day. The majority of households spent about 80 percent of their income on food.

## Details of the Intervention

Innovations for Poverty Action conducted a randomized evaluation to test the impacts of diverse components and variants of Village Enterprise's program, which provides poor households with a combination of cash transfers, mentorship, business training, and support for the formation of savings groups over a one-year period. To identify the extreme poor, Village Enterprise independently conducted a participatory wealth ranking exercise, followed by a quantitative means test using Poverty Probability Index (PPI) survey data, to validate eligibility.<sup>1</sup>

The poorest 6,378 households across 138 villages were selected for participation. Researchers then randomly assigned selected households to one of six groups:

**1. Full graduation program:** Participants in this group received the full Village Enterprise graduation program, four components sequenced over 12 months:

- i. **Training**—A business mentor leads sessions for groups of around 30 participants. The training consists of 16 sessions on topics such as record keeping, business planning, marketing, the importance of savings, and financial management.<sup>3</sup> Participants form small groups of three people each; these groups are expected to write a business plan and work on starting a small business together.
- ii. **Capital grants**—Three months after trainings begin, each small business group that attended the trainings receives a grant of about \$100 (converted to 240k UGX, or 2016 PPP US\$227.27 for this evaluation) to start their enterprise. A second grant (half the amount of the first) is provided six months later; the second grant is conditional on the group's proper utilization of the start-up capital and regular participation in the savings groups.
- iii. **Mentoring**—Business mentors recruited locally as well as Village Enterprise field coordinators provide on-going mentoring and coaching, monitor the small business groups' use of the capital, and advise them on specific challenges they encounter.
- iv. **Business savings group (BSG)**—BSGs function similarly to Village Savings and Loans Associations in that members make contributions to the group's savings pool, and can also borrow from it. The goal of forming a BSG is to create a sustainable way for participants to access financial services and support each other after the program is over. The same group of 30 participants that attends the training forms the BSG together.

**2. Business-in-a-Box (BIAB):** In a small pilot, participants in this group received all components of the Village Enterprise program except the capital grants (training, BSG formation, and mentoring). Instead of capital grants, small business groups received all necessary inputs to start a business (for example, all the materials one would need to start growing sesame seeds or raising chickens).<sup>2</sup>

**3. Graduation program without BSG:** Participants in this group received the training, capital grants, and mentoring components of the Village Enterprise program, but not the BSG.

**4. Unconditional cash transfers:** Each participant in this group received 2016 PPP US\$295.45 (312k UGX) as an unconditional cash disbursement. To enhance the comparison of the graduation program to the cash transfer, this amount was approximately equivalent to the per-person cost of delivering the Village Enterprise graduation program.

**5. Unconditional cash transfer combined with a behavioral/mindset intervention:** Each participant in this group was invited to participate in a three-session intervention that taught goal-setting and plan-making. After the second and third session, participants received cash transfers totaling of 2016 PPP US\$295.45 (312k UGX).

**6. Comparison:** Households in this group were not offered the graduation program, the cash transfer, or a BIAB. Researchers ran comparisons to evaluate effects of the components and variants of the program on households' consumption, occupational choice, assets, access to financial services, and savings.

## Results and Policy Lessons

### **Preliminary results**

*Impacts of the integrated microenterprise program:* The full program (mentorship + training + savings groups + transfers) led to increased annual consumption of 2016 PPP US\$23.82 (26,061 UGX) per capita, assets 2016 PPP \$14.94 (16,343 UGX) and greater cash inflows of 2016 PPP \$12.32 (13,483 UGX). Subjective well-being improved and, unlike the other impacts, appeared to increase over time.

- Higher consumption included greater food security and dietary diversity, which was corroborated by nutritional impacts. No meaningful impacts emerge on other health related outcomes.
- Improved assets were driven primarily by greater livestock ownership. Greater cash inflows were driven by an increase in self-employment activities.
- Cost-effectiveness appears high: the cost of the microenterprise program, as incurred by Village Enterprise over the course of the roll-out, amounted to roughly 101k UGX per capita under very conservative assumptions (e.g., including international overhead). The scale of consumption effects, at roughly 26k UGX per year, implies a payback period below 4 years. Accounting additionally for the residual asset stock of 16k UGX, it comes closer to three years.

*Impact of the savings groups:* The savings group component did not lead to an increase in consumption or total assets, but did lead to an expansion in microenterprise activity and some improvements in the standing of women.

*Impact of the cash transfer (with and without the behavioral change component):* The cash transfer did not appear to have meaningful impacts on poverty outcomes, but these results are somewhat ambiguous. Based on one estimate, cash transfers led to an increase in assets. However, results are insignificant or negative under other specifications.

*Impacts of the behavioral/mindset intervention:* This intervention had similar impacts on psychological well-being and assets as the microenterprise program; however, the program did not lead to increases in consumption.

These results suggest that extensions to cash transfers can help beneficiaries get more value out of their newly acquired assets, but more research is needed, particularly on how such a package might be effectively delivered at larger scale.

## Sources

[1] Baseline data suggests Village Enterprise successfully targets people whose consumption is below the international poverty line of 2011 PPP US\$1.90 per capita per day. This data was

collected and analyzed by the Independent Research and Evaluation Cell at BRAC Uganda.

[2] This group was not designed to yield experimental results, and the 210 households assigned to the BIAB treatment are not included in the research sample size.

February 14, 2018