



Village Enterprise's Randomized Controlled Trial "Cash or Cash-Plus? Components and Variants of an Ultra-Poor Microenterprise Development Program"

In October 2013, Village Enterprise launched an ambitious, three-year, independent Randomized Controlled Trial (RCT) evaluation of its ultra-poor microenterprise development program. This RCT is being funded through a \$1 million+ grant from a philanthropic advisory firm based in New York. This large study is being conducted with data from over 6,600 households in Uganda by BRAC's Research and Evaluation Unit and Innovations for Poverty Action (IPA) with the assistance of academics from University of Chicago, Yale, Princeton and Oxford Universities.

The purpose of the evaluation is to prove the impact of the program on extremely poor households as well as to guide future program refinements and expansion of the Village Enterprise (VE) model. This study aims to contribute to the current dialogue about how best to design programs for ultra-poor households – a rich discussion following the positive results of BRAC's Targeting the Ultra-Poor (TUP) program in Bangladesh (Bandiera et al, 2013) and the similar CGAP/Ford Foundation Graduation pilots in six countries (Banerjee et al, 2015). It is anticipated that the Village Enterprise RCT will bring new knowledge about how to best structure social protection programming to reach the extreme poor. Furthermore, this study will capture the marginal effects of some of the unique features of the Village Enterprise program (e.g. training/mentorship and savings) to increase knowledge of the relative impact of each component (cash, training/mentorship, and savings) of our Graduation program.

RANDOMIZED CONTROLLED TRIAL: DESIGN AND METHODOLOGY

The poorest 6,600 households across 138 villages were selected to participate in the study through Village Enterprise (VE's) rigorous targeting process that combines Participatory Wealth Ranking, locally-defined poverty indicators, and the Grameen Foundation's Progress-Out-of-Poverty Index (PPI). The complex study design is comprised of a control arm, three main treatment arms and a fourth exploratory treatment arm (BIAB): these treatment arms include:

1. Full program: training, business saving group (BSG) formation, a \$150 grant disbursement to a group of three people (e.g. one business) and mentoring
2. Program without the BSG formation: training, \$150 grant disbursement to a group of three people (e.g. one business) and mentoring
3. a. \$130 unconditional cash disbursement to each individual, which is equivalent to the per-person cost of VE program delivery
b. \$130 unconditional cash disbursement with delivery of a behavioral intervention to motivate the recipient to use the disbursement on something to support their family
4. Business-in-a-Box (BIAB): training, BSG formation, delivery of all necessary inputs to start a business, and mentoring. The tested BIABs are sesame seeds, groundnuts, beans, upland rice and poultry businesses.

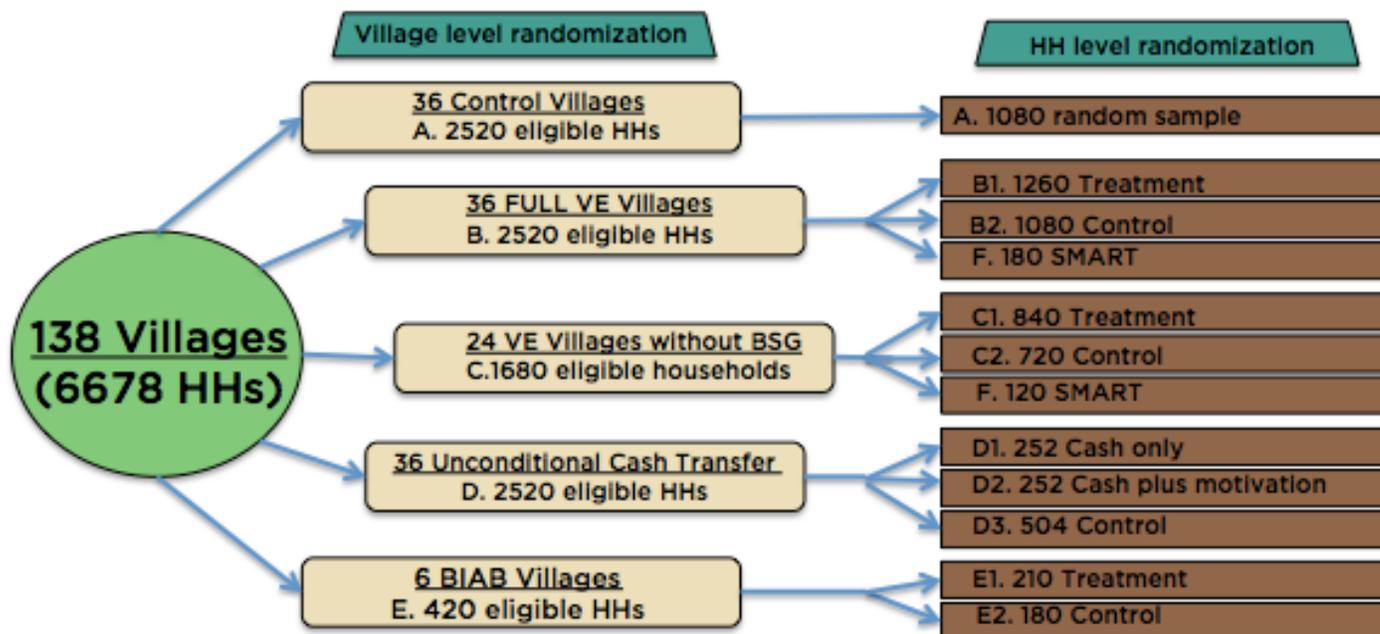
Spillover effects are being measured using within-village control households. A small subset of five households per village for treatments 1 and 2 are receiving the Smarter Market Analysis Risk Tool (SMART) program component, providing beneficiaries with information on local market conditions in order to help them make informed decisions about which crops to cultivate.

These households are being surveyed at baseline, Follow Up 1 (after all intake cycles have graduated from the one year program), and Follow Up 2 (one and a half years after Follow Up 1).

The complex study design will provide conclusions on the following:

- Impact of the Village Enterprise model
- Impact of the Business Savings Groups component, specifically
- Impact of the Business-in-a-Box model
- Impact of an unconditional cash transfer when coupled with a behavioral intervention
- Impact of the Village Enterprise model as compared to an unconditional cash transfer program

The table below displays the five study treatment arms and the number of villages and households for each.



INTERESTING FACTS

- ✓ The positive results from the six-country study of the Graduation approach in the journal Science (Banerjee et al, 2015) served as a watershed moment for funders, policy makers, NGOs, and governments striving to end global extreme poverty. The research gives much needed visibility to the effectiveness of the multifaceted 'Graduation' methodology - a critical approach that is effectively reducing the rate of extreme poverty in various locations worldwide. Village Enterprise's RCT is testing several variations of the Graduation model's efficacy and will shine light into the nature of their complementarities. Results are anticipated to inform the sector on which interventions of the Graduation approach have the higher social return on investment and should be replicated in the Graduation 2.0 scale-up phase.
- ✓ The Study will compare Village Enterprise's multi-faceted Graduation model to unconditional cash transfers. Village Enterprise's cost per Business Owner is \$130. This calculation includes all the field expenses incurred by Village Enterprise in the deployment of its program. The evaluation will be able to assess the incremental value of investing in the Village Enterprise program as opposed to handing cash out to beneficiaries without constraints.
- ✓ The behavioral intervention has been developed by Anuj Shah (Chicago School of Business) and Jiaying Zhao (University of British Columbia). The intervention brings together a wide array of motivational exercises: peer comparison, affirmation, temptations and plan-making exercises, and the creation of active and passive reminders. Village Enterprise is incorporating the behavioral intervention into the impact evaluation to inform future research on how psychological tools can be leveraged to improve people's decision-making and livelihoods.

TIMELINE

Follow Up 1 data collection was completed in December 2015, and preliminary results will be available on a limited basis in May 2016. Final Follow Up 2 endline results will be published in Spring 2017. There is a possibility of extending the study by three years, which would allow the assessment of Village Enterprise's program sustainability four years after beneficiaries have graduated.