



As a business grant recipient, this Re:Build client started his bodaboda (motorcycle) spare parts shop in Kabiria, Kenya. Photo Credit: Nathan Ijjo for the IRC.

Re:BUILD COST EFFECTIVENESS BRIEF

Kenya | 2023 | Wave 1 Research

Executive Summary

In partnership with the IKEA Foundation, the International Rescue Committee (IRC) launched **Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development (Re:Build)** in 2021. The initiative targets 20,000 refugees and host community members to help them sustainably reach economic self-reliance and social cohesion.

From 2022-2023, a three-armed randomized controlled trial (RCT) tested the effectiveness of mentorship on economic well-being and social cohesion on 1,570 of the Re:Build clients. All clients received a cash grant to start or improve a small business, i.e., a micro-enterprise. The program paired one-third of the youth with experienced entrepreneurs who served as business mentors. Another third received business mentorship and engaged in perspective-sharing exercises to build trust and social cohesion.

The Best Use of Resources (BUR) team measured the cost-effectiveness of improved economic outcomes among the treatment arms evaluated through the RCT. **The cash-only treatment costs €731 per client, while mentorship treatment arms cost €1,133.** Most expenses went to program supplies and activities for all treatment arms. In contrast, mentee support costs drove additional costs required for the mentorship treatment arms, which covered transport and mentor stipends. Of the total €1,623,629 spent on the project, 10% of the project costs went to HQ and internal cost recovery.

Impact evaluation results for the randomized controlled trial will be available in May of 2024, at which time we will update this brief to complete the cost-effectiveness analysis results.

Project Description

Since the early 1990s, displacement across Africa has increased as individuals and families have fled conflict and other crises.ⁱ Kenya became one of several host countries for refugees from surrounding countries such as South Sudan, the Democratic Republic of Congo, Ethiopia, and Somalia.ⁱⁱ Given the protracted nature of many crises, refugees often stay in host countries for extended periods.

Host countries often have pre-existing economic challenges, such as high unemploymentⁱⁱⁱ due to limited employment opportunities, serving as a barrier to refugees seeking work. Since a critical barrier to entrepreneurial success is access to capital, the program provided cash grants to all youth. Youth participating in the program were 18-35 years old and either refugees or Kenyan nationals.

Limited information about local economies and businesses, as well as misunderstandings between host and refugee communities, also serves as a barrier to employment for refugee and national youth. Re:Build responded by integrating strategic combinations of mentorship activities alongside the cash grants. Box 1 describes these activities.

Wave 1 of a randomized controlled trial (RCT) is currently underway to evaluate the effectiveness of the program activities on desired economic and social cohesion outcomes. The RCT spans from April 2022 – May 2024 across four residential areas of Nairobi: Pangaini, Kawangware, Kitengela, and Rongai. Throughout September 2021 – April 2022, the program launched consecutively in each location. The launch required a set-up period for recruitment, collecting participant bank transfer information, training mentors, and providing informational sessions for all participants. After set-up, the mentors and mentees met for eight weeks to share knowledge and perspective.

Box 1. Re:BUILD Program Activities

Youth interventions

- **Cash grant (All Treatments)**

The program gave cash grants to all youth participating in the subset of program activities analyzed. The youth could start a micro-enterprise or improve a pre-existing business with the grants. The IRC distributed grants to these clients five weeks after an initial information session, during which clients received handbooks with information about the program, the IRC, and IRC contact information.

- **Mentorship (Treatment 2 & 3)**

The program assigned mentors to a subset of youth participating in the program. These mentors held experience running a microenterprise for at least three years. After a training and introduction session by the IRC and Principal investigator, the research team randomly assigned mentors to mentees in treatment 2 & 3. The mentees and mentors met weekly for eight weeks, during which mentors shared their business and economic knowledge with the mentee. Each week, mentors covered a new topic.

Mentorship modalities

- **Basic mentorship (Treatment 2)**

Half of the youth assigned to the mentorship treatment received mentorship that focused on receiving business and economic knowledge from their respective mentors.

- **Mentorship with perspective sharing (Treatment 3)**

The other half of youth assigned to the mentorship treatment receive basic mentorship and took part in perspective-sharing modules during which mentors and mentees discuss personal experiences and circumstances to build a greater sense of trust and shared understanding.

The study included 1,958 aspiring micro-entrepreneurial youth from refugee and host communities, split among three treatment arms and a control arm. Waitlisted clients serve as the control group who will receive the cash grant between September and November 2023 (after implementation for each treatment arm is complete). Box 1 and Table 1 describe the activities associated with each treatment arm.

Table 1. Activities by Treatment Arm

Treatment Arm	Number of Clients	Activities		
		Cash Grant	Mentorship	Perspective Sharing
T1: Grant only	388	X		
T2: Grant + Mentorship	587	X	X	
T3: Grant + Mentorship + Perspective Sharing	585	X	X	X
Control	388	X		

Project Costs

Cost analyses at the IRC evaluate expenditure in the following categories to understand which category of cost serves as a cost driver of the program: national and international staff, non-staff personnel, capital assets, travel and transportation, office rent and expenses, program supplies and materials, and support. Among all cost categories, program supplies and materials comprise two-thirds of total program expenditure for both treatment arms, followed by support and staffing costs (see Figure 1 and Figure 2).

Cash grants for all three groups drive program supplies and materials expenditure. All clients receive €442 (56,000 KSH, or \$461^{iv}) in cash grants, totaling €694,568 across all three treatment arms (not including transfer fees), comprising 43% of total spending. For comparability, [Annex 2](#) provides a summary of key cost metrics in both EUR and USD.

Figure 1. Cost by Category for Cash-Grant Only Treatment Arm

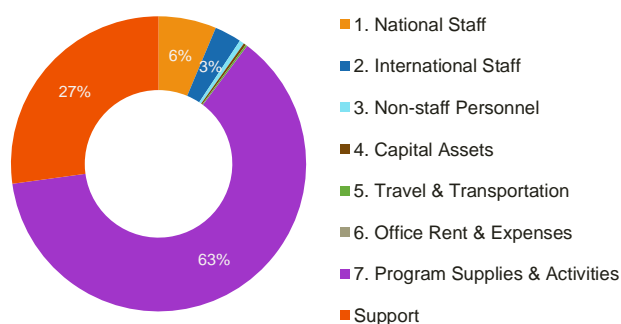
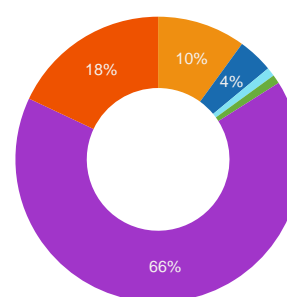


Figure 2. Cost by Category for Mentorship Treatment Arms



Costs associated with each activity are analyzed and summarized in Table 2. Support refers to operations and management support costs, or shared program costs, that are not directly associated with the program but necessary for implementation (i.e., human resource staff or office rent). Set-up activities

include one-time costs incurred at the beginning of the program for recruitment, targeting activities, and screening of potential beneficiaries to ensure they meet IRC vulnerability criteria.

Treatment Arm	Ops Support & Management	Set-up	Cash Grant	Mentee Support	Mentorship	Mentorship + Perspective Sharing	Total Per Group
T1: Grant only	€ 77,038	€ 18,637	€ 188,017	€ -	€ -	€ -	€ 283,691
T2: Grant + Mentorship	€ 116,550	€ 28,195	€ 284,448	€ 52,610	€ 183,977	€ -	€ 665,780
T3: Grant + Mentorship + Perspective Sharing	€ 118,138	€ 28,579	€ 288,325	€ 53,327	€ -	€ 185,789	€ 674,158
TOTAL (incl. ICR)	€ 311,725	€ 75,411	€ 760,789	€ 105,938	€ 183,977	€ 185,789	€ 1,623,629

The cash-grant activity includes the cost of the cash grant, transfer fees^v, and staff time and effort for distributing the cash grants. For this activity, staff gathered and processed the recipients' bank and mobile money information and set up the transfer process. The cash-grant-only treatment arm also includes time, effort, and venue costs for the initial information meeting.

The mentorship cost bucket includes a half-day mentor training^{vi}, materials for mentors and mentor stipends to compensate for their time in weekly 1:1 sessions with mentees. The IRC gave stipends of €190 (25,200 KSH, or \$210) to each mentor twice throughout the project. The mentorship activity buckets included IRC staff time and effort to collect and process mentor bank and mobile money information.

All groups participated in information sessions before the start of the activities. However, information sessions for clients in the mentorship treatment arms lasted longer, given that these arms covered more introductory material for the additional services than the cash-grant-only treatment arm.

Cost-Efficiency Findings

The cash-grant-only treatment cost €731 per client, whereas basic mentorship cost €1,134 per client and €1,133 per client for perspective-sharing mentorship (see Table 3). The cash grant was a key cost driver across all treatment groups, comprising 43% of overall spending among the project components analyzed. The grant includes 61% of the total treatment cost (including support) for the cash-grant-only treatment arm. The remaining elements of the cash-grant treatment arm include information sessions and staff time and effort to manage the transfer. **Since the cash grant drove the cost of the cash-grant-only treatment arm, gains in cost-efficiency at scale will never be able to reach below the value of the grant itself.** I.e., the treatment arm exhibits a cost of €731 per client served; however, the cost per client served will not dip below €442 even at scale, as it cannot be lower than the total amount of the grant.

For all treatment arms, the cost-transfer ratio (CTR) was €0.54, which equates to \$0.57. This low CTR is considered an efficient use of resources compared to cash-delivery programs.^{vii} We can interpret the CTR as follows: for every euro transferred, €0.54 was required to complete the transfer.

Treatment Arm	Cost per client (EUR)	Cost per client (USD)
T1: Grant only	€ 731	\$762
T2: Grant + Mentorship	€ 1,134	\$1,182
T3: Grant + Mentorship + Perspective Sharing	€ 1,133	\$1,181

The only distinction between the two mentorship treatment arms is the content discussed during the mentorship sessions. Basic mentorship provided in treatment arm 2 focused only on economic and business knowledge sharing. The perspective-sharing mentorship modality followed the same script as the basic mentorship module; however, mentors reviewed additional discussion topics with mentees during their weekly 1:1 sessions. The additional modules prompted mentors and mentees to share their unique experiences and perspectives to improve understanding and trust between mentees and mentors across host and refugee communities.

Since the additional modules covered in the perspective-sharing mentorship did not require additional resources on behalf of the Re:Build program, the cost for the two modalities is nearly identical. This validates the hypothesis held by the Re:Build team at the beginning of the project that there would be little to no difference between the costs of the two mentorship arms, given the similarity of treatment. Therefore, any evidence of higher impact for the perspective-sharing mentorship would justify it as a more cost-effective modality compared to the basic mentorship treatment.

Costs for the two mentorship treatment arms were driven primarily by mentee support, mentorship stipends, and introduction sessions. Mentee support consisted of time and effort spent by IRC staff responding to concerns or complaints by the mentees and transportation stipends for the eight meetings with their mentors. Given that the mentorship treatment arms cost €400 more per client than the cash-grant-only treatment, substantial evidence of positive mentorship impacts on economic and/or social cohesion outcomes is required to conclude that it is more cost-effective than giving only cash grants.

Box 2. Results of the Impact Evaluation

The impact of the Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development (Re:Build) program was measured using a randomized controlled trial (RCT). Details on the trial can be found on the [AEA RCT Registry](#).^{viii} The research team grouped all eligible youth by geographic location, stratified by gender and refugee status and then randomly assigned into the control and treatment arms.^{ix} *The outcomes of the impact evaluation will not be available until May 2024. At that time, BUR will update this brief with the impact results and complete cost-effectiveness outcomes.* Key outcomes that the research team will evaluate for mentees and mentors include:

- Economic well-being:** Primary outcomes related to economic well-being assess if mentees opened a business, the number of businesses opened self-reported business profits, and productive asset stocks. Secondary outcomes for economic well-being included expansion and diversification of business networks and interactions. **Primary economic outcomes will be the key outcome of interest evaluated with the cost-effectiveness analysis.**

The economic change experienced by the mentors' businesses will be evaluated, including expansion and diversification of business interactions and networks.

- **Psychological and Social:** The program sought to improve primary social outcomes such as mentee confidence, resilience, self-efficacy, and a sense of belonging to the profession. Secondary social outcomes included general well-being and attitudes towards women. Refugee youth will also be evaluated on attitudes towards Kenyans and their sense of belongingness to the country.

Mentors' social outcomes were also evaluated, including attitudes toward mentees' ingroup and generalized social and political attitudes toward refugees and women.

- **Relationships:** Finally, the RCT will assess the relationship between mentee and mentor, evaluating outcomes such as perceived similarities, trust, and feeling heard among mentees.

Cost-Effectiveness Findings

According to McKenzie (2020), evidence from East Africa suggests that mentorship has a high potential for impacting business profitability over time.^x While evidence on the impacts of mentorship is limited, some longitudinal data is beginning to emerge, such as Anderson (2020) also found that Ugandan entrepreneurs experience increased profits over a two-year period. Brooks et al. (2018) also showed that mentorship improved business profits during the mentorship period, and validated that mentorship provided greatest benefits when providing localized information about the market rather than general business practice information.^{xi} At the time of writing this report, in October 2023, the impact evaluation findings from the Re:Build RCT are not yet available. Box 2 provides the details on the outcomes evaluated in the impact evaluation. This report will be updated with complete cost-effectiveness conclusions once impact data is available in May 2024.

Box 3 summarizes the methodology used for cost-effectiveness analysis at the IRC. Until then, we can see that for mentorship treatment arms to be considered more cost-effective than the cash-grant-only arm, mentorship treatments would need to exhibit substantially larger effect sizes.

ⁱ UNHCR. 2021. UNHCR Refugee Statistics. September 19, 2023, from: <https://www.unhcr.org/refugee-statistics/>

ⁱⁱ Khan, S., Paluck, E., Zeitlin, A. 2022. "The role of identity and the impact of perspective sharing in refugee-host business mentorship pairs." Draft publication, May 2022.

ⁱⁱⁱ In 2021, unemployment rates for youth in Kenya were 12.4% for 15–24-year-olds, and 8.2% for 25–34-year-olds. Source: https://www.ilo.org/shinyapps/bulkexplorer7/?lang=en&segment=indicator&id=UNE_DEAP_SEX_AGE_RT_A&ref_area=KEN

^{iv} Currency conversion from KSH to EUR is 0.0079, and from EUR to USD used was 1.0419. These rates were used as an average rate during the analyzed period from May 2022 – April 2023.

^v Transfer fees amounted to less than 1% of each cash transfer, at 300 KSH per transfer.

^{vi} The training conveyed information about expectations of mentors, compensation, how to engage with the IRC, and how to use the mentorship content (such as scripts, videos, and handouts for the 8 lessons).

^{vii} IRC. (2016). Cost Efficiency of Unconditional Cash Transfers at the IRC. <https://www.rescue.org/report/cost-efficiency-unconditional-cash-transfers>

^{viii} AEA registry, accessed here: <https://www.socialscienceregistry.org/trials/10113>

^{ix} Khan, S., Paluck, E., and Zeitlin, A. 2023. "What are the benefits of mentorship for aspiring micro-entrepreneurs? An examination of mixed gender, same gender, and refugee-host and host-host mentoring pairs and the effects of mentoring and mentoring with perspective-sharing over simple cash transfers." AEA RCT Registry. April 21. <https://www.socialscienceregistry.org/trials/10113>

^x McKenzie, D. (2020). "Small Business Training to Improve Management Practices in Developing Countries: Reassessing the evidence for 'training doesn't work'." Policy Research Working Paper – 9408. World Bank Group. 10 November 2023. <https://documents1.worldbank.org/curated/en/593081600709463800/pdf/Small-Business-Training-to-Improve-Management-Practices-in-Developing-Countries-Reassessing-the-Evidence-for-39-Training-Doesn-t-Work-39.pdf>

^{xi} Brooks, Wyatt, Kevin Donovan, and Terence R. Johnson. (2018). "Mentors or Teachers? Microenterprise Training in Kenya." American Economic Journal: Applied Economics, 10 (4): 196-221. DOI: 10.1257/app.20170042.

Box 3. Analysis Method: Cost-Effectiveness at the IRC

The IRC is committed to maximizing the impact of each dollar spent to improve our clients' lives. Cost effectiveness analysis compares the costs of a program to the outcomes it achieved (e.g., cost per diarrheal incident avoided, cost per reduction in intra-family violence). Conducting cost effectiveness analysis of a program requires two types of information:

- 1) An impact evaluation on what a specific program achieved, in terms of outcomes
- 2) Data on how much it cost to produce that outcome

Teams across the IRC produce a wide range of outcomes, but cost effectiveness analysis requires that we know - based on impact research - exactly which outcomes were achieved and how much they changed, for a given program. For example, an impact evaluation might show a village that received IRC latrines and hygiene promotion had a 50 percent lower incidence of diarrhea than a village next to it which did not receive the IRC intervention. If so, we know the impact of our program: 50 percent decrease in diarrhea incidence. Cost effectiveness analysis becomes possible only when there is an impact study that quantifies the change in outcomes as a result of the IRC project.

At the same time IRC runs impact evaluations, we gather data on how much the evaluated program costs. First, IRC staff build a list of inputs that were necessary to implement the evaluated program. If one thinks of a program as a recipe, the inputs are all the 'ingredients' necessary to make that dish. Budgets contain a great deal of information about the ingredients used and in what quantities, so reviewing the program budget is the first place to start. However, many of the line items in grant budgets are shared costs, such as finance staff or office rent, which contribute to multiple programs, not just the one included in the impact evaluation. When costs are shared across multiple programs, it is necessary to further specify what proportion of the input was used for the particular program. Specifying such costs in detail, while time-consuming, is important because it provides lessons about the structure of a program's inputs. We can divide costs into categories and determine whether resources are being allocated to the most important functions of program management and enable us to model alternative program structures and quantify the cost implications of different decisions.

A full explanation of the IRC's cost analysis methodology can be found here:
www.rescue.org/report/cost-analysis-methodology-irc

This work was conducted by the Best Use of Resources Initiative at the IRC. For questions or more information please contact us at costanalysis@rescue.org.

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Annex 1: Ingredients List

Kenya | 2022 EUR

Program Costs	T1: Cash-only	T2: Cash + Mentorship	T3: Cash + Mentor Perspective Sharing	TOTAL
Program Staff	€ 26,361	€ 94,119	€ 96,091	€ 216,572
Advocacy Managers	€ 357	€ 1,136	€ 1,151	€ 2,644
Business Training Officer	€ 2,927	€ 19,132	€ 19,680	€ 41,739
Caseworkers	€ 554	€ 3,522	€ 3,593	€ 7,669
Deputy Project Director	€ 2,964	€ 12,033	€ 12,128	€ 27,125
ERD Coordinator	€ 3,082	€ 6,134	€ 6,201	€ 15,417
Grants & Partnerships Manager	€ 502	€ 760	€ 770	€ 2,033
Livelihood Assistant	€ 48	€ 264	€ 268	€ 580
Livelihood Officers	€ 106	€ 505	€ 512	€ 1,122
M&E Coordinator	€ 1,205	€ 3,084	€ 3,120	€ 7,410
M&E Evaluation Assistant	€ 169	€ 613	€ 620	€ 1,402
Project Director	€ 1,386	€ 2,097	€ 2,126	€ 5,608
Project Manager	€ 2,292	€ 5,122	€ 5,177	€ 12,591
Protection Manager	€ 204	€ 444	€ 450	€ 1,098
Protection Officer	€ 108	€ 1,096	€ 1,111	€ 2,315
Public Engagement	€ 185	€ 279	€ 283	€ 747
Research Coordinator	€ 1,691	€ 8,787	€ 8,850	€ 19,328
CR and Accountability Officer	€ 740	€ 3,325	€ 3,498	€ 7,563
Senior M&E Officer	€ 850	€ 2,251	€ 2,278	€ 5,379
Senior Research Officer	€ 1,702	€ 5,260	€ 5,539	€ 12,501
WPE Coordinator	€ 596	€ 902	€ 914	€ 2,413
Benefits (nat'l & int'l)	€ 4,693	€ 17,375	€ 17,821	€ 39,889
Non-Staff Personnel	€ 1,472	€ 8,065	€ 8,878	€ 18,415
M&E Volunteers	€ 256	€ 821	€ 831	€ 1,908
USLA Volunteers	€ 1,217	€ 7,244	€ 8,047	€ 16,507

Program Materials	€ 177,549	€ 440,332	€ 444,285	€ 1,062,167
Pens, books, t-shirts	€ 82	€ 1,139	€ 1,141	€ 2,362
Cash grants	€ 174,883	€ 264,579	€ 268,185	€ 707,647
Mentor stipend	€ -	€ 112,947	€ 112,947	€ 225,895
Transport for mentees	€ -	€ 26,361	€ 26,720	€ 53,081
Informational sessions	€ 2,248	€ 31,334	€ 31,381	€ 64,962
Wrap-around services	€ -	€ 226	€ 144	€ 370
Childcare and support	€ -	€ 1,911	€ 1,919	€ 3,830
Sensitization	€ 45	€ 279	€ 282	€ 606
Data management	€ 65	€ 98	€ 99	€ 261
M&E data review	€ 77	€ 441	€ 444	€ 962
Visibility	€ 51	€ 233	€ 234	€ 518
Client responsive prog.	€ 51	€ 517	€ 522	€ 1,090
Client accountability	€ 48	€ 73	€ 74	€ 195
Photo, film, and video	€ -	€ 194	€ 194	€ 388
Travel	€ 538	€ 3,392	€ 3,408	€ 7,338
Local Travel	€ 538	€ 3,392	€ 3,408	€ 7,338
Capital Assets	€ 733	€ 3,322	€ 3,358	€ 7,413
Equipment	€ 161	€ 732	€ 740	€ 1,633
Laptops	€ 405	€ 1,835	€ 1,855	€ 4,094
Desktops	€ 114	€ 518	€ 523	€ 1,155
Tablets	€ 52	€ 238	€ 240	€ 530
SHARED COSTS	€ 77,038	€ 116,550	€ 118,138	€ 311,725
TOTAL	€ 283,691	€ 665,780	€ 674,158	€ 1,623,629
Number of clients	388	587	595	
Cost per client	€ 731	€ 1,134	€ 1,133	

Annex 2: Currency Conversion

All costs summarized below are converted using an average conversion rate during the analyzed project period.

Average exchange rate during project period (May 2022 – April 2023)

Kenyan Shilling (KSH) to Euro (EUR)	1 KSH = 0.0079 EUR
Euro (EUR) to United States Dollar (USD)	1 EUR = 1.0419 USD

Costs per client across all treatment groups

	EUR	USD
Cash grant per client	€ 442	\$ 461
Cost-transfer ratio	€ 0.54	\$ 0.57

Cost per client per treatment arm

	EUR	USD
T1: Cash only	€ 731	\$ 762
T2: Cash + Mentorship	€ 1,134	\$ 1,182
T3: Cash + Mentorship + Perspective Sharing	€ 1,133	\$ 1,181