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INTERNATIONAL RESCUE COMMITTEE

RESEARCH BRIEFS

Results From Re:BUiLD's Wave 1 Randomized Control Trials (RCTs) On Mentorship And Cash Grants For Microentrepreneurs in Nairobi, Kenya and Kampala, Uganda

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Benefits of cash alone and cash+mentorship for Kenyan and refugee microentrepreneurs in Nairobi, Kenya

Research Brief | November 2024

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1. Executive summary

Micro-entrepreneurship is a common form of livelihood in urban settings in developing countries, where formal employment opportunities are scarce. There is mixed or little evidence on whether programs that promote microentrepreneurial activity are effective, especially for women and vulnerable populations like refugees. Researchers partnered with the International Rescue Committee (IRC) as a part of the Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development (Re:BUiLD) program to study how cash grants alone and in combination with business mentorship influence economic and psychological outcomes for aspiring refugee and Kenyan microentrepreneurs. The program was implemented as a Randomized Controlled Trial (RCT).

We found that:

- Cash alone and cash alongside mentorship had a large and statistically significant effect on business outcomes in the short and medium term (up to 9 months after enrollment).

- On average, all treatment arms increased participants' likelihood of operating a business, time spent on the business, the value of their productive assets, and monthly business profits. The largest returns accrued to participants who started the program without a business and open a new business as a result of the program.

- Neither cash alone nor cash alongside mentorship improved business outcomes for refugee women. These women were no more likely to operate a business or spend time on their business relative to their counterparts in the control condition. On average, refugee women invested a substantively smaller amount of their cash grant in productive assets compared to other participants in the program. All together, we observed no difference in the overall business profits of refugee women as compared to the control.

- Exploratory analyses suggest that these observed results may be due to the high rates of business ownership among refugee women at baseline and the challenges with growing existing micro and small enterprises. These constraints may have limited their opportunities both as micro-entrepreneurs and in the larger labor market.

- The mentorship component alongside the cash grant provided modest economic and psychological benefits to specific subgroups. Mentorship plus cash were the treatments that uniquely increase business profits for Kenyan men relative to the control condition. We observed expected gains in well-being when participants receive their cash transfer, but this boost in well-being only endured for participants with a mentor.

Based on the results from the current study and accompanying exploratory analyses, we offer two sets of recommendations:

1. We recommend that practitioners **carefully weigh the cost-effectiveness of cash versus mentorship when making programmatic decisions for specific subgroups,** and that additional cost-effectiveness studies are conducted to understand if other mentorship programs yield similar re- sults. Furthermore, it is critical for future research to **identify mentor characteristics that predict mentee business success** in order to improve targeting and recruitment of mentors for such programs. The evidence from the current study suggests that the size of the mentor network may be one such characteristic.

2. While cash transfers were an effective way to alleviate capital constraints for micro-entrepreneurs, not all micro-entrepreneurs were able or interested in transforming the cash into productive capital. This may be because of human capital constraints or because of broader market, household, and social constraints. **Identifying the specific binding constraints of the target population—and its sub-populations—will be key to design future programs.** In particular, transformative impacts are likely to be concentrated only among those with high-return investment opportunities. **Future programs concerned with improving business outcomes would do well to refine targeting to this population.** Those without such opportunities—who may be the most vulnerable refugees— may be better served by addressing broader labor-market constraints or through unconditional cash assistance designed to meet basic needs.

2. Study design

Micro-entrepreneurship is often considered a viable alternative to formal employment in urban centers of low- and middle-income countries, where formal jobs are scarce, especially for refugees and youth more broadly. Interventions that encourage micro-entrepreneurship typically address capital constraints by providing cash transfers, and address gaps in business knowledge through training programs. The accumulated evidence suggests that both types of interventions are effective in improving business outcomes, though the effects of business training are modest at best (McKenzie, 2020; Quinn and Woodruff, 2019). Two factors complicate this picture. First, recent evidence indicates that the returns we observe in micro-entrepreneurship programs may be limited to businesses run by men (Jayachandran, 2020). Second, there is very little research that focuses specifically on micro-entrepreneurship support programs for refugees. These two populations face a unique set of institutional, social, and interpersonal constraints that may limit the effectiveness of a program relying solely on easing capital constraints or addressing knowledge gaps through training.

We designed the current study to test a more individualized and flexible approach to transfer business and context specific knowledge to aspiring micro-entrepreneurs: 1:1 mentorship provided by established business owners. We compared two versions of this 1:1 mentorship program alongside a cash transfer to a cash transfer alone and a pure control condition. More specifically, we randomly assigned 2,000 aspiring refugee and Kenyan micro-entrepreneurs to one of four research arms: (1) cash only, (2) cash plus 1:1 mentorship, (3) cash plus 1:1 mentorship with perspective sharing, and (4) control/delayed cash (see Table 1).

Table 1: Intervention components by research arm for mentees

		Research arm			
		(0)	(1)	(2) Cash +	(3) Cash + Mentorship +
Components		Control	Cash	Mentorship	Perspective sharing
Cash	Lump-sum labeled business grant	-	+	+	+
	Transport stipend	-	+	+	+
	Internet/data usage stipend	-	-	+	+
Mentoring	Business content handouts during introductory meeting	-	-	+	+
	8 subsequent 1:1 sessions with mentor	-	-	+	+
Perspective sharing	Structured relationship building exchange in introductory meeting	-	-	-	+
	Perspective-sharing prompts for subsequent 8 1:1 sessions	-	-	-	+
Number of participants (2,023)		398	400	606	619

All the mentees received a lump-sum cash transfer of 56,000 KSH (424 USD) that was labeled as money to start or invest in a microenterprise. These grants were disbursed roughly one month after the start of the intervention. Payments were not conditional on participation in the 1:1 mentorship meetings for those in the mentorship arms.

Mentors were Kenyan men and women who were established business owners and are recruited from the same communities as prospective mentees. All 1,900 mentors received a one day training and accompanying guidance material but are generally instructed to provide business guidance based on their own context-specific knowledge and experience. The number of topics covered in the guide corresponded with the number of expected meetings (eight) and described different stages of setting up a microenterprise. A randomly selected subset of the mentors received additional training on how to build an interpersonal relationship with their mentees through perspective-sharing (from hereon referred to as the enhanced mentorship treatment arm). Mentors received a total of 25,200 KSH as compensation for their participation in the program.

The IRC coordinated and hosted an introductory meeting between the mentors and mentees to introduce them to one another. Following this initial meeting, participants in the mentorship arms were asked to meet with their mentors once a week for 8 weeks. Each mentor-mentee pair was responsible for coordinating these meetings themselves; no subsequent monitoring of these meetings took place. All participants in the active research arms received their cash transfer 4 weeks after the start of the program. Mentees assigned to the control condition were contacted by the IRC by phone and informed that they were not selected to receive services right now, but that they would receive the lump-sum business grant in roughly one year.

The IRC's Best Use of Resources (BUR) team worked with the research and country program teams to identify activity buckets that would be costed to answer the cost question. Resource tracking per activity was collected by BUR through monthly calls with the program team. These resource allocations were combined with final expenditure at the end of the program which fed into the final calculation of the total cost per activity and treatment arm of the program.

In this research brief, we focus on the impact on economic and psycho-social outcomes of mentees and the results from the cost effective analysis conducted by the IRC's Best Use of Resources team. We highlight differences in results for participants according to their refugee status and gender and offer recommendations for practitioners, researchers, and policy makers.

3. Sample description: a diverse target population

3.1 Individual characteristics

The sample consisted of roughly equal numbers of Kenyans, refugees, men, and women. The refugees in our sample came from ten different countries, with the vast majority (51%) from the Democratic Republic of Congo (DRC), Ethiopia (20%), and Somalia (15%). Baseline data suggest that there was considerable variation in the economic lives of these populations.

Prior to the start of program, 35% of the participants in our sample engaged in wage employment (see Table 3). Refugee women were the least likely of any subgroup to engage in wage employment: 18% of refugee women report engaging in wage employment compared to 38% of Kenyan women, 40% of refugee men and 47% of Kenyan men. As a result, refugee women also reported earning less income from wage employment (9.76 USD compared to 18.1 USD for Kenyan women and 30.3 USD for refugee men in the past month). The within-gender wage gap between refugee and Kenyan women was entirely driven by the fact refugee women were less likely to be employed, but the between-gender wage gap was not. Conditional on having some employment, the monthly employment earnings of refugee women (55 USD) were slightly higher than of Kenyan women (47 USD), but were less than those of men (74 USD).

In contrast, refugee women were the most likely to own a business at baseline compared to any of the other demographic subgroups in the sample, yet were also the least likely to have ever received any type of business training. At baseline, business ownership was 57% for refugee women, compared to 48% for refugee men and 39% for Kenyan women. Only 27% of refugee women in the sample reported having ever received business training. This was 6-13 percentage points less than Kenyan women and men and refugee men. Refugee women were also much more reliant on their self-employment income : their profits represented 75% of their individual income on average, while that was between 45 and 55% for the rest of the sample. Taken together, these baseline data suggest that **labor market opportunities outside of self-employment were much more limited for refugee women** than for the rest of the sample.

Among business owners, gender was a major predictor of business size. Women - both Kenyan and refugee - ran businesses whose average monthly profits (52 USD) and productive assets value (342 USD) were almost half the size of those run by men (88 USD and 577 USD respectively) (see Table 4). Men also reported larger business networks at baseline, on average 4+ individuals, while Kenyan women reported 3.5 and refugee women 2.8 individuals. Finally, business sectors for men were quite widely distributed across industries, whereas women's businesses were largely concentrated in two sectors: food and clothing.

3.2 Household characteristics

In our sample, the average household size was 4.2 (with an average of 2.3 adults and 1.9 children), with refugees having slightly larger households (4.5 individuals, including 2.5 adults and 2.1 children). Women reported more children (2.2) in their households than men (1.6). Refugees reported more toddlers (below 5) than Kenyans in their household, and refugee women had the largest households overall (4.7), while Kenyan men had the smallest ones (3.5).

Kenyan men's households had higher per capita income (51 USD) and expenditure (43 USD) on average than the other subgroups in the sample. Within their households, about 80% of men were household head, but only 50% of women. Men were more likely to be married than women, and their individual income represented about 60% of the total household income (40% for women).

Refugee households held less debt (about 59 USD) than Kenyan households (about 90 USD), suggesting potential barriers to accessing credit for refugees. On self reliance measures, the households of women tended to do worse than those of men. Refugee women were the most likely to live with other micro-entrepreneurs in their household (30%), followed by refugee men (22%). More details can be found in Table 5

Key Take-Away

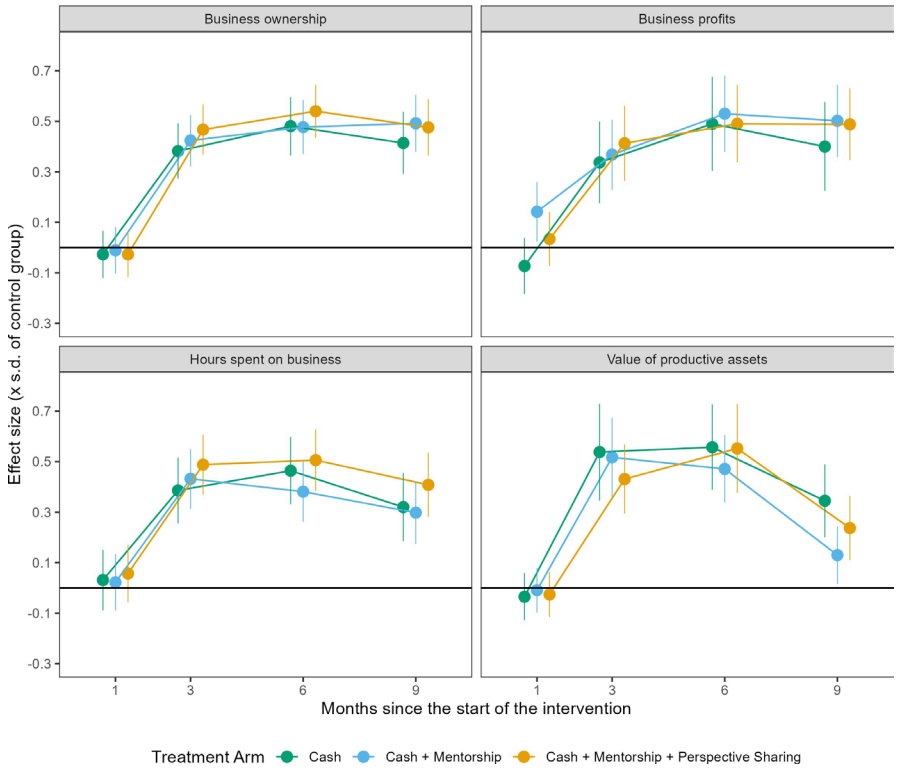
At the start of the program, the economic picture is very heterogeneous across our 4 subgroups of interest: Kenyan men, Kenyan women, refugee men and refugee women. Compared to other demo- graphic subgroups, refugee women may have had or may have pursued fewer economic opportunities outside of self-employment, and pursue self-employment as a default alternative to formal work. Im- portantly, although refugee women were more likely to own a business at baseline, their enterprises were much less capital intensive than others' businesses, and yielded monthly profits lower than those of men, but comparable to those of Kenyan women.

4. Results and policy lessons

4.1 Cash and cash+mentorship improved business outcomes in the short and medium term

Cash and cash+mentorship had large and persistent effects on all measures of business success (Figure 1). These impacts materialized after the cash was transferred and persisted until the final round of data collection, nine months later.[1] The pattern of results suggests that the cash transfer component of the program successfully alleviated capital constraints and induced participants to invest more time and capital into their businesses, resulting in higher business profits.

Figure 1: Positive impacts on business outcomes



[1] Unless otherwise specified, all results reported in this brief refer to the final round of data collection, nine months from the start of the program.

Business ownership: Relative to the control condition, the probability of owning a business increased by 21 percentage points for participants in the cash arm and by 24 percentage points for those who receive both cash and mentorship.

Value of productive assets and time spent on business: The program increased the value of treatment participants' productive assets by 56% (approximately 250 USD on average) relative to the control group (mean = USD 446). We conjecture that, on average, treatment participants allocated more than half of the 424 USD cash transfer amount to business capital, inventory, and other assets. The program also increased time spent on business by 9 hours for program participants (control mean = 25.5 hours).

Business profits: The program increased monthly business profits by 34 USD relative to the control con- dition (mean = 44 USD). This represented a 77% increase in monthly business profits, bringing up the treatment participants' average business profits to 76 USD.

We situate these findings in terms of our study sample and the broader urban context in Kenya. First, a 34 USD increase in monthly profits represents a 23% increase in the household monthly income and a 46% increase in the individual productive income for the average individual in our control group. Second, that increase represents about half of the value of the urban poverty line in monthly adult equivalent terms in Kenya, which was 7,193 Ksh or 65 USD per month in 2021 (Kenya National Bureau of Statistics, 2021).

4.2 Program effects were concentrated among those who did not own a business at baseline

The positive effects of the program on likelihood of opening a new business, business profits, productive assets, and time spent on business were driven by individuals who did not own a business at baseline.

For existing business owners, the program increased their likelihood of keeping their micro-enterprise open in the long run by 10 percentage points compared to their control counterparts, but it did not result in any improvement in business profits until the ninth month. At nine months, we observed a modest increase of (22 USD, on average) for these participants, compared to the control. This increase, though positive, was roughly half the size of the increase observed among those who did not have a business at baseline (40 USD).

Key Take-Away

Consistent with findings from the literature that it is easier for people to start subsistence businesses than to grow them (De Mel et al., 2012) (Mart´ınez et al., 2013), the current program was also more effective at incentivizing business creation than sustainably increasing existing business' profits.

4.3 The average treatment effects masked significant heterogeneity based on gender and refugee status: none of the variations of the program improve business outcomes for refugee women

Neither cash alone nor cash + mentorship increased refugee women's likelihood of owning a business relative to their comparison group. Although the program increased the value of refugee women's productive assets by an average of 134 USD over the full study period, it neither increased the amount of time they spend on their business nor their monthly business profits (Figure 2). By contrast, other participants invested on average 209 USD more into their productive assets than their control group peers over the full study period. Furthermore, other participants significantly increased the hours spent on their business (between 8- 15 additional business hours weekly, depending on the subgroup) and their monthly business profits (between 20-42 additional USD in monthly profits over the full study period).

Our exploratory analyses suggest that women in general, and refugee women in particular, faced market, household, and social constraints that prevented them from growing their micro-enterprise. First, consistent with the literature, our baseline data suggest that refugee women were more likely to be self-employed by necessity (Jayachandran, 2021), that is, refugee women may not have had access to other labor market opportunities. They were much less likely to be engaged in any form of other work, were more likely to run a business while less likely to have received business training. Theoretical work has shown that micro- enterprises resulting from missing labor markets for women are likely to be limited in their growth (Emran et al., 2007). Second, there is some evidence that the program induces sector diversification for all participants except for refugee women, who opened businesses within the same few sectors. It is likely that these women face additional market or social constraints that limit the type of business they are able to run. In the current study, neither cash alone nor cash+mentorship appears to address or help alleviate these unique constraints.

Key Take-Away

In contrast to the results for other demographic subgroups, receiving a cash transfer or cash+mentorship did not result in refugee women opening new businesses. Therefore, the program had virtually no effect on major business success metrics for refugee women. These results may be explained by the high rates of business ownership among refugee women at baseline and the challenges with growing existing micro and small enterprises.

4.4 The addition of a 1:1 mentorship component to the cash transfer provided modest economic and psychological benefits, but only for Kenyan participants

If we pool data from all the post-intervention rounds, the mentorship arms increased monthly profits by 26 USD on average, while the cash arm increased profits by 19 USD. This difference was statistically significant and was largely driven by differences in profit for Kenyan men between the cash and the cash+mentorship arms. In the short term, Kenyan men in the cash+mentorship arms also reported higher levels of productive investments relative to their counterparts in the cash arm. In other words, while Kenyan men were still meeting with their mentors, they invested more of their capital in productive assets. This suggests that Kenyan men may be uniquely positioned to action the advice provided by their mentors.

The mentorship arms also increased participants' overall network size (i.e., the number of contacts such as other business, suppliers, and collaborators with whom clients discuss business/economic things) and the size of their advice network relative to the control condition three months after the start of the intervention, but not beyond that. This was true for every demographic subgroup except refugee women, whose networks did not change as a result of the intervention.

Importantly, the cash+mentorship arms (but not cash alone) improved participants' psychological well-being three months after the start of the program and after the cash transfer to participants. This boost in well- being only endured until the sixth month for Kenyan men and women assigned a mentor. The enhanced mentorship condition improved psychological well-being for Kenyan women up until nine months later.

Finally, we observed a decrease in time spent on and income from other forms of employment for participants in the mentorship arms as compared to the cash arm. Participants in the cash arm spent on average 2.7 less hours on employment outside their business each week, while participants in the mentorship arms spent 5 less hours, pooled over all post-intervention rounds. Importantly, this translated to a loss of income from outside employment only for men, whose monthly income from outside employment decreased by roughly 9 USD relative to men in control or cash arms.

One effect of mentorship may be to increase focus on the business at the expense of other forms of employ- ment, especially for men. For Kenyan men, the increased profits that result from mentorship over cash alone more than offsetted the loss in outside employment income. This suggests that there is a clear pay off from the increased focus on business. For refugee men, whose businesses profits did not benefit from mentorship as much in the time frame we observed, the loss of outside income can be more costly.

Key Take-Away

While the economic benefits of cash and cash+mentorship were indistinguishable on average in the full sample, mentorship encouraged more business investments for Kenyan men in the short term. This translated into slightly higher profits up to 9 months later. Mentorship also resulted in a more persistent positive impact on the psychological well-being of Kenyan participants, whereas cash alone did not produce these benefits. However, for the sample as a whole, mentorship appears to have incentivized more exclusive focus on the business at the expense of other forms of employment. At minimum, this strategy appears to have produced favorable returns for Kenyan men.

4.5 Mentors' networks seemed to matter for their performance

While mentorship only marginally improved business outcomes as a whole, we explored whether specific mentor characteristics were predictive of mentee success. We looked at the following mentor characteristics captured at baseline: gender, gender alignment with mentee, sector alignment with mentee, years of business experience, commitment and motivation, business profits, productive assets, prior business training, size of network and size of advice network.

We found that only the size of a mentors' overall network and advice network predict mentee success. For mentees whose mentors' network size was above the median at baseline (more than 3 contacts), the average treatment effect on monthly business profits of the mentorship arms relative to control was 30 USD on average. This was twice as much as the average treatment effect of cash alone, and was significantly more than the effect of mentorship with a mentor who has a network size below the median (19 USD).

Key Take-Away

Mentor network size appears to matter for mentee success. This is consistent with a model in which mentors help their mentees by sharing their networks with them (suppliers, buyers, consumers).

4.6 When it comes to economic outcomes, cash may be more cost-effective

Considering the economic outcomes only at this time, the primary conclusion from the cost-effectiveness analysis is that the cash-only treatment induces the same economic outcomes as cash+mentorship at a much lower cost. The cash treatment cost $762 per participant, regardless of subgroup, while cash+mentorship cost $1,181-$1,182 per participant. Conclusions about the cost-efficiency of this project compared to other mentorship programs requires additional cost analyses on mentorship programming. We can also evaluate efficiency through looking at the cost-transfer ratio (CTR). The CTR is a ratio of cost for delivering goods compared to the total value delivered. In this case, we consider the numerator as the total delivery costs encompassing all costs associated with delivering the cash grant (excluding the value of the cash itself), and the denominator as the total cash transferred to the clients.

$$CTR = \frac{Delivery costs (excluding transfer amount)}{Total dollars delivered to client} \quad (1)$$

In this case, we calculate a CTR of $0.57 indicates that resource transfer to participants was completed with minimal resource loss (efficiently) when compared to other cash-delivery programs. This means that for every $100 transferred to the clients, it costs $57 of resources to complete the transfer. The lower the ratio, the more cost-efficient the transfer is. When compared with previous livelihood programs implemented in similar context, this CTR suggests relatively cost-efficient transfer when compared to previous livelihood programming in the region (where CTR was estimated at $2.04 USD, and an average of $2.42 across other livelihoods programs in East Africa – IRC livelihoods data analysis forthcoming).

Table 2: Cost-effectiveness results

Outcome	Cost per effect on Cash Only Treatment	Cost per effect on Cash + Mentorship Treatment
Business ownership	$1,772	$2,316
Productive assets	$ 2,177	$5,906
Business profit	$1,858	$2,271

Similar to cost-efficiency, cost-effectiveness is a comparative metric requiring that data be produced in a comparable format. For this reason, we produce incremental cost-effectiveness ratios (ICERs) by dividing the cost per client by the effect size of the given treatment. Cost-effectiveness results are produced among economic outcomes only, by treatment arm, and are displayed in the following table. These numbers can be interpreted as what it costs for the given treatment (intervention) to achieve a full standard deviation of change in the outcome.

The cost per increase in business profits can also be thought of in terms of the cost per additional dollar of profit gained over the full program. Since data was only collected at month 1, 3, 6, and 9, we can calculate total additional profit across all nine months of the program by linearly extrapolating across the unobserved months by the observed data points. Our calculations suggest that we must invest $3.43 in activities to help clients increase profits by $1 for those in the cash-only treatment, and invest $4.56 in activities to help clients in crease profits by $1 for those in the mentorship groups. Details on the calculations can be found in the Appendix.

5. Key recommendations

5.1 For donors, practitioners, and researchers

- Given the modest benefits of 1:1 mentorship in this study and the associated higher cost relative to cash as demonstrated by IRC's cost efficiency analysis, practitioners must take into consideration the heterogeneous results across subgroups to determine the populations for whom the mentorship improved outcomes warrant the additional investment of resources. This decision may vary based on the specific outcome(s) which practitioners hope to improve. To aid future decision making, additional cost evidence should be produced to understand if other mentorship programs yield similar cost-effectiveness results relative to providing cash alone.

- Future programs must clearly identify their target population and differentiate between micro-entrepreneurs who pursue self-employment out of necessity versus those for whom it is a preferred or selected profession. This distinction is critical for determining program objectives and outcomes (Jayachandran, 2020).

- People who pursue self-employment out of necessity may benefit more from programs that alleviate other labor market constraints or from direct humanitarian assistance to meet basic needs rather than capital and mentorship for a business they may not be able or willing to grow (Emran et al., 2007). Conversely, transformational micro-entrepreneurs may have more opportunities to convert capital into business growth.

- Program design must identify and take into consideration the specific household, market, and social constraints faced by different subgroups based on their refugee status and gender. It would be more cost-effective for future programs to either serve a more homogeneous population with a given fixed program or to customize program design in accordance with the specific needs of different subgroups if the objective is to serve a diverse population. For example, our study suggests that men and women pursue businesses that are very different in nature and this difference can drive some of the gender gaps in business success. Future programs may wish to equalize business characteristics to help close the gender-gap in micro-enterprise earnings (Delecourt and Ng, 2021).

- Future work studying the impact of business mentorship should directly test the assertion that a mentors' network size predicts mentee success. While this assertion holds true in our study data, we do not causally establish it. Such a test would allow for a more deliberate selection of mentors for future programs that is based on characteristics known to predict mentee success.

- Future research could evaluate programs that directly aim to increase the network size for microentrepreneurs by introducing them to relevant stakeholders (suppliers, buyers, investors, other en- trepreneurs) and facilitating a network of micro-entrepreneurs. This could help test whether lack of connections and networks are a direct impediment to micro-enterprise growth.

- Future qualitative work would benefit from examining a puzzle from the current study that the cash transfer (alone and with mentorship) does not result in any improvement in psychological well-being for refugee men and women. This finding is in contrast to much of the literature that suggests, at minimum, a short term positive impact of cash transfers on general well-being.

- To maximize learning from such a study, researchers and practitioners alike would benefit from more closely tracking the 1:1 interactions of mentors and mentees. Although such tracking may alter the nature of the interactions, it could also help shed light on fidelity to research design and on mechanisms through which mentorship may influence outcomes.

5.2 For city and national governments

- Policy makers should work to expand formal economic opportunities for women in general, and for refugee women in particular. Labor market failures can be a reason why many women are self-employed in the first place and remain stuck in low-return, home-based activities due to a lack of other job opportunities (Emran et al., 2007).

- Policy makers should work to address cultural and societal barriers to women's economic empowerment, which make women less likely to work outside the home or work in certain sectors. This could be achieved in one of two ways: either by empowering women to work around the limiting gender norms or by making society-level efforts to change these norms. (Jayachandran, 2021).

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A. Figures

Figure 1: Positive impacts on business outcomes

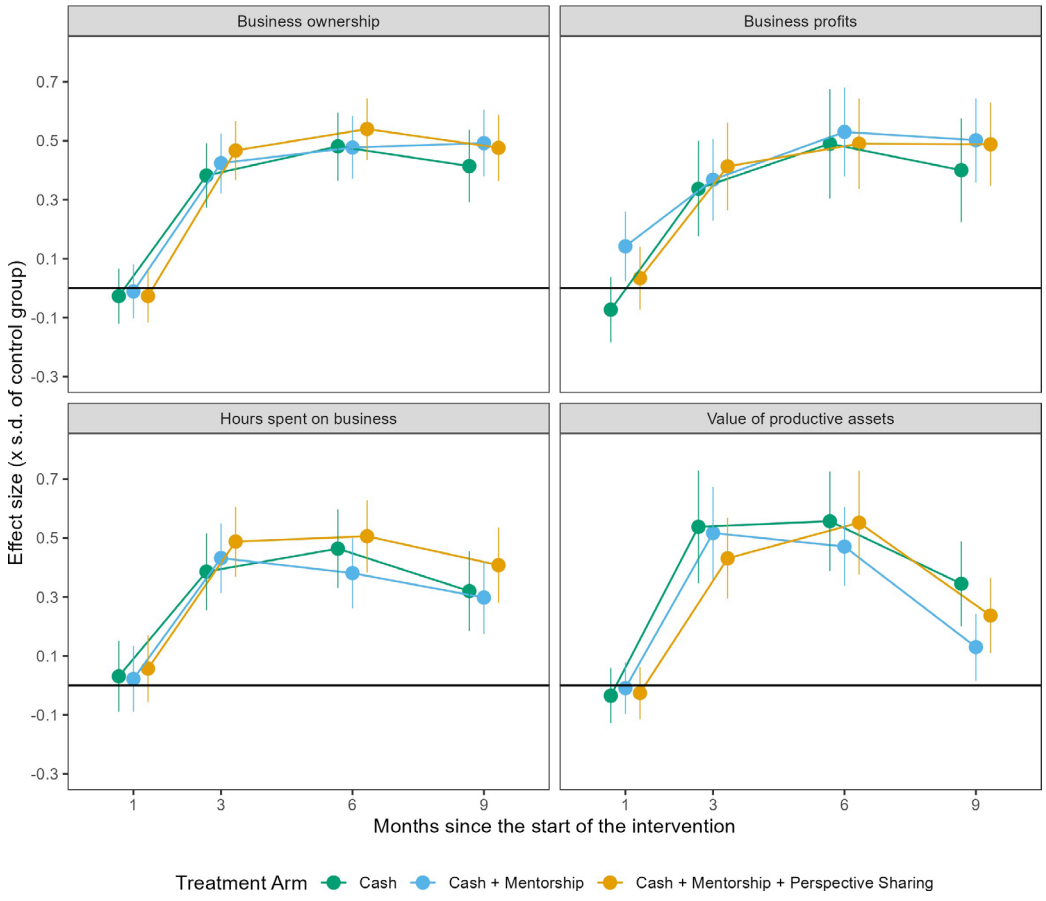
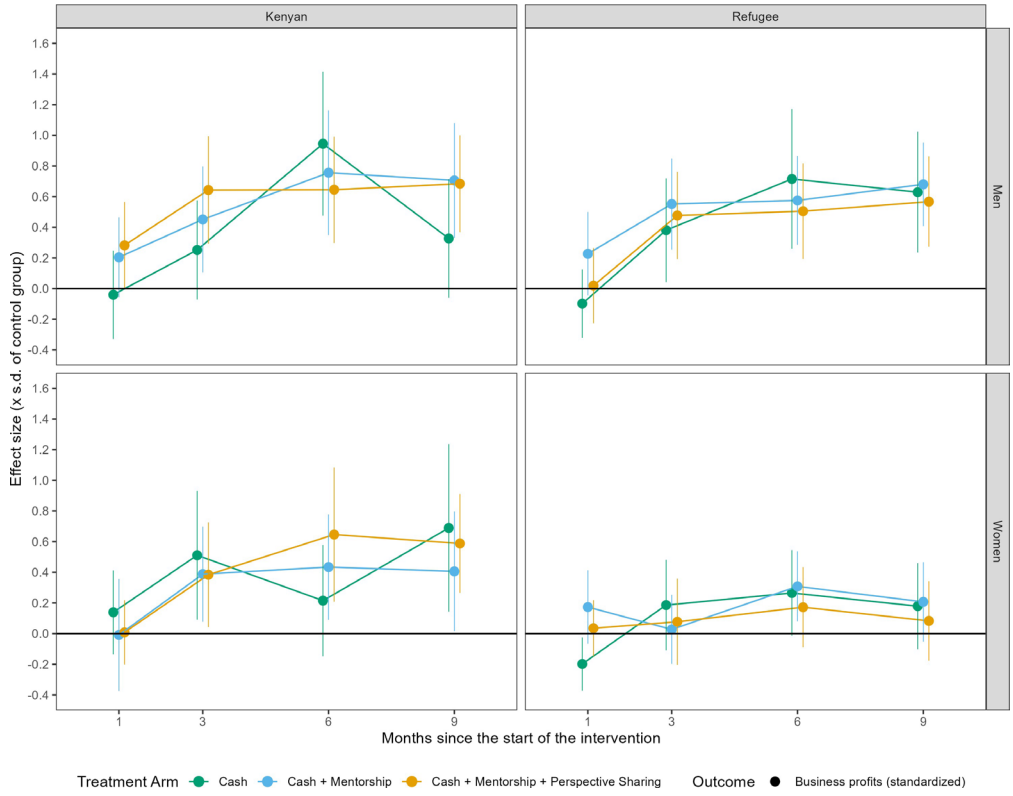


Figure 2: For refugee women, neither cash nor cash in combination with mentorship consistently influences business profits.



B. Tables

Table 3: Baseline Individual Characteristics

	Kenyan Men	Kenyan Women	Refugee Men	Refugee Women
Age	28.8	29.7	29.7	28.6
	(5.98)	(5.37)	(7.35)	(7.07)
Married	0.56	0.38	0.52	0.43
	(0.50)	(0.48)	(0.50)	(0.50)
Years in Nairobi	15.2	14.2	8.23	9.17
	(9.63)	(9.11)	(4.01)	(5.03)
Speak english	0.92	0.86	0.46	0.27
	(0.27)	(0.35)	(0.50)	(0.45)
Religion : Islam	0.056	0.082	0.22	0.42
	(0.23)	(0.27)	(0.41)	(0.49)
Currently owns and opperates business	0.45	0.39	0.48	0.57
	(0.50)	(0.49)	(0.50)	(0.50)
Years of Business Experience	4.04	3.60	3.78	3.59
	(2.63)	(2.10)	(2.88)	(2.65)
Has Received Business Training	0.40	0.33	0.34	0.27
	(0.49)	(0.47)	(0.47)	(0.45)
Business Profits (USD)	38.2	18.1	43.2	33.3
	(74.7)	(39.1)	(64.5)	(53.4)
Productive Assets incl. Businesses Capital and Inventory (USD)	352.6	212.5	312.9	218.7
	(550.8)	(352.9)	(492.8)	(349.2)
Assets List Value (USD)	135.0	123.5	140.3	110.4
	(149.4)	(137.5)	(133.1)	(114.0)
Capital Stock (USD)	140.9	50.8	98.4	63.0
	(376.4)	(182.3)	(316.4)	(219.8)
Inventory Stock (USD)	77.2	32.7	69.0	46.2
	(234.3)	(101.6)	(201.0)	(133.7)
Worked in the past 30 days excl. Self-Employment	0.47	0.38	0.40	0.18
	(0.50)	(0.49)	(0.49)	(0.38)
Income from Employment excl. Self-Employment (USD)	34.0	18.1	30.3	9.76
	(47.9)	(31.8)	(44.9)	(25.0)
Share of Indiv. Profits in Indiv. Income	0.46	0.45	0.55	0.74
	(0.48)	(0.49)	(0.50)	(0.43)
Share of Indiv. Income in HH Income	0.59	0.40	0.62	0.40
	(0.46)	(0.40)	(0.41)	(0.41)
Size of Network	2.60	2.17	2.81	2.04
	(3.34)	(2.78)	(3.23)	(2.39)
Size of Advice Network	2.05	1.60	2.19	1.60
	(2.84)	(2.39)	(2.94)	(2.22)
Diversity of network	0.82	0.88	1.90	1.64
	(1.37)	(1.55)	(2.73)	(2.64)
Mentee well-being index (standardized)	0.12	-0.22	0.068	-0.26
	(0.81)	(1.10)	(0.93)	(1.07)
Obs	503	526	441	553
	(0)	(0)	(0)	(0)

mean coefficients; sd in parentheses

Table 4: Baseline Individual Characteristics (Business Owners Only)

	Kenyan Men	Kenyan Women	Refugee Men	Refugee Women
Currently owns and opperates business	1	1	1	1
	(0)	(0)	(0)	(0)
Years of Business Experience	4.08	2.97	3.54	3.27
	(3.93)	(3.26)	(4.14)	(3.49)
Has Received Business Training	0.38	0.30	0.34	0.26
	(0.49)	(0.46)	(0.48)	(0.44)
Business Profits (USD)	85.8	46.5	90.4	59.4
	(91.9)	(51.2)	(66.7)	(59.5)
Productive Assets incl. Businesses Capital and Inventory (USD)	641.4	377.3	512.7	308.8
	(709.3)	(500.0)	(639.2)	(436.3)
Assets List Value (USD)	158.0	151.2	156.2	118.1
	(172.3)	(158.3)	(139.7)	(130.5)
Capital Stock (USD)	315.1	129.8	203.8	110.9
	(512.3)	(273.5)	(431.6)	(282.6)
Inventory Stock (USD)	172.5	83.4	142.8	81.4
	(326.3)	(149.0)	(270.7)	(169.2)
Share of Indiv. Profits in Indiv. Income	0.91	0.94	0.99	0.98
	(0.22)	(0.20)	(0.097)	(0.12)
Share of Indiv. Income in HH Income	0.61	0.45	0.68	0.50
	(0.47)	(0.41)	(0.39)	(0.41)
Size of Network	4.08	3.51	4.30	2.81
	(4.12)	(3.46)	(3.81)	(2.72)
Size of Advice Network	3.09	2.56	3.23	2.13
	(3.62)	(3.11)	(3.70)	(2.65)
Diversity of network	1.27	1.68	3.16	2.46
	(1.65)	(2.02)	(3.30)	(3.18)
Obs	225	206	213	314
	(0)	(0)	(0)	(0)

mean coefficients; sd in parentheses

Table 5: Baseline Household Characteristics

	Kenyan Men	Kenyan Women	Refugee Men	Refugee Women
Is Household Head	0.85	0.55	0.77	0.49
	(0.36)	(0.50)	(0.42)	(0.50)
Household Size	3.47	4.35	4.38	4.71
	(1.82)	(1.89)	(2.33)	(2.25)
N Children (below 18) in HH	1.29	2.17	1.75	2.30
	(1.36)	(1.40)	(1.76)	(1.76)
N Toddlers (below 5) in HH	0.97	0.93	1.29	1.22
	(0.78)	(0.78)	(0.97)	(0.91)
Debt amount (USD)	85.7	92.5	58.4	59.5
	(162.9)	(158.6)	(114.0)	(127.1)
Current savings amount (USD)	42.7	19.5	29.3	14.4
	(94.6)	(58.2)	(70.6)	(38.3)
Other Micro-Enterprise in the Household	0.12	0.17	0.22	0.30
	(0.32)	(0.37)	(0.41)	(0.46)
Typical monthly household income (USD)	134.4	120.6	134.9	125.4
	(96.6)	(87.3)	(82.0)	(74.4)
Typical HH Income Per Capita	51.1	33.6	39.7	31.4
	(52.4)	(29.7)	(34.8)	(23.2)
Typical monthly household expenses (USD)	118.4	126.8	128.8	125.4
	(76.3)	(87.2)	(69.0)	(69.8)
Typical HH Expenditures Per Capita	43.6	34.1	37.5	30.8
	(40.1)	(26.6)	(29.5)	(20.6)
Months HH unable to pay rent (3mo)	1.12	1.32	1	1.13
	(1.01)	(1.08)	(1.01)	(1.00)
Days HH skipping meals (7days)	1.12	1.27	1.31	1.66
	(1.85)	(1.98)	(2.07)	(2.25)
HH primarily supported through work (3mo)	0.85	0.79	0.85	0.78
	(0.36)	(0.40)	(0.35)	(0.41)
HH relied on assistance (3mo)	0.19	0.23	0.19	0.25
	(0.39)	(0.42)	(0.39)	(0.44)
Obs	503	526	441	553
	(0)	(0)	(0)	(0)

mean coefficients; sd in parentheses

C. ICER calculations

The formula used for linear extrapolation is:

$$Y(x) = \left(\frac{x - x1}{x2 - x1}\right) * (y2 - y1) \quad (2)$$

Where y is business profits and x is the month. The output of this calculation is provided below.

Table 6: ICER Calculation Output

Month	Data type	Profits in the last 30 days	
		Cash-only treatment group	Any mentorship
1	Observation	$4.55	$5.96
2	Estimate	$12.78	$15.38
3	Observation	$21.00	$24.79
4	Estimate	$25.43	$29.07
5	Observation	$29.85	$33.36
6	Estimate	$34.28	$37.64
7	Observation	$32.84	$37.66
8	Estimate	$31.41	$37.67
9	Observation	$29.97	37.69
Total business profit:		$222.11	$259.22
Cost per increase in $1 of profit:		$3.43	$4.56

This helps us understand that we must invest $3.43 in activities to help clients increase profits by $1 for those in the cash-only treatment, and invest $4.56 in activities to help clients in crease profits by $1 for those in the mentorship groups.

SECTION 2 – UGANDA

Mentorship and Cash Grants for Microentrepreneurs: Results from an RCT in Kampala, Uganda

Research Brief | January 2025

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With funding support from the IKEA Foundation, part of which was awarded by Innovations for Poverty Action (IPA) through the IPA and Abdul Latif Jameel Poverty Action Lab Displaced Livelihoods Initiative

1. Executive summary

Microentrepreneurship is a common livelihood strategy in many developing countries, including Uganda. However, many microentrepreneurs face significant constraints, including limited access to financial and managerial capital. Previous interventions have shown that cash grants can have positive effects, though often less pronounced for women. At the same time, training programs – while potentially beneficial – are often expensive to implement.

The Re:BUiLD study in Kampala, Uganda by Baseler et al., 2025 aimed to address these challenges by examining the effects of cash grants and a mentorship program on both Ugandan hosts and refugees. This research is particularly relevant given Uganda's progressive refugee policies which allow refugees the right to work and freedom of movement.

We found that:

- Cash grants had large, positive effects on business, household, and social cohesion outcomes over a period of 12 months.

- Participation in a mentorship program did not meaningfully change business outcomes on average. These effects comprised a mixture of marginally positive impacts on men and marginally negative impacts on women, with the negative effects of mentorship concentrated among those paired with female mentors.

- Mentorship was not associated with expansion of business networks or with improved social cohesion or policy views, over and above positive effects of cash alone.

Based on the results, we recommend that:

- **Practitioners need to significantly refine mentorship models** if these models are to cost effectively address constraints compared to cash transfers, which appear to be more costeffective. Furthermore, practitioners should **closely monitor the interactions between mentors and mentees** to better understand how closely program intentions are followed and through what mechanisms mentorship is able to influence or not influence business outcomes. Practitioners should also revisit their target population for such programs, as some participant profiles may reap greater benefits than others.

- **Researchers should investigate the contributing factors of mentorship's negative effects on women**, particularly when paired with female mentors. Given that women fared worse in the mentorship arms, researchers and practitioners should **examine limiting constraints for women** in order for them to reap full benefits from economic opportunities.

- **Donors should prioritize investments in cash grants** as a cost effective approach to supporting microentrepreneurship.

- **Policy makers should strengthen implementation of flexible, inclusive policies and regulatory environment** that address unique constraints for those with less profitable opportunities, particularly for refugee women. Additionally, policy makers should consider **using cash grants with positive messages about refugees as a means to positively influence social cohesion** and acceptance of refugees and willingness of host community to engage in economic activities with refugees.

2. Study design

The RCT was conducted in Kampala, Uganda, with a sample of 2,000 inexperienced and prospective entrepreneurs (aged 18-35) and 600 experienced entrepreneurs (aged 25+) serving as mentors. All participants met a set of vulnerability criteria established by the IRC.

Study participants were assigned to one of two primary active treatment arms or to a control group. Assignment was therefore as follow:

1. Control group: Received cash at a later date;
2. Cash Grants: 540 USD provided to participants;
3. Cash + Mentorship: Groups of 3 mentees paired with 1 mentor, meeting weekly for 6 months.

Within the mentorship arm, experimental variation in group composition and incentives was introduced in order to shed further light on the drivers of successful group outcomes. In particular, individuals were assigned to groups that were either *homogeneous* (in terms of both nationality and gender); *mixed nationality, or mixed gender.* This compositional dimension was crossed with assignment to either no group level incentives (which we call *basic* mentorship), or to a *shared fate* incentive structure, in which group members were rewarded based on the success of their group peers' businesses. To avoid income effects, a random lottery was paid out to the basic mentorship arm with the same expected value as the shared fate incentive.

Economic and social outcomes were measured at baseline, 3, 6, 9, and 12 months after intervention

Table 1: Intervention components by research arm for mentees

		Research arm			
Components		(0) Control	(1) Cash	(2) Cash + Basic Mentorship	(3) Cash + Shared fate mentorship
Cash	Lump-sum labeled business grant	-	+	+	+
	Transport stipend	-	+	+	+
	Internet/data usage stipend	-	-	+	+
Mentoring	Business content handouts during introductory meeting	-	-	+	+
	8 subsequent sessions with mentor	-	-	+	+

Number of participants (2,000)

The IRC's Best Use of Resources (BUR) team worked with the research and country program teams to identify activity buckets that would be costed to answer the cost question. Resource tracking per activity was collected by BUR through monthly calls with the program team. These resource allocations were combined with final expenditure at the end of the program which fed into the final calculation of the total cost per activity and treatment arm of the program.

3. Sample baseline characteristics

At the outset of the study 70% of the main sample already operated businesses, with slightly higher rates among Ugandans and women. Monthly profits averaged 28 USD for both Ugandans and refugees, constituting about 45% of household earnings. A gender disparity in profits was evident, with men earning an average of 34 USD compared to women's 22 USD. Mentors in the study demonstrated significantly higher profitability, earning an average of 59 USD per month.

The baseline data also revealed notable disparities in business networks. Ugandan men reported the most extensive business contacts, averaging 2.1, while refugee women had the fewest, with an average of just 1.2 contacts. Importantly, there was minimal cross-nationality or cross-gender interaction within these networks, highlighting potential areas for intervention and improvement.

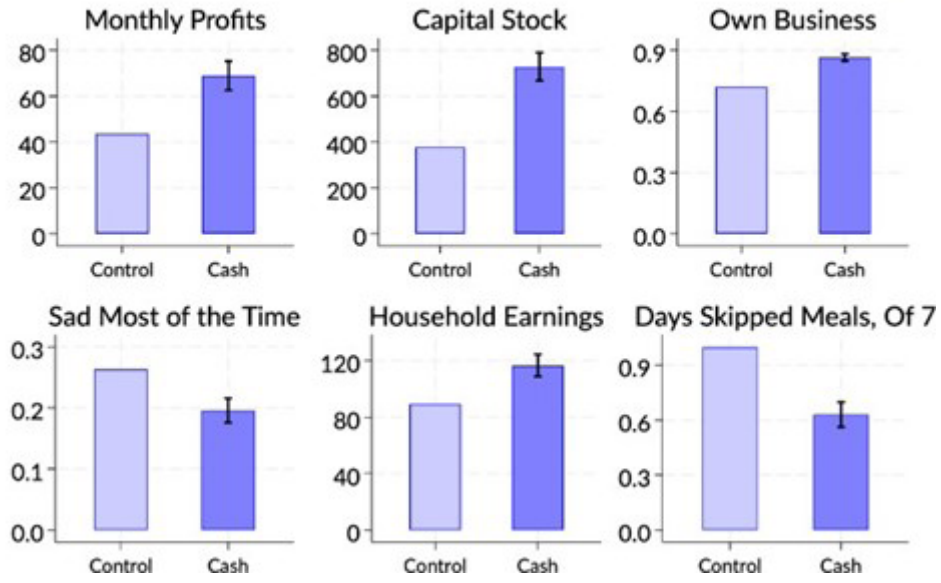
4. Key results

4.1 Cash grants show large, persistent positive impacts

Cash grants demonstrated significant and enduring positive effects across various metrics. On average, monthly profits increased by approximately 23 USD, a trend that persisted for over 12 months. All groups experienced improvements in household well-being, as measured by an index encompassing food security, assets, and savings.

While profit effects were most durable for men, the positive impact on household well-being was consistent across all groups. The program also boosted participants' likelihood of operating a business and increased the time they dedicated to their enterprises. A notable increase in the value of productive assets suggested that participants allocated a substantial portion of the cash transfer to business capital, inventory, and other assets, indicating strategic investment of the funds received.

Figure 1: Large, Persistent Impacts of Cash on All Groups



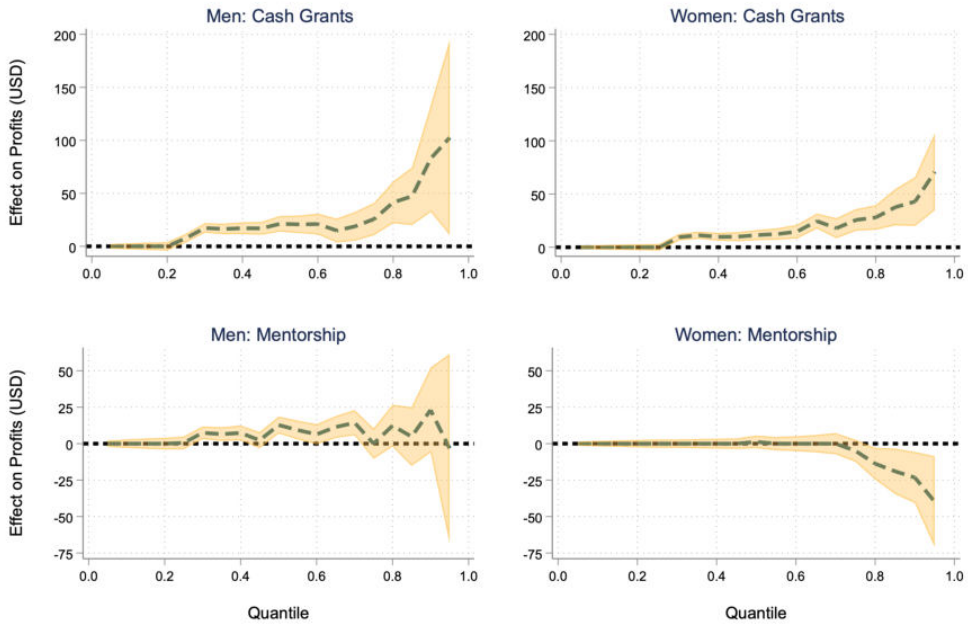
Key Take-Away

The program improved household well-being for all groups that received cash. Ugandan men experienced stronger benefits through a monthly increase in business profits of about 27 USD.

4.2 Benefits of cash grants are concentrated among larger businesses

We analyzed treatment effects by quantile of the profit distribution in Figure 2. The upper panels of that figure show the impacts of cash grants relative to control. There we see that the strongest impacts of cash are observed among the upper quartiles of the profit distribution. A set of approximately 20 percent of both men and women experience no benefit from cash as they do not have business profits under either of these assignments. But men and women at the upper part of the profit distribution experience quite large returns to cash: on the order of an extra 100 USD per month in the case of men, and in excess of 50 USD per month in the case of women.

Figure 2: Effects By Quantiles



"Reproduced from Travis Baseler, Thomas Ginn, Ibrahim Kasirye, Belinda Muya, and Andrew Zeitlin. 2025. "Cash and Small Business Groups for Ugandans and Refugees." CGD Working Paper 716. Washington, DC: Center for Global Development. *https://www.cgdev.org/publication/cash-and-small-business-groups-ugandans-and-refugees* "

Key Take-Away

Participants with larger businesses at the start of the program reaped greater benefits from the cash programs. This suggests certain profiles of refugees and host community members may benefit more from these types of programs than others.

4.3 Mentorship shows mixed results, with gender disparities

Participation in mentorship activities was relatively strong: individuals assigned to mentorship groups report attending 2.8 meetings per month over the six month intervention period, and report 10.9 points of additional contact with their group peers during this period. These measures of contact attenuate but do not disappear after the intervention period: meetings drop to 1.1 per month and contacts to 6.6 per month, on average, during the post intervention period of the study.

In spite of being reached by the treatment, average effects of mentorship on economic outcomes were statistically insignificant over and above the consequences of cash with an exception for refugee men, who experienced on average 26 USD increase in profits.. These null effects of mentorship relative to cash alone belie substantial heterogeneity in

impacts, as can be seen in the lower panels of Figure 2. Men experienced marginally positive economic effects.

In contrast, women, particularly those mentored by female mentors, saw negative effects on their profits. These negative effects seem to arise due to the loss of impacts in the upper tail of the profit distribution: what would have been the relatively transformative effects of investments in that group are lost under mentorship.

Key Take-Away

Participants who received mentorship in addition to cash did not fare better than participants who only received cash with the exception of refugee men. While refugee did experience some small improvements in monthly income (about 26 USD a month) due to mentorship, women in mentorship groups faced a profit reduction compared to those who only received cash.

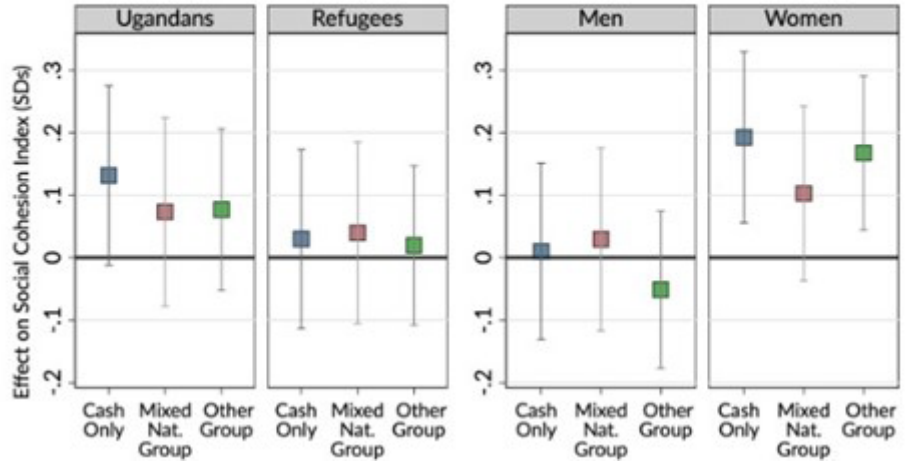
4.4 Cash grants expand networks, mentorship shows limited effects

The interventions had different impacts on participants' business networks (e.g., the number of business contacts). Cash grants facilitated network expansion, particularly for men and primarily within their own nationality group. Men who received cash grants reported an average of 0.5 more business contacts compared to the control group. In contrast, mentorship did not demonstrate significant effects on network expansion, suggesting that financial resources may be more effective than guidance alone in fostering business connections.

4.5 Cash grants improve social cohesion, mixed groups show no additional effect

The study revealed interesting effects on social cohesion, as illustrated in Figure 3. Cash grants positively influenced social cohesion measures and policy views towards refugees. Ugandan recipients of cash grants showed a 0.15 standard deviation increase in a social cohesion index, which included measures of trust, acceptance of refugees as neighbors or family members, and willingness to engage in economic activities with refugees. However, it is unclear whether it was the cash grant itself or the accompanying information about the financial benefits of refugees' presence in the country that was provided to recipients when they received the cash transfer that drove this change. This type of messaging has been found to have a significant effect in other studies (Baseler et al., 2024). Mixed nationality mentorship groups did not produce additional social effects beyond those achieved by labeled cash grants, suggesting that the financial intervention and information alone may be sufficient to promote some improvement in social integration, and that the contact fostered through the mentorship intervention did not further improve these program goals.

Figure 3: Impacts of cash and mixed-nationality mentorship on social cohesion summary measures



Key Take-Away

Closer monitoring of mentor-mentee interactions may help understand what types of interactions could promote social cohesion between hosts and refugees, particularly as the current study finds no evidence that contact between hosts and refugees had an effect on social cohesion outcomes.

4.6 When it comes to economic outcomes, cash may be more cost effective

The IRC's Best Use of Resources (BUR) team evaluated the cost effectiveness of the interventions through an ingredients based activity level analysis using retrospective cost data.

First, the costefficiency of the intervention was evaluated. The cashonly treatment was found to cost $881 per participant, regardless of sub-group, while the cash+mentorship was found to cost $1,200 per participant. Conclusions about the costefficiency of this project compared to other mentorship programs requires additional cost analyses on mentorship programming.

The cost-transfer ratio (CTR) was also evaluated as a measure of the program's costefficiency. The CTR is a ratio of cost for delivering goods compared to the total value delivered. In this case, we consider the numerator as the total delivery costs encompassing all costs associated with delivering the cash grant (excluding the value of the cash itself), and the denominator as the total cash transferred to the clients.

$$CTR = \frac{Deliverycosts(excludingtransferamount)}{Totaldollarsdeliveredtoclient} \quad (1)$$

In this case, we calculate a CTR of $0.36, suggesting that resource transfer to participants was completed with minimal resource loss when compared to other cashdelivery programs. The CTR indicates that for every $100 transferred to the clients, it costs $36 of resources to complete the transfer. The lower the ratio, the more costefficient the transfer is. When compared with previous livelihood programs implemented in similar context, this CTR suggests relatively costefficient transfer when compared to previous livelihood programming in the region (where CTR was estimated at $2.04 USD, and an average of $2.42 across other livelihoods programs in East Africa – IRC livelihoods data analysis forthcoming).

Similar to costefficiency, costeffectiveness is a comparative metric requiring that data be produced in a comparable format. For this reason, we produce incremental costeffectiveness ratios (ICERs) by dividing the cost per client by the effect size of the given treatment. Costeffectiveness results are produced among economic outcomes only, by treatment arm, and are displayed in the following table. These numbers can be interpreted as what it costs for the given treatment (intervention) to achieve a full standard deviation of change in the outcome.

Table 2: Cost effectiveness results

Outcome	Cost per effect on Cash Only Treatment	Cost per effect on Cash + Mentorship Treatment
Business ownership	$5,509	$7,512
Business profit	$1,494	$2,037

The cost per increase in business profits can also be thought of in terms of the cost per additional dollar of profit gained over the full program. Since data was only collected at month 3, 6, 9, and 12, we can calculate total additional profit across all twelve months of the program by linearly extrapolating across the unobserved months by the observed data points. Our calculations suggest that we must invest on average $3.61 in activities to help clients increase profits by $1 for those in the cash only treatment, and invest $5.07 in activities to help clients increase profits by $1 for those in the mentorship groups. Details on the calculations can be found in the Appendix.

5. Key recommendations

5.1 For donors, practitioners, and researchers

- Practitioners need to significantly refine mentorship program models if these models are to cost- effectively address constraints compared to cash transfers, which appear to be more cost-effective as well as lead to greater positive outcomes for participants.

- Researchers and practitioners should closely monitor -- either by phone or in-person -- the interactions between mentors and mentees. Although this monitoring may alter the nature of the interactions, it could also help to understand how closely the program intentions are being followed and through what mechanisms is mentorship able to influence or not influence business outcomes.

- Practitioners should consider who their target population should be, as some participant profiles (e.g., those with larger businesses) may reap greater benefits than others. If refugees and hosts tend to open businesses in the same sectors, then supporting larger businesses to grow could create employment opportunities for others.

- Researchers should investigate the factors contributing to the mentorship's negative effects on women – particularly when paired with female mentors – and explore the extent and drivers of persistence in the cash grant impacts among refugee and host populations.

- Given that women fared worse in all research arms, though particularly in the mentorship arm, practitioners should consider additional programs other than mentorship or different mentorship models to support women's business profits. Practitioners and researchers should work together to determine other limiting constraints for women that need to be addressed in order for women to benefit from economic opportunities.

- Researchers should explore the group dynamics for mixed gender mentorship when women are the mentor but the mentees may be men and women, as well as when women are both the mentor and mentees. The benefits of sharing knowledge and experience in mixed gender groups may be undermined by perceived social hierarchies.

- Donors should prioritize investments in cash grants as a cost-effective approach to support microentrepreneurship and reinforce social cohesion.

5.2 For city and national governments

- Policy makers should design and strengthen implementation of flexible, inclusive policies and regulatory environment that address unique constraints for those with less profitable opportunities, particularly for refugee women.

- Policy makers should consider using cash grants as a means to positively influence social cohesion and acceptance of refugees as neighbors, and willingness to engage in economic activities with refugees.

A. ICER calculations

The formula used for linear extrapolation is:

$$Y(x) = \left(\frac{x - x1}{x2 - x1}\right) * (y2 - y1) \quad (2)$$

Where y is business profits and x is the month. The output of this calculation is provided in the table below.

Table 3: ICER Calculation Output

			Profits in the last 30 days	
Month	Data type	Any cash (men)	Any cash (women)	Average
1	Estimate	$13.75	$32.82	$23.29
2	Estimate	$13.75	$32.82	$23.29
3	Observation	$13.75	$32.82	$23.29
4	Estimate	$18.63	$26.96	$22.80
5	Estimate	$23.52	$21.09	$22.31
6	Observation	$28.40	$15.23	$21.82
7	Estimate	$29.12	$15.69	$22.41
8	Estimate	$29.84	$16.15	$23.00
9	Observation	$30.56	$16.61	$23.59
10	Estimate	$25.78	$11.04	$18.41
11	Estimate	$21.01	$5.48	$13.24
12	Observation	$16.23	$(0.09)	$8.07
Total business profit:		$264.34	$226.62	$245.48
Cost per increase in $1 of profit:				
For cash only:		$3.33	$3.89	$3.61
For mentorship:		$4.68	$5.46	$5.07

This helps us understand that we must invest on average $3.61 in activities to help clients increase profits by $1 for those in the cashonly treatment, and invest $5.07 in activities to help clients increase profits by $1 for those in the mentorship groups. Considering the economic outcomes only at this time, the primary conclusion from the cost effectiveness analysis is that the cashonly treatment induces the same economic outcomes as cash+mentorship at a much lower cost.

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