Cash and Microenterprise Support for the Ultra-Poor in Uganda

Researchers:

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Sector(s): Finance, Social Protection

Fieldwork: Innovations for Poverty Action (IPA)

Location: Kitgum and Gulu Districts, Uganda

Sample: 120 villages, 1,800 participants

AEA RCT registration number: AEARCTR-0001225

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Research Papers: The Returns to Microenterprise Support among the Ultrapoor: A Field Experiment ...

Partner organization(s): Association of Volunteers in International Service (AVSI)

Poverty is a staggering problem, with 46 percent of the world's population living on less than 5.50 USD per day. Research shows that individuals experiencing poverty can leverage investments to increase their self-employment activities and improve their livelihoods but often lack access to credit and insurance, thereby limiting their potential to benefit from investment opportunities. In partnership with the Association of Volunteers in International Service, researchers evaluated the impact of the Women's Income Generating Support (WINGS) program, an initiative which provided low-income Ugandan individuals, mainly women, with financial grants, business skills training, and ongoing supervision on individuals' economic outcomes. The WINGS program improved individuals' earnings and access to nonfarm business opportunities in postwar Uganda.

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Poverty is a staggering problem, with 46 percent of the world's population living on less than 5.50 USD per day. Some evidence suggests that people living in poverty can leverage investments to increase their self-employment activities and improve their livelihoods but are often constrained by a lack of access to credit and insurance. In response, anti-poverty programs have promoted self-employment, as many developing economies do not have viable formal employment opportunities. Can cash transfers, business skills training, and business supervision economically benefit individuals living in poverty?

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Between 1987 and 2006, small bands of rebels ravaged Northern Uganda, especially the rural districts of Kitgum and Gulu. As a result, nearly two million civilians were temporarily moved to displacement camps, only to find that they lost their livestock, savings, and livelihoods post-return. The Ugandan economy began growing rapidly (6.5 percent in 20 years), but two-thirds of households in Kitgum and Gulu reported some of the lowest standards of living in the world, with many households unable to meet their basic needs. Today, 21 percent of Ugandans live below the poverty line.

The Association of Volunteers in International Service (AVSI), a humanitarian organization, launched the Women's Income Generating Support (WINGS) program, an initiative to provide low-income individuals, mainly women, with financial grants,

business skills training, and ongoing supervision in Kitgum and Gulu. For this evaluation, AVSI held community meetings in villages in both districts and asked community members to nominate marginalized villagers, ensuring that 75 percent were women aged 14-30. The average participant was female, 27 years old, and had 2.8 years of education. Only about 3 percent of the sample worked in petty trade or owned their own businesses at baseline. Most worked in subsistence agriculture or casual labor. On average, participants earned about UGX 8,940 (US$4.47 in 2009) per month. Prior to the program, everyone in the sample villages had lived in displacement camps for at least three years, with no access to farmland.

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Researchers partnered with AVSI to conduct a randomized evaluation from 2009 to 2011 to test the impact of the WINGS program on low-income individuals' income, access to nonfarm business opportunities, and other outcomes of wellbeing. The WINGS program had four components:

- Basic Skills Training: Five days of business skills training designed for illiterate participants, with a focus on business planning, sales, marketing, record keeping, and budgeting;
- Cash Transfer: Grant of UGX 300,000 (US$150 in 2009) to implement the business plan developed during the training. Grants were about 30 times larger than baseline monthly earnings;
- Supervision: AVSI trainers visited villages 4-5 times to provide advice and support; and
- Group Formation: AVSI offered a three-day group dynamics training to encourage participants to form self-help groups. Trainings covered information on leader selection, group decision-making, communication skills, conflict resolution, and how to organize saving groups.

The sample consisted of 1,800 participants from 120 villages in Kitgum and Gulu. Researchers randomly assigned villages to treatment or comparison groups in two phases.

In Phase I, half of the villages received the first three components of the WINGS program, and the other half, which served as the comparison group, were told they would receive the program in 18 to 24 months. Of the villages receiving the WINGS program, half were randomly assigned to receive an additional group dynamics training component.

In Phase II, the 60 villages in the Phase I comparison group received the WINGS program. Of the 904 program participants, researchers randomly assigned individuals to receive one of three types of additional supervisions: no supervisory visits, one to two supervisory visits, or five supervisory visits from AVSI trainers. Researchers evaluated the impact of encouraging investment, offering business management advice, and advising participants' on household bargaining via incremental supervisions on individuals' economic outcomes.

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The WINGS program increased both earnings and access to nonfarm business opportunities for those living in extreme poverty.

WINGS without Group Formation: As a result of the WINGS program, the proportion of participants without the group dynamics training who owned a nonfarm business increased 40 percentage points from a base of 39 percent (a 102 percent increase). Individual's nonfarm work hours more than doubled from five hours in the comparison group to 11 hours in the WINGS group without group formation training. Their monthly cash earnings increased by 10.4 UGX from a base of 15.5 UGX (a 67 percent increase) relative to the comparison group, and their savings were about three times higher in the WINGS group without group formation training than the comparison group. The WINGS program without the group dynamics training increased individuals' earnings and savings and led to more individuals owning nonfarm businesses with longer work hours, thereby enabling greater

occupational flexibility among program participants.

WINGS with Group Formation: Monthly cash earnings increased 23.4 UGX from a base of 15.5 UGX (a 151 percent increase) for participants who underwent the WINGS program with group formation training. Individuals increased the number of groups they were in from 1.7 to 2.9 and met with their self-reported “most important group” 2.4 times per month compared to 1.8 times per month for comparison group individuals. Additionally, the WINGS participants with group formation training saw an increase in loans to and from other households, indicating an increase in the use of savings and credit associations. Overall, the WINGS program with the group formation training increased participants’ earnings, savings, and credit associations, and led to higher participation in group meetings.

WINGS with Supervision Variation: Individuals who expected supervisory visits increased their spending on business investments by 5 percentage points. Individuals who received two supervisory visits were 11 percentage points (19 percent) more likely to operate a business than those who received no visit. Furthermore, their nonfarm work increased by 2.3 hours (44 percent), and their earnings rose about 25 percent, both compared to those who received no visits. Individuals who received three additional visits had similar results as those with only two visits.

Blattman, Christopher, Eric P. Green, Julian Jamison, M. Christian Lehmann, and Jeannie Annan. 2016. "The Returns to Microenterprise Support among the Ultrapoor: A Field Experiment in Postwar Uganda." American Economic Journal: Applied Economics, 8(2): 35-64.

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