

FAQ on IDinsight's evaluation of Village Enterprise's program for the Development Impact Bond

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1. What role did IDinsight play in the DIB?

IDinsight was the independent evaluator of the Development Impact Bond and conducted a randomized controlled trial on Village Enterprise's program. We supported the dissemination of the findings of the study and will continue to do so. We also provided early input related to the targets, which were established and set by the implementer, investors, and outcome payers.

2. IDinsight's research showed that households in the Village Enterprise program had about a 6% increase in consumption and a 6% increase in assets compared to the control group. How should we think about these findings?

This represents a moderate improvement in livelihoods. It is not transformative for every household or equivalent to overcoming poverty. However, according to our findings, a 6% improvement in consumption can determine whether someone goes to sleep hungry or whether they have enough money to cover school fees. The context of the COVID-19 pandemic is also notable as it increased the risk of a household experiencing economic and health shocks.

[One of the most famous studies reported on the effects of graduation](#) programs is from six RCTs conducted in six different countries. There they found an average program effect equal to about 5% of consumption compared to the control group. Some of these other programs are more costly and complex than Village

Enterprise's program, involving recurring consumption stipends, training, components often last longer (18+ months), with the program providing a productive asset instead of cash. In this study, we found comparable effect sizes, despite Village Enterprise running a leaner program model in the context of a pandemic.

3. Which types of consumption and assets were measured?

Appendix F in the report lists all items included in the consumption and asset modules. In brief:

Household monthly consumption included: food, beverage, temptation goods, fuel and transportation expenditures, utilities, personal hygiene and health expenditure, expenditure on social and religious activities (e.g., wedding, funeral), clothing, taxes, housing maintenance, migrations, travel, and educational costs and fees over the last 12 months.

Household net asset ownership included: Durable assets, home improvements, productive assets, household savings, and business assets, accounting for business ownership share by the household.

4. What were people buying with the money? What were their new assets and what were they consuming more of?

We offer a full list of consumption and assets reported by respondents in Appendix F of the report.

Positive consumption effects were observed across a range of items, especially foodstuffs. In Kenya, treatment effects were largest for green maize, beef, fish, maize flour, and chicken. In Uganda, treatment effects were largest for chicken, fish, and tomatoes.

Positive asset effects were similarly observed across a range of items. In Kenya, treatment households spent more on roofs, new homes, and household assets and furniture. In Uganda, treatment households spent more on livestock.

5. How did you calculate that the lifetime effects of the program were \$21 million? Wouldn't the effects fade over time?

Our full calculation for the \$21 million in higher expenditures compared to the control group is in Appendix A. We think this calculation is justified for these three reasons:

- Our evaluation measured a staggered implementation and a fixed endline study, which enables us to see that consumption effects didn't fall over time, at least between 6 months and 2.5 years after the end of program implementation (or 1.5 years to 3.5 years after the start of the program).
- From the literature on poverty graduation programs, there seem to be consistent findings that poverty graduation programs' effects persist. For example, there is a 10-year follow-up to a TUP study in India¹, where consumption effects were sustained after growing for the first seven years and persisting to year ten.
- Even though our study did not see any indication that effects would fall over time, we did assume in this projection effects aren't infinite and **used a discount rate of 10% per year to calculate the \$21 million** in higher expenditures.

6. Why were the impacts larger in Kenya?

We can't say for sure exactly why the effects were larger in Kenya versus Uganda – it could have been context, different effects of the pandemic, how the program was run, etc. Some possible hypotheses:

- *Cash transfer size*: Some households in Kenya did receive larger cash transfers as seed capital for their businesses (see the Study Design description in our report for more information). However, we did not find that households that received larger cash transfers had larger consumption effects when compared to other households in Kenya that received smaller transfers.

¹ https://www.nber.org/system/files/working_papers/w28074/w28074.pdf

- *Baseline wealth:* Effects were larger for (relatively) wealthier households (See Figure 10 for PPI distribution) and the Kenya sample is wealthier than the Uganda sample. However, this difference in baseline wealth does not fully explain the difference in treatment effect sizes across the two countries: even when we control for baseline wealth, effect sizes are bigger in Kenya.
- *Differences in COVID and pandemic policies:* Disease prevalence and the government response to COVID could have moderated the impact of the program in each country. Uganda implemented a much stricter lockdown than Kenya, which may have cut supply chains and made it more difficult for treatment households to grow their businesses or access markets. We do see that outcomes collected after the lockdown were worse than before it. If we restrict our analysis to data collected before the lockdown, the consumption effect in Uganda is ~50% larger, though this is still far below the effect size in Kenya.