

Randomized Controlled Trial Results Executive Summary (September 2015)

This report summarizes a randomized controlled trial (RCT) testing the effectiveness of the BOMA Rural Entrepreneur Access Project (REAP). This multipronged, two-year poverty graduation program is designed to lift ultra-poor women out of poverty in the arid and semi-arid lands (ASALs) of Africa. The study assesses the impacts of the first year of the program on the economic well-being of participants and their households. An introduction to the program, description of study methods, and highlights of the key findings follow.

The Rural Entrepreneur Project (REAP)

REAP targets the most vulnerable women and helps them to establish a sustainable income and savings through a holistic, two-year program of sequenced interventions: **1) targeting of participants for the development of three-woman business groups 2) two years of mentoring 3) business skills training 4) a seed capital jump grant of USD 150 to start the business 5) savings group training and a USD 50 progress grant (if the business remains in operation) and 6) access to credit through membership in savings groups.** By focusing on women, REAP helps families to build a pathway out of extreme poverty by addressing three inter-related elements that contribute to the cycle of poverty in the ASALs:

low incomes, inconsistent cash flows and inadequate financial services for the rural poor. Profits from each REAP business provide a new and diversified income for families, while BOMA savings groups help women to manage cash flow (for daily needs), plan for future expenses (such as school fees and medical care), and respond to shocks (such as drought or family emergencies). Meanwhile, interest-bearing loans offered by BOMA savings associations are often the first—and only—source of cash and credit in the community. When they graduate from the REAP program at two years, women are able to **feed their families, pay for school fees and medical care, and build up savings for long-term financial stability.**

Why a Randomized Controlled Trial?

Question: You see improvements at the end of your intervention, but how do you know those improvements wouldn't have taken place regardless of program participation? Often, the best way to address this issue, assuming good study design and implementation, is by conducting a Randomized Controlled Trial (RCT). The random assignment enables you to evaluate whether the intervention itself, as opposed to other factors, causes the observed outcomes. This is because the treatment and control groups are equal in terms of these influencing factors (i.e. biases). Assuming randomization was successful, differences in your intended outcomes can then be attributed to the treatment itself.

Study Sample and Methods

Data analyzed for this report come from a sample of 1,755 women across 14 locations in Marsabit County, Northern Kenya that were randomly assigned using a public lottery system to the REAP intervention group (n=585) or one of two delayed intervention groups (n=585 and n=582). The delayed intervention groups served as the control groups for analysis. Baseline surveys were conducted in November 2013 with follow-up surveys conducted in May 2014.

The retention rates for all three groups exceeded 95%.

Women assigned to the treatment group received two years of REAP intervention, including mentoring, business planning and seed capital jump grants, business skills training, savings group training, and progress grants. Women assigned to the control groups received the intervention at a later date.

The primary outcomes of interest, based on the main areas of emphasis in year one of REAP, include measures of per capita monthly income, per capita savings, food security¹, and household assets (including durable assets and livestock). Other outcomes assessed, although not directly targeted in the first year of REAP, include monthly school and medical expenditures.

Key Findings

At one year follow-up, we found the following significant benefits for REAP participants versus controls:

- Per capita income (34% increase)
- Per capita savings (131% increase)
- Durable asset ownership (29% increase)

No significant effects of REAP participation were detected on measures of:

- Monthly expenditures on food, medical care, or school fees
- Food security

Conclusions and Program Implications

In a relatively short time frame of one year, REAP had a positive and significant impact on income, savings, and asset accumulation. These results indicate that addressing both human capital and credit restraints, via the REAP multipronged approach, empowers disadvantaged women to successfully run microenterprises that have led to improved household incomes. These impacts are economically significant and allow women to meet current household needs through increased income and prepare for future shocks through the accumulation of savings. While food expenditure did not increase as we had hypothesized, there are several plausible explanations for these findings. For example, our most recent data indicate that over 70% of REAP participants take food out of their business for household consumption, thereby limiting the amount they need to spend on food. Although not statistically significant, the reduction in number of children going to bed hungry may also support this explanation. Medical and school fee expenditures did not increase, but these measures of consumption are not directly targeted in the first year of REAP. Future research and evaluation efforts are underway at BOMA to further investigate these phenomena. We recognize the limited study duration of the RCT (1 year) and are implementing a new process to determine longer-term impacts of REAP.

¹For this study, food security was measured by self-reported number of meals consumed per day and number of children going to bed hungry in the household in the last week