



Refugees in East Africa:
Boosting Urban Innovations for
Livelihoods Development



POLICY BRIEF

The Impact of Cash Grants and Cash + Mentorship on Kenyan and Refugee Business Owners in Nairobi, Kenya

EXECUTIVE SUMMARY

A randomized controlled trial (RCT) was used to assess the impact of both cash grants and cash grants + mentorship support on programs on improving the economic and mental wellbeing outcomes of refugee and Kenyan business owners in Nairobi, Kenya. The study found that giving cash grants alone and giving cash grants combined with mentorship greatly improved business ownership, profits, productive assets and average monthly income for both refugees and Kenyan nationals. The greatest impact was observed on new business owners. Additionally, 1:1 mentorship was found to greatly benefit the mental wellbeing of participants, particularly Kenyan men. However, there were notable gender differences, as refugee women experienced minimal effects on business outcomes across both groups.

The study recommends that cash grants should be prioritized as a cost-effective approach for supporting business owners, while mentorship requires careful design to mitigate structural constraints—especially around gender—to promote women's business growth. In addition, more research is necessary to understand which aspects of mentorship add value to justify the higher costs associated with this support. The study findings are essential for informing future programs and policies aimed at assisting refugees and vulnerable populations economically in East Africa, and beyond.

The study was undertaken by the International Rescue Committee (IRC) Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development ([Re:BUiLD](#)) program in partnership with researchers from Princeton and Georgetown Universities, and with funding support from the IKEA Foundation.

This Policy Brief provides a summary of the study, with a focus on policy recommendations for donors, practitioners, researchers and governments. To access the full study details and results, please find the comprehensive Research Brief [available here](#).

INTRODUCTION

Micro-entrepreneurship is an important economic approach in urban areas of low- and middle-income countries, especially where formal employment opportunities are scarce—such as for migrants and refugees. However, programs aimed at promoting entrepreneurship have had different levels of success, especially for marginalized groups such as women and refugees. This study seeks to evaluate the impact of providing cash grants and mentorship to refugee and host communities, providing valuable insights and lessons on their effectiveness.

STUDY DESIGN

Approximately 2,000 mentees and 1,900 mentors participated in the RCT. Mentees were Kenyan local business owners who received a 1-day training from the IRC, and were required to meet with their mentees for eight 1:1 weekly meetings. A group of mentors were randomly chosen to receive training on developing interpersonal relationships with their mentees through perspective-sharing, known as the enhanced mentorship treatment arm. Participants were assigned to one of three primary treatment arms, or a control group:

1. cash grants,
2. cash grants + mentorship,
3. cash grants + 1:1 enhanced mentorship,
4. control group.

All participants received a lump-sum cash grant of 56,000 KSH (USD \$424) to start or invest in a business. These grants were disbursed roughly one month after the start of the intervention. Participants in the mentorship arms were not required to attend the 1:1 mentorship meetings in order to receive payment. The control group received delayed cash grants, after the evaluation was completed.



Photo Credit: June 6, 2024, Nairobi, Kenya. Josephine Nakabugu (right) inspects a fabric for sale and her mentor (left) Caroline Achieng' sewing a dress at their tailoring shop in Kawangware. Josephine met Caroline through the IRC and IKEA Foundation's Re:BUiLD program, where a microenterprise Randomized Controlled Trial (RCT) focused on mentorship brought them together, since then, they've been working side by side. (PHOTO: Edgar Otieno for the IRC).

FINDINGS AND RESULTS

1. The study found that cash grants and cash grants + mentorship led to a greater likelihood of owning a business in the short- and medium- term, and sustained improvements in various business success metrics among participants.
 - Business ownership increased significantly by 12% for participants receiving cash grants, and 24% for those receiving cash grants + mentorship. Across both arms, productive assets increased by 56% compared to the control group who received cash grants after the evaluation was completed. This suggests that participants invested a significant portion of cash grants received into their businesses.
 - Time spent on business increased by an average of 9 hours weekly.
 - Monthly business profits increased by US\$34, which is a significant 77% increase from the control group. The average household monthly income also saw a 23% increase to US\$76. This highlights the importance of cash grants and mentorship in promoting business success, household financial stability, and resilience for vulnerable populations.
2. New business owners saw positive and greater impacts than established business owners.
 - Participants who did not own a business at the beginning of the program were likely to open a new business, increase business profits, acquire productive assets, and spend more time on their business. Existing business owners also saw a 10% increase in the likelihood of keeping their businesses open in the long term, compared to their counterparts in the control group. However, there was no improvement in business profits for existing business owners until the ninth month.
 - At nine months, participants who had existing businesses at the beginning experienced an average increase in business profits of US\$22, compared to the control group. However, this increase is half the size of the increase seen among those who did not have businesses from the beginning (US\$40).
 - These findings suggest that it is easier for people to start businesses than to grow them. The program is more successful in encouraging the creation of new businesses, than at increasing the profits of existing businesses, which aligns with previous research.
 - The study found that participants experienced major differences in business results, based on gender and refugee status.
 - Neither cash grants alone nor cash grants + mentorship improved business outcomes for refugee women. This may be due to high rates of business ownership among refugee women at the beginning of the program and systemic challenges to growing micro- and small enterprises. This illustrates that the program did not effectively tackle the specific challenges faced by refugee women. As a result, their effectiveness in promoting business growth within this group was limited.
3. The integration of a 1:1 mentorship component alongside cash grants yielded modest yet significant economic and psychological benefits for Kenyan participants.
 - Kenyan men who received 1:1 mentorship alongside cash grants experienced a monthly profit increase of US\$26, compared to US\$19 from receiving cash grants alone.
 - It was observed that cash grants + mentorship improved participants' mental wellbeing three months after the start of the program.
 - Mentorship led to a rise in business investments among Kenyan men, resulting in slightly higher profits that have been sustained for up to nine months. However, it seems that mentorship encourages men to prioritize their business over other forms of employment, which seems to result in positive returns for Kenyan men.
 - The success of a mentee is influenced by the size of a mentor's network, indicating that the effectiveness of mentorship programs depends on the selection of mentors with large networks.

COST EFFECTIVENESS ANALYSIS

Using the IRC human resources and organizational systems, the cash-only treatment arm cost US \$762 per participant while cash grants + mentorship cost US\$1,181 - \$1,182 per participant. In order to drive increased business profits through cash grants, an investment of \$3.43 is required to achieve a US\$1 increase in profits. The cash grants + mentorship treatment arms require an investment of US\$4.56 to see a US\$1 increase in profits. In the same way, it costs \$2.95 to increase the productive assets of participants by US\$1 with the cash grants only, compared to US\$5.59 with cash grants + mentorship. The main conclusion is that giving cash grants alone produces similar economic results as cash grants + mentorship, but at a lower cost. However, this analysis does not take into account potential impacts in areas including social cohesion and mental wellbeing, which should be considered in future programming and policy decisions.



Photo Credit: June 12, 2024, Nairobi, Kenya – Ferdinand Kubuimana cuts a client's hair in his business premises located in Kitengela. Ferdinand received a business grant from the IRC & IKEA Foundation's Re:BUiLD program as part of microenterprise Randomized Controlled Trial (RCT) in Nairobi which helped him to open a barbershop after years of being employed. (Photo: Edgar Otieno for the IRC).



KEY RECOMMENDATIONS: DONORS, PRACTITIONERS AND RESEARCHERS

- i. **Consider holistic benefits of mentorship:** When evaluating the cost effectiveness of mentorship programs, it is important to consider the overall benefits beyond just the 1:1 relationship. The IRC's cost efficiency analysis has shown that mentorship can be more costly compared to providing cash grants. Practitioners should assess the holistic impact of mentorship on different subgroups to determine which aspects are most valuable and whether the costs are justified.
- ii. **Identify motivation:** Future programs need to clearly define their target population and differentiate between microentrepreneurs who engage in self-employment out of necessity versus those who choose it as a preferred or selected profession, in order to effectively assess program objectives.
- iii. **Explore alternative support options:** Individuals interested in self-employment may find more success in programs that address labor market challenges or provide direct humanitarian aid for basic needs, rather than focusing solely on funding and mentorship for starting a business. Microentrepreneurs looking to make a significant impact may have more opportunities to change capital into business growth.
- iv. **Recognize obstacles faced by specific subgroups:** When designing a program, it is important to consider the unique challenges that different subgroups face based on their refugee status and gender. In the future, programs may aim to address inequalities in business opportunities in order to reduce the gender earning gap in businesses—such as through providing childcare, or targeted labor market access.
- v. **Test assertions:** Future research examining the effects of business mentorship should verify that the size of a mentor's network predicts the success of the mentee. Although this assertion was supported by our study, addition testing could enable the targeted selected mentors for future programs based on characteristics known to predict mentee success.
- vi. **Promote research:** In the future, studies could examine programs that aim to expand the social and professional networks of microentrepreneurs by introducing them to key stakeholders such as suppliers, buyers, investors, and fellow entrepreneurs. Establishing a network of small businessmen could provide valuable insights into whether lack of connections and networking opportunities hinder the growth of microenterprises.
- vii. **Encourage research:** There is a need for future research to investigate why providing cash alone in combination with mentorship, does not lead to an improvement in mental wellbeing of refugee men and women. This study shows the existing research that shows the temporary positive effect of cash grants on general well-being.
- viii. **Explore mentorship initiatives:** To maximize learning from this study, researchers and practitioners can enhance their learning by closely monitoring the individual interactions between mentors and mentees. Although such monitoring may impact the interactions, it could also help shed light on the research design and ways through which mentorship can influence results.



KEY RECOMMENDATIONS: CITY AND NATIONAL GOVERNMENTS

- i. **Prioritize gender-sensitive economic opportunities:** Policy makers should focus on increasing formal economic opportunities for women, particularly refugee women. Many women are self-employed and stuck in low-return, home-based activities due to labor market challenges and limited opportunities.
- ii. **Address obstacles to female economic empowerment:** Policymakers should work to address cultural and societal issues that hinder women's economic empowerment. This can be achieved by either empowering women to work around the limiting gender norms or by implementing society-level efforts to challenge and alter these norms.