

Building Economic Self-Reliance Among Refugee Communities in Ethiopia:

Early impacts from the DREAMS program in Dollo Ado, Ethiopia

Program Overview

The **Delivering Resilient Enterprises and Market Systems (DREAMS)** project is a multi-year initiative jointly implemented by **Village Enterprise and Mercy Corps**. DREAMS provides an innovative solution that seeks to promote self-reliance among refugees and host community members by providing them with the financial skills and business opportunities that promote livelihoods and enable self-sufficiency. It is currently being piloted in Uganda, Ethiopia, Tanzania, and Kenya.

DREAMS integrates two complementary components: poverty graduation (PG) and market systems development (MSD). The PG component, implemented by Village Enterprise, is a structured 12-month program that equips vulnerable households with the skills, financial capital, and mentorship needed to start and sustain businesses. The MSD component, implemented by Mercy Corps, promotes uptake of priority value chains through input subsidies and strengthens the broader market ecosystem pertinent to those value chains to create sustainable opportunities for refugee and host community-led enterprises.

IDinsight is conducting a randomized controlled trial (RCT) and a complementary qualitative study of the DREAMS program in Ethiopia from 2023 to 2026. The goal of this evaluation is to measure the impact of the DREAMS program on economic and other outcomes for refugee and host community households. Households in each study community were randomized to one of three study arms:

- **A Full DREAMS (FD) study arm**, in which households received the poverty graduation (PG) package and market systems development (MSD) support. Two types of MSD support were provided: 1) *Direct MSD* targeted individuals or households through mechanisms such as value chain-specific training, input subsidies and vouchers, and facilitated linkages to private sector actors (PSAs), including input suppliers, veterinary clinics, and financial service providers. 2) *Indirect MSD* targeted PSAs and the broader market ecosystem, using market assessments, cost-share grants to incentivize PSA entry into refugee and host communities, and open market expos to strengthen supply chains and crowd in additional businesses around priority value chains.
- **A Poverty Graduation (PG) study arm**, in which households received the PG package and were exposed to indirect MSD through the same broader market strengthening activities, but did not receive any of the direct MSD components (no vouchers, no facilitated PSA linkages, and no value chain-specific PSA training).
- **A Control Group**, which did not receive PG or direct MSD support, but could have been exposed to broader, indirect market system improvements in their communities.

This brief presents short- to medium-term results measured in late 2025, approximately three to twelve months¹ after participants completed the PG program. A second endline, planned one year after the first endline, will assess medium- to long-term impacts. IDinsight is conducting a related study of the DREAMS program in Uganda.²

1. The PG program was rolled out in cohorts, with each cohort starting approximately 4 months after the one before. The endline occurred at the same time for all evaluation cohorts, which resulted in different amounts of time between the end of the PG program to data collection across cohorts.

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Key Results from Endline 1



Higher Consumption:

Treatment households reported **USD 22 (PG)** and **USD 20 (FD)** higher average **monthly household consumption** than control households, representing **~10% and 9% differences**, respectively.



Greater Asset Ownership:

Treatment households reported **USD 225 (PG)** and **USD 215 (FD)** more in **total asset value** than control households, representing **25% and 24% differences**, respectively.



Higher Household Income:

Treatment households reported **USD 6 (PG)** and **USD 7 (FD)** more in **total monthly income** than control households, representing **14% and 17% differences**, respectively.



Higher Savings:

Treatment households reported **USD 18 (PG)** and **USD 17 (FD)** more in **total household savings** than control households, representing **92% and 91% differences**, respectively.



Cost-effectiveness:

DREAMS benefits:cost ratio in both treatment arms delivers nearly 2.5x benefits after 5 years, with slightly higher cost-effectiveness in the PG arm (2.78x) relative to the FD arm (2.48x). Benefits in both arms already exceed program costs at Endline 1.

There were few statistically significant differences between the PG and FD treatment arms. This suggests that the core poverty graduation package, along with indirect MSD, effectively encouraged households to engage in new business activities within a key value chain and improved their household welfare. The additional direct MSD provided to FD households, such as vouchers, did not yield a measurable additive impact on short- to medium-term welfare indicators relative to PG households.

Context

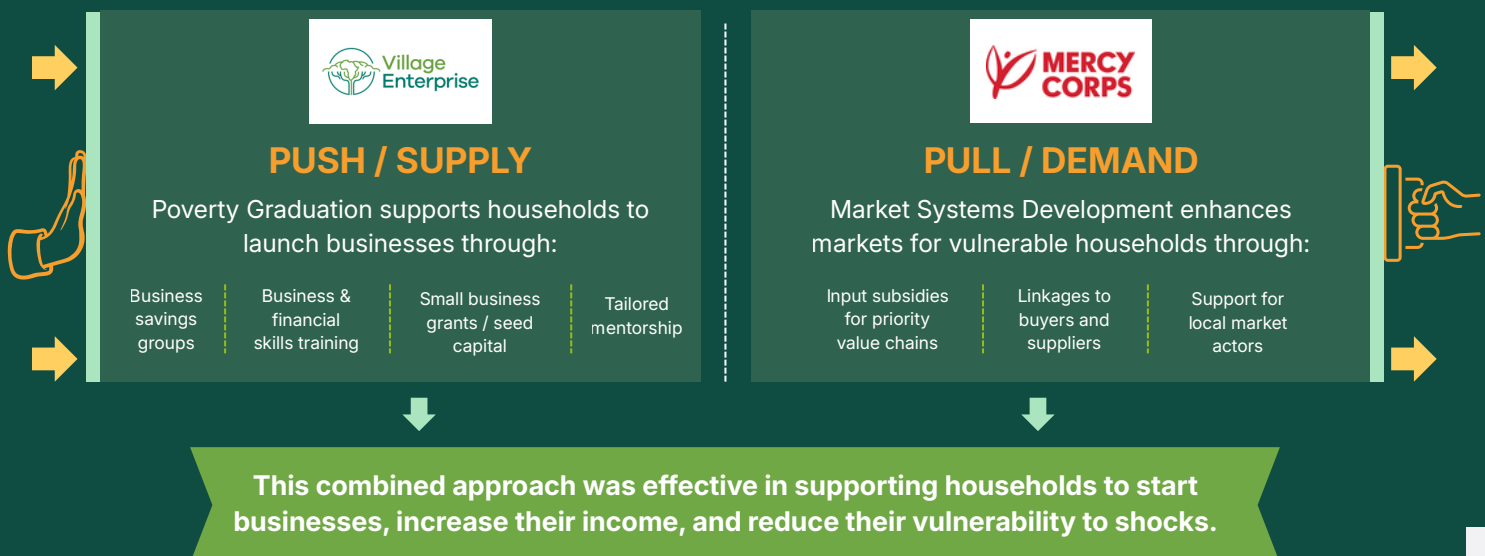
Ethiopia is home to roughly 1.1 million refugees and asylum-seekers (UNHCR, 2026). Given the protracted nature of regional conflicts, a substantial share of this population is likely to remain in the country for years to come. Humanitarian systems were built around the delivery of urgent, life-saving assistance, and they have not been well-equipped to offer lasting solutions for people stuck in prolonged displacement, a group that accounts for more than three-quarters of refugees worldwide (UNHCR, 2021). What refugees need extends well beyond immediate relief: they require pathways that allow them to reconstruct stable lives over time. The search for such pathways carries new urgency as the humanitarian sector faces sharp reductions in foreign assistance. Data from the UN Office for the Coordination of Humanitarian Affairs show that by early September 2025, donors had funded less than 20% of the USD 44 billion needed to address global humanitarian needs, and within ten months the sector had shrunk to roughly one-third of its previous scale.

Poverty graduation (PG) is a proven intervention that has sustained impacts on the livelihoods of ultra-poor households in non-refugee settings (e.g., Banerjee et al., 2015). However, PG, which relies on the creation of successful micro-enterprises, may be insufficient by itself to generate sustained impacts in areas with limited market maturation, such as refugee communities. Market systems development may provide the missing piece in these settings, but there is limited evidence on the effectiveness of combining PG with MSD. The findings aim to inform program implementation, improve future programming, and contribute evidence to humanitarian organizations that are exploring effective approaches to meeting the needs of refugees and host communities. There is a separate evaluation in Uganda to test the model's adaptability across multiple contexts. Results from the second endline for DREAMS in Ethiopia evaluation will be available in mid-2027.

DREAMS

Village Enterprise and Mercy Corps designed the Delivering Resilient Enterprises and Market Systems (DREAMS) project to be a sustainable, long-term model for improving livelihoods by advancing refugee self-reliance through an innovative, dual-pronged approach.

DREAMS combines two models: poverty graduation (PG) and market systems development (MSD), designed to strengthen local business activity and improve economic livelihoods. The innovation of DREAMS lies in deliberately integrating these approaches, providing a “push” to help vulnerable refugee and host households become market-ready, alongside a “pull” from strengthened market systems to ensure they can participate as profitable contributors.



Evaluation Overview

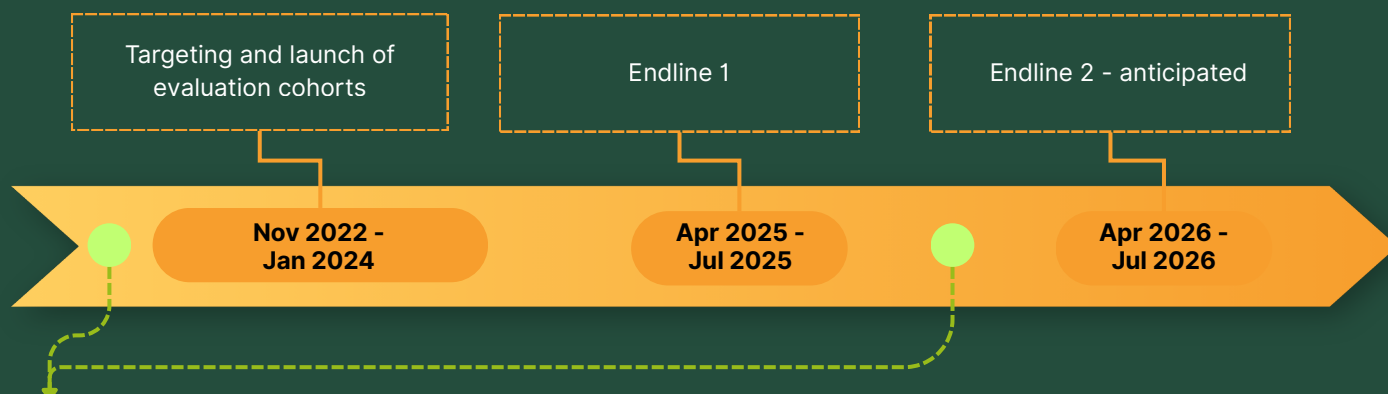


Evaluation Design:

Mixed methods, household-level randomized controlled trial.



Evaluation Timeline:



Data Collection Methods:

Quantitative data collection was conducted at 2 points thus far, with an additional round planned for 1 year after Endline 1: 1) a short survey during the initial targeting phase before randomization; 2) Endline 1, approximately 3 to 12 months after the program's conclusion of the evaluation cohorts; and 3) (planned) Endline 2 approximately one year following Endline 1. Data was collected through enumerator-administered, in-person surveys, with outcomes based on self-reported measures. In addition, qualitative interviews and focus group discussions were conducted with a subset of program participants, control households, and private sector actors.



Setting and Evaluation Sample:

The evaluation is taking place in refugee and host communities in Dollo Ado, Ethiopia. As part of normal program implementation, Village Enterprise screened all households in the participating communities for program eligibility. Eligible households were randomized to the control arm, poverty graduation only arm, or full DREAMS arm. A total of 6,151 households (2,047 control, 2,054 PG, and 2,050 FD) were surveyed at Endline 1.

Program Participation



High Program Participation: Almost all treatment participants joined Business Savings Groups (98% of Poverty Graduation and 99% of Full DREAMS households) and formed Business Groups, the main elements of the PG component of DREAMS. DREAMS supported engagement in several priority value chains in Ethiopia, including shoat (sheep and goat) fattening, poultry, fodder production, and crop production. Most Business Groups started their business in the shoat fattening value chain (90% PG and 94% FD), reflecting its accessibility and alignment with participants' pastoralist backgrounds, with minimal engagement in crop-based value chains. At Endline 1, 61% of PG, 67% of FD, and 21% of control households were engaged in shoat fattening.

Economic Outcomes



Higher Consumption: Treatment respondents reported USD 22 higher average monthly household consumption than control households in the PG arm, and USD 20 higher in the FD arm, representing 10% and 9% differences, respectively. There were no statistically significant differences between PG and FD households, indicating that both groups were able to translate program participation into increased consumption.



Greater Asset Ownership: Treatment households on average reported USD 225 (PG) and USD 215 (FD) more in total asset value than control households, representing 25% and 24% differences, respectively. There were no statistically significant differences between PG and FD households. In absolute terms, asset growth was more than three times as large for host community households as for refugee households (USD 442.73 for PG and USD 476.31 for FD host households, compared to USD 141.38 for PG and USD 123.61 for FD refugee households). While overall household asset growth was comparable between the two treatment arms, FD households accumulated, on average, USD 18.86 (17%) more in business-specific assets than PG households.

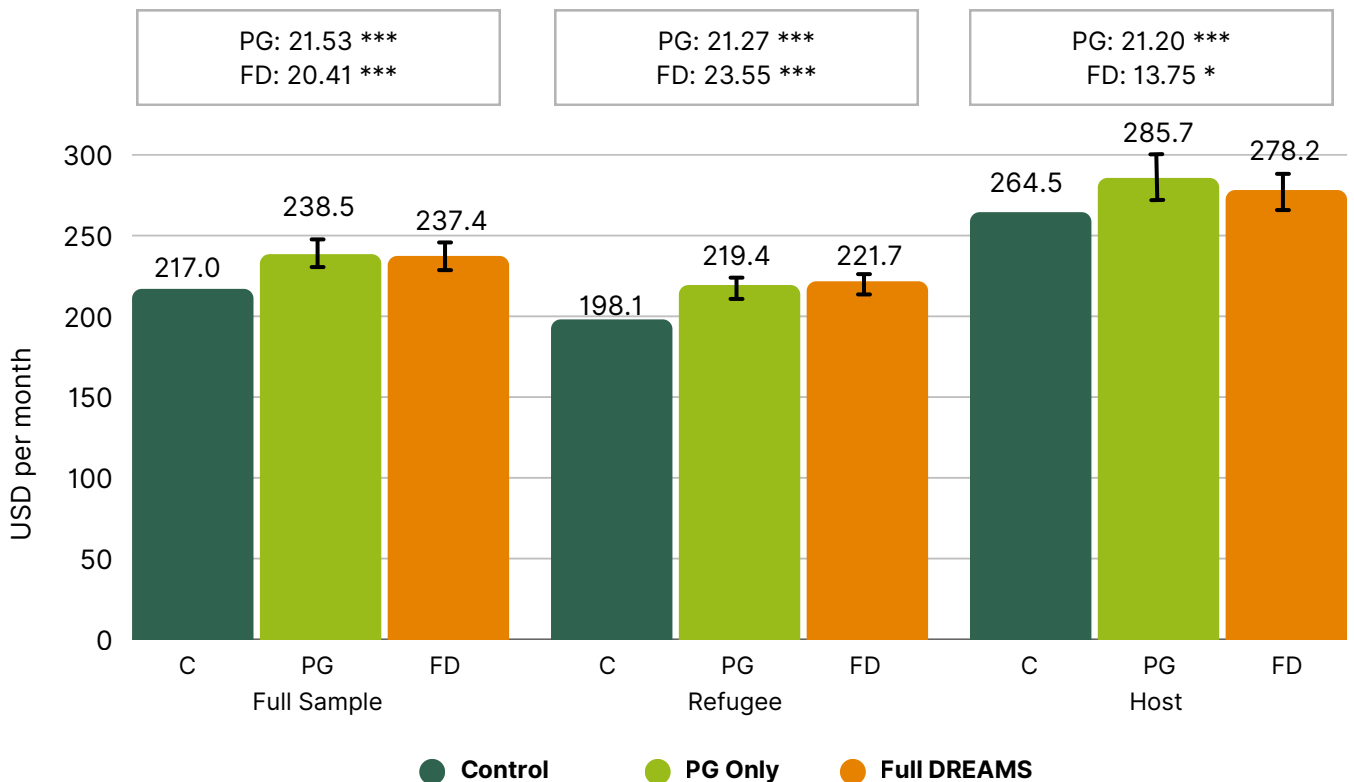


Higher Household Income: Treatment households on average reported USD 6 (PG) and USD 7 (FD) more in total monthly income than control households, representing 14% and 17% differences, respectively. Income growth was primarily driven by gains in livestock activity, consistent with the strong uptake seen in the shoaat fattening value chain. There were no statistically significant differences between PG and FD households.



Higher Savings: Treatment households reported USD 18 more in total household savings than control households in the PG arm and USD 17 more in the FD arm, representing a 92% and 91% difference, respectively. These substantial gains indicate that both PG and FD households have nearly doubled their financial buffers.

Household Monthly Consumption (USD)



Error bars: 95% CI. C=Control, PG=Poverty Graduation, FD=Full DREAMS.
* p<0.1, ** p<0.05, *** p<0.01

Resilience, Financial Inclusion, and Well-Being



Greater Financial Inclusion: The DREAMS program had a positive and statistically significant impact on households' use of financial services, including mobile money and formal banking. Mobile money usage increased from 68% among control households to 73% among both PG and FD households. Uptake of formal banking remained low (11% PG, 9% FD, 7% control), reflecting structural barriers such as a lack of collateral and limited trust in formal institutions.



Higher Overall Well-Being: On average, treatment households scored higher on the well-being index of 1–10 than control households. PG respondents scored 0.2 points higher (2.3% increase), while FD respondents scored 0.29 points higher (3.4% increase). The difference between FD and PG respondents (0.09 points) was statistically significant, suggesting slightly higher perceived benefits among FD participants.



Improved Food Security: Treatment households reported modest but meaningful improvements in food security. In the PG arm, treatment households were 6 percentage points less likely to experience moderate or severe food insecurity than control households, and 7 percentage points less likely in the FD arm (32% of control households fell into this category). Children in FD and PG households were 9 and 6 percentage points less likely to skip meals than control, respectively (33% of control children skipped meals).

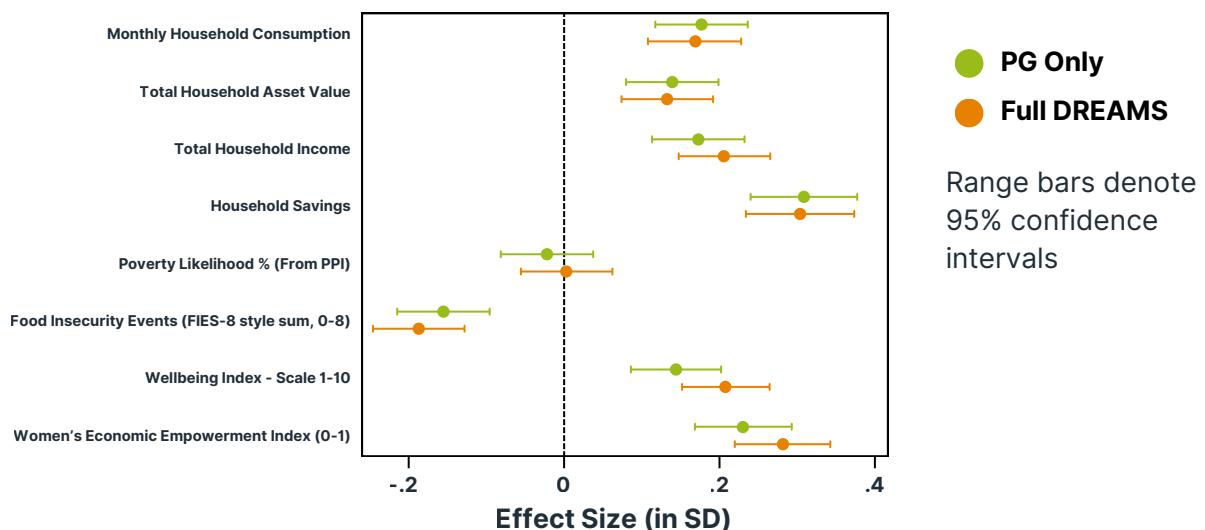


Greater Economic Empowerment for Women: Female treatment respondents scored higher overall on the women's economic empowerment index, scoring +0.03 points (PG) and +0.04 points (FD) on a scale from 0 to 1 relative to a control mean of 0.26. The most pronounced gains were observed in economic decision-making, access to financial services, and participation in economic activities.



Cost-effectiveness: If effects are sustained for five years, the DREAMS program will yield nearly 2.5 times the value of its costs through increased household consumption and asset accumulation. The PG arm returned a marginally higher value per dollar invested than the full DREAMS arm, reflecting the modest incremental cost of direct linkages relative to the similar welfare gains observed across both treatment arms. Assuming modest positive spillovers, primarily from market systems development activities, would further increase the benefits:cost ratio. The program's cost-effectiveness compares favorably with peer programs in sub-Saharan Africa, such as the Village Enterprise DIB program (1.84x over five years) and AVSI Rwamwanja (0.76x over five years). Endline 2 results will provide further evidence on the sustainability of these impacts and the extent of spillover effects.

Standardized Effect Sizes on Key Outcomes



Study scope and limitations

The randomized controlled trial (RCT) provides rigorous estimates of the impact of the DREAMS program on participating households in Dollo Ado, Ethiopia. The evaluation design allows for estimating both the combined impact of poverty graduation (PG) and market systems development (MSD), as well as the incremental impact of adding direct MSD support to PG (Full DREAMS) relative to PG alone.

However, the evaluation cannot fully disentangle the individual contributions of specific program components. While the three-arm design isolates the additive effect of direct MSD, it is not possible to separate the effects of PG from indirect MSD, nor to determine the relative importance of individual components such as seed capital, training, or mentorship. As a result, findings should be interpreted as the impact of bundled interventions operating within a changing market environment.

While causal attribution of indirect MSD effects cannot be measured through this design, qualitative evidence and observed participant behavior provide important insights into program mechanisms, including the strong uptake of the shoat fattening value chain and the role of local market conditions in shaping business decisions.

External shocks likely influenced observed outcomes during the evaluation period. Successive droughts and high inflation created volatility in livestock markets, increasing input costs while depressing sale prices.

Finally, these results reflect short to medium-term impacts measured at Endline 1, some effects, particularly those related to market systems development, may take longer to fully materialize. As such, Endline 2 will be critical for assessing the program's longer-term impacts, sustainability, and spillover effects on the broader community.



Conclusion

Taken together, the evaluation findings indicate that DREAMS generated meaningful short- to medium-term improvements in household economic outcomes and well-being, particularly in consumption, income, and asset ownership. These gains suggest that DREAMS effectively helped participants translate training, grants, and business activities into measurable improvements in household welfare within the first 3 to 12 months after implementation. These effects are consistent with existing evidence from poverty graduation programs, and notably exceed prior benchmarks, with consumption effects approximately five times larger than previous rigorous evaluations of the Village Enterprise model in non-refugee settings (Sedlmayr et al., 2020; McManus et al., 2022).

Across nearly all indicators, on average, there were no statistically significant differences between poverty graduation and full DREAMS households, though both groups benefited from the program. Both PG and FD participants primarily engaged in the shoat fattening value chain (90% and 94%, respectively) and experienced similar gains across consumption, assets, income, savings, and food security. These patterns suggest that the core poverty graduation package, alongside indirect market improvements, was effective in encouraging households to engage in new business activities and improve their welfare. The additional direct market linkages provided to FD households, such as vouchers, did not yield measurable additive impacts on most short- to medium-term outcomes, though FD households saw modest advantages in specific domains, including higher business assets and slightly higher perceived well-being. Qualitative evidence reinforces this: vouchers were primarily used to reduce costs rather than to drive different business decisions, and households in the PG arm were largely able to access the same inputs at full price without voucher support.

We conclude that the DREAMS program was impactful in the short- to medium-term. The promise of DREAMS may be even greater in future program implementation when market linkages are strengthened. Strengthening access to inputs and value chain services could enable households to scale businesses more effectively and maximize economic gains, more fully realizing the promise of combining poverty graduation with market systems development. These findings reflect short- to medium-term impacts measured at Endline 1; some effects, particularly those related to market systems development, may take longer to fully materialize. As such, these results should be interpreted alongside Endline 2 as an important follow-up to assess longer-term impacts.

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