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NOTE FROM THE FIELD

Microlending in Mauritania

Food for Peace and Microenterprise Development increase food security and household income



Anicca Jansen

Market in Kiffa, Mauritania

“For the last 50 years, the U.S. Government has donated Food for Peace agricultural commodities to cooperating sponsors, which use these commodities to improve food security through 5-year development projects and emergency food assistance. Since 2000, more than \$44 million in Food for Peace funds have been used to support microenterprise programming.”

In this Note, Anicca Jansen describes her visit to a Food for Peace (FFP)-funded project to support microenterprise development in Mauritania. Until recently, Dr. Jansen was stationed in USAID’s Mission in Dakar, Senegal, where she worked as part of USAID’s Microenterprise Development (MD) office. She recently returned to USAID’s Washington headquarters.

Dr. Jansen accompanied an FFP team in June 2004 on a field visit to Mauritania to assess the progress of World Vision (WV) FFP-funded microenterprise development activities. Her visit was specifically intended to assess WV’s request to allocate excess revenue from the sale of agricultural commodities to support microfinance activities. This joint site visit provided an excellent opportunity for shared learning between USAID’s Food for Peace staff and the MD Team, revealing important lessons for microlending projects. Further, with almost 50 percent of the population below the poverty line, and 61 percent of the rural population living below the poverty line, Mauritania is a country that could benefit from both program approaches. Some of the highlights of her trip follow.

“WV’s micro-lending project in Mauritania, Prodev, implements activities in two regions: Nouakchott and Kiffa. The Nouakchott branch is supported by funds raised through the sale (monetization) of FFP agricultural commodities, while private donations support the Kiffa branch. Because of an unexpected increase in agricultural commodity prices, WV raised more monetization funds than expected. In order to program these funds, WV made a request to USAID to finance the expansion of their activities in the Kiffa region and launch new activities in the Bogue region. With these funds they intend to provide loan capital for women in WV’s Kiffa region agriculture program and to implement a market expansion survey. In the Bogue region, funding would be used as start up capital for a revolving loan program for WV beneficiaries.”

Dr. Jansen found that the Prodev program is well managed, despite the challenging environment. Population density in Mauritania is an average of seven people per square mile (compared to Bangladesh having 2,200 people per square mile). Loan officers in Kiffa have a difficult time following up with clients outside of the town of Kiffa proper, because they may travel by taxi only part of the route and must walk the remaining distance.

The Kiffa branch is a full day's drive from headquarters in Nouakchott, making reporting and surveillance difficult. Loan disbursements and repayments are made through the National Bank of Mauritania, through mobile bank units in rural areas. This provides for more frequent and perhaps better monitored portfolio tracking than the agents and headquarters staff could do on their own. Using a commercial bank also decreases Prodev's operating costs and the risk of fraud and theft.

WV plans to install a new Management Information System, eMerge, later this year, which should improve reporting and loan tracking capacity, which currently can sometimes lag a couple of months. While the Kiffa branch is far too small, with under 1,000 clients, to really need an electronic tracking system, Prodev's urban branch in Nouakchott, with just over 6,000 outstanding loans, could benefit from computerization.

A concern of the FFP team was that Prodev did not seem to be doing enough on the nonfinancial side for its clients, in terms of literacy and business training. This concern was somewhat eased when

the Kiffa clients informed the team that they would be receiving skills training, along with free sewing machines from WV the following week. However, this raised concerns for Dr. Jansen on the micro-enterprise development and microfinance side. The sewing machine training and distribution seemed to have been done without consulting their partner, Prodev, and without a cost share by clients for the sewing machines or the training. This makes it difficult to assess what the true demand for this training and equipment is. In addition, no study on the size of the market or the potential impact of the free machines on existing tailors seemed to have been done.

In discussion later, WV's management also said they had concerns that Prodev was not providing enough in terms of nonfinancial/business development services (BDS). The Kiffa staff said that financial management training was not given to their clients because the majority is illiterate. WV recognizes that provision of BDS services might be too much for Prodev at this stage of its development. At the same time they recognize that BDS services can add to the financial success of microfinance clients. With literacy rates being quite low among Prodev's clients, WV is now looking into training such as the entrepreneurship training that Making Cents offers in a format suited to both literate and illiterate clients.

In addition to visiting the microfinance program and clients, the team also visited commodity warehouses, food-insecure villages, and feeding sites, giving Dr. Jansen a

feel for the FFP side of USAID. The joint visit was a great opportunity to discuss programming concerns, and to better understand commonalities and differences in MD and FFP programming. Both offices share the common concern of reaching the poorest. Both offices deal with matters of monitoring, impact assessment, and internal and external controls. One important difference is that there are situations where food aid is desperately needed, but where microfinance might not be an appropriate intervention. On the other hand, there are poor areas that are economically active and food secure, making them good targets for microfinance and microenterprise programs.

There is definitely opportunity for further shared learning and exploring those areas where FFP and the MD Team can work collaboratively to improve food security and household income.