

Beating Poverty in Mozambique with a Few More Bags Full

By Mark Wentling

On the outskirts of Mocuba in Central Mozambique we find 25-year old Graça Jose busy working. It is a sunny day in April 2002 and Graça is standing with a smile on her face next to a heap of maize grain. Her other two young children are watching as she is working with her baby strapped to her back. In front of her thatched, mud-walled home, Graça is buying maize from local farmers, next she will bag the maize and transport it to Quelimane, the provincial capital located 160 kilometers to the south. This income generating activity has allowed Graça to breakout of the terrible confines imposed upon her by absolute poverty (i.e., earning less than \$1U.S. per day).

A few years ago Graça began her maize marketing business with money provided to her by her husband. With this money she was able to buy and sell about 5 bags of maize a week. As the money she made from selling only 5 bags was not enough for her family to live on, she was very happy to learn about the arrival in Mocuba in 2001 of CRESCE.

CRESCE is a micro finance program started in 1996 by CARE International that provides small loans to members of solidarity groups. All members of the group guarantee the repayment of each member's loan and 10% of each approved loan is set aside as a guarantee fee. Each loan cycle lasts ten weeks and the successful completion of one cycle makes a member eligible to advance to the next loan cycle and to receive larger loan amounts. During a 10-week cycle, members repay loans with interest (1%) every week, paying the final payment at the end of the tenth week.

Graça joined with 3 men in her neighbourhood to form one group and received her first loan of 1 million Metacais (about \$40) last year. She already advanced to the fourth cycle where she was able to obtain a loan of about \$100, and she is now looking forward to a fifth cycle loan of about \$200.

These loans have permitted Graça to go from marketing 5 to fifty bags of maize each week. She buys the maize at her house from farmers for 30,000 Metacais (\$1.25) per a full 20-liter tin. Five of these tins fill one fifty-kilo grain bag. When she delivers maize to Quelimane, she buys the bags for only a penny or two. The cost of shipping the full bags to Quelimane on local trucks is 20,000 Metacais (\$0.85) per bag. Graça sends twenty-five bags twice a week, so her weekly transport cost is 986,000 Metacais (\$42.50). The trip to Quelimane takes about 3 hours and the road is paved, except for a 40-kilometer stretch. Her husband usually accompanies each shipment, and it costs him 50,000 Metacais (\$2.13) for the return trip on a local bus.

In Quelimane, maize is sold for 45,000 (\$1.92) to 50,000 Metacais (\$2.13) per tin, depending on the season. Accordingly, the 200 bags of maize that Graça ships off to Quelimane every month have a total selling value of about \$2,000 (at \$10 per bag). After subtracting what she paid for the maize (\$1,250), the transport cost (\$170), the cost of the bags (\$43), and the return fare for 8 trips (\$17) and her current loan repayments (\$28), this leaves Graça with a net monthly profit of \$492.

Although Graça says she works every week of the year, it was thought best to discount 4 weeks that Graça is probably not able to maintain this kind of weekly sales levels; doing this yields an annual profit of \$5,412. Perhaps, something should also be deducted for the one-time expense of buying the tarp that Graça uses to cover her maize bags under.

Given that the average annual per capita income in Mozambique hovers around \$230 and annual per capita incomes in the rural areas where Graça lives are less than \$60, this is a spectacular achievement! Moreover, Graça says that with her next loan from CRESCE she will market much more maize. The demand for maize is high in the Quelimane market, as maize is an important cereal in Mozambique. Maize meal is used to make a dish called "nshima," the main staple of the local diet. Interestingly, CRESCE is helping women involved in another stage of maize transformation. In its Quelimane branch, CRESCE's women clients are buying the maize from Mocuba, grinding it into maize meal and selling it in the local market.

One problem Graça faces is difficulty in keeping track of her money. Her husband often insists on controlling the money, this is a common problem in Mozambique and often leads to much dissension within households. It is the reason why many of CRESCE's women clients are divorced or widowed. It appears that a single woman client is better able to manage her money and use it in a way that benefits her entire household. A second problem Graça faces is that she does not know all the financial details of her business as presented above. She mostly works on intuition and the fact that cash is flowing in a generally positive manner. This problem is not uncommon among micro-entrepreneurs, and can be overcome with training in areas such as numeracy and basic accounting. CRESCE, with its developing role as a prominent micro-lending institution in the region, hopes one day to be able to link clients like Graça to such training.

The Mocuba branch of CRESCE started in April 2001 and after one year of operations has 918 clients. With the clients of CRESCE's three other branches (Quelimane, Beira and Chimoio) in Central Mozambique, CRESCE now has a total of 6,265 clients and its growth plans call for over 11,000 clients by the end of 2004. Maintaining this growth while raising the average loan size (currently, \$43) to the level needed to make CRESCE a financially viable, independent micro finance institution in the next two years or so, is a formidable challenge. This challenge is complicated by the fact that the government of Mozambique has not yet passed long awaited legislation that would permit CRESCE to operate as a legal entity. Overall, the current legal, regulatory and supervisory environment in Mozambique is not conducive to micro-finance operations.

Since its beginning, CRESCE has clearly demonstrated that it is possible to provide financial service to micro entrepreneurs in Mozambique. Graça is just one example, out of thousands, of the vital financial assistance that CRESCE is providing people and their families in Central Mozambique. CARE and Britain's Department for International



Development (DfID) are working hard to ensure that CRESCE becomes a financially viable micro finance institution over the next few years and that thousands more like Graça will have receive the kind of assistance that CRESCE is providing and that CARE has made possible. CRESCE has proven that micro finance is a powerful tool for alleviating poverty.