

~~PD-1111-687~~
1310 1237

511 HG05/53

PD-AAJ-955

QUARTERLY REPORT

for

September, October, November, 1980

Personal Services Contract AID 525-371T

between

THE AGENCY FOR INTERNATIONAL DEVELOPMENT

and

Javier Lindel Garza, Project Advisor

Project 511-HG-005

CAJA CENTRAL DE AHORRO Y PRESTAMO
PARA LA VIVIENDA (CACEN)

Country

Bolivia

Project Title

Shelter Solutions for Low Income
Families in Rural Areas

Loan Amount:

\$4 million

Report by:

Javier L. Garza, Project Advisor

MAJOR WORK TARGETS FOR QUARTER

1. Travel to Mutual Savings and Loan Associations in the northern part of Bolivia to review progress on HG loans and spot check loan applications for conformance with program income requirements.
2. In conjunction with CACEN staff work with Mutual Savings and Loans to apprise Board of Directors, General Managers, and staffs in the fundamentals of the HG program and its requirements.
3. Prepare advance work on an updated project delivery plan for presentation to AID, in anticipation of the second disbursement, scheduled for December 30, 1980.
4. Update program according to adjustments needed as a result of reconnaissance visits to various savings and loans; work with project manager to issue implementation letters in coordination with the Regional Housing Office for Panamá and South America (RHO/PSA).
5. Coordinate short-term technical assistance needs for the remainder of the CACEN HG program under development grant 511-0510; arrange contracting of technical assistance in environmental planning and in cost/design of low income core units; accompany technicians to select sites.

STATUS OF WORK TARGETS

1. During the month of November the Advisor and CACEN staff traveled to the Savings and Loan Associations (Mutuales) in the northern part of Bolivia. The trip included visits to the Mutual Paititi in the city of Trinidad, the Mutual Manutata in Riberalta, the branch Mutual of Paititi in the city of Guayaramerín, and the Mutual Pando in Cobija. The purpose of these visits to the Savings and Loans Associations was to review progress on the HG loans and spot check loan application under 511-HG-005.

In general all these Savings and Loans associations had made considerable progress in attracting loan applications for type A and type B loans. These consist of small home improvement loans and home improvements and amplification loans, respectively. At every locale, we asked to interview a sample of the beneficiary family loan applicants. These people came in and they were asked what type of loan they had applied for and how they were making the improvement. In the cases reviewed all were completing the improvement for which they had sought loans. Importantly, their income levels corresponded to the ones stated on their applications and these were within the levels prescribed in the Implementation Agreement.

In a check of all loan applications for loans that had not yet been

granted, a majority of these showed that the Savings and Loans were on the right track insofar as taking applications for the most needed housing solution for each applicant family. Only five cases were noted where the Savings and Loans had taken loan applications from families who were not eligible due to their income levels. In these cases, the respective Savings and Loans were informed that these applicants could not be granted loans from 511-HG-005 funds. They could, however, grant these families loans from their own funds or from other credit lines available from CACEN. We warned these Savings and Loans that if loans were given out to families who were above the program income levels prescribed, they would be fully responsible for paying back the full HG loan amounts from their own funds and these would in turn either have to be utilized for eligible applicants only or would have to be returned to CACEN for distribution to those Savings and Loans with eligible applications. Further, these Savings and Loans were warned by CACEN that this type of action could prevent them from receiving additional HG loan funds due to noncompliance.

The demand level for loans in this section of the country, involving five of Bolivia's twelve associations and branch offices, appeared to be high. This demand in my estimation, coupled with that anticipated from the other Savings and Loans, would meet the requirements for loans in order to solicit and receive the second disbursement of \$650,000 due in December.

Another visit was made to the Mutual Guapay in Santa Cruz and its branch office in Montero. These offices were also following the program rules and guidelines specified in CACEN's financial and administrative manual on the 511-HG-005 project.

2. Another work target for the quarter was to work with the Savings and Loans institutions visited --with their Boards of Directors, General Managers and staffs-- to assist them in getting to know the 005 program better and to fully verse them on all programmatic requirements and planning for the duration of the program. This target was met without difficulty. In each of the Savings and Loans or branch office visited, the Advisor and the CACEN team visiting met with all the groups defined above in work sessions which aimed to make them fully cognizant of the HG program, and their responsibility within its framework. The Boards of Directors, General Managers, staffs and contracted technical staff were all quite interested in the program and the manner in which it operates. With the exception of the Board in the branch office in Guayaramerín, all other groups seemed to fully grasp the program's objectives and details. The Board in Guayaramerín was relatively new and it was still orienting itself to the functions of the Savings and Loans system. However, the staff there was fairly aware and knowledgeable although there appears to be staffing problems and a lack of understanding between the staff and the Board. This situation will be

monitored closely since CACEN is concerned about operations there. The CACEN has also appointed the General Manager of the Mutual in Riberalta to assist the office in Guayaramerin so that it can function better and to keep tabs on progress made regarding 005. The balance of the other Savings and Loans in the country will be visited by the Advisor and by CACEN staff during the next quarter, weather conditions permitting. Also, a conference of all Savings and Loans General Managers and Board Presidents is planned for January or February in La Paz so that important topics such as income and environmental requirements and cost/design factors for upcoming loans for type C construction (of core units) can be discussed at length with CACEN's technical staff

3. The trip to the Savings and Loan associations in the eastern and northern part of the country was also necessary in order to assist CACEN staff and the advisor gather information for the updated project delivery plan. This plan, due for presentation to AID thirty days prior to the next scheduled disbursement, requires prior consultation by CACEN with all Savings and Loans in the system. This will enable us to gauge loan demand for inclusion in the project planning and programming. Information gathered on the trip, coupled with those data presented by the balance of the Savings and Loans, will enable us to have the necessary details for inclusion in the updated project delivery plan.
4. The reconnaissance trip also enabled us to identify problems and those programmatic areas which needed updating and adjustment during the course of program implementation. As different demand levels are identified at each Savings and Loan association, the CACEN must update the project delivery plan and make adjustments in other documentation. These updates occur in plans presented to AID as well as in operating manuals prepared by CACEN for the Savings and Loans. All such adjustments have implications on the project's cash flow and on travel and monitoring schedules alike.

During this quarter the Advisor worked closely with Project Manager, Terry Brown. Implementation letters were issued which contained forms for CACEN's quarterly reporting and reconciliation reports. These were later updated. Other implementation letters were also issued setting out AID's requirements for the second disbursement, noting project representatives and approving the project's interest rate to beneficiary families -- 17% per annum.

Because this is a pilot project, the experience gained each day is something which must be constantly reviewed and evaluated.

5. The program entered a critical period of implementation during this quarter. Much progress needed to be made during this quarter in order for the program to have the foundation necessary to continue during the rest of its course. The quarter was also one where short-term technical assistance had to be contracted given the project's status, the commencement of construction in some areas, and the fact that much ground work needed to be accomplished before the start of the rainy season.

In a memo by the Advisor to project manager, Terry Brown, in late August 1980, a complete program of short-term technical assistance needs, financing and timing was delineated.

The first short-term consultancy of the quarter was in environmental planning. Mr. Peter Weber, an environmental planner with the National Savings and Loan League in Washington came to Bolivia in late October early November to review the work that CACEN had developed in this important area. Mr. Weber toured sites in the different geographic areas of Bolivia and talked with personnel from the CACEN and various mutuales (Savings and Loans associations) regarding environmental issues and problems endemic to each of these regions. Weber's final report should give CACEN an insight into the ways and means of environmental planning, the concerns which should be considered and the practical planning approaches which should be followed and observed in all housing sites. His recommendations should be incorporated into the ongoing planning processes within the project which should be reflected in its implementation.

The other consultancy during this period was a visit by Earl Kessler, an architect assigned to the Regional Housing Office for Panamá and South America (RHO/PSA). Mr. Kessler's mission in November was to develop a methodology which could be used by the CACEN and its member Savings and Loans in determining costs and designs of structures and housing solutions to be funded with OOS loans. The methodology consists of an interview kit containing illustrative plans and cost figures for three regions of Bolivia: Altiplano, valleys and tropics. This work will be instrumental in helping technical staffs at each Savings and Loans assist loan applicants select the building materials and designs best suited to their economic and climatic needs.

CURRENT PROJECT STATUS

The project has had a relatively good reception in the field among prospective eligible loan beneficiaries. While a few mutual savings and loans associations are lagging behind in completing the work necessary to implement the program, a majority of the associations have a good understanding of the program and its requirements and are enthusiastic about it. Skeptical associations are wary of entering a program that

will require them to move out of the traditional capital city urban area (with the exceptions of Trinidad and Conija) into rural and market towns. The reason for the skepticism stems from the fact that some mutuales fear that this type of outreach into "high risk" areas will be too costly administratively. Nonetheless, all the associations in the system have been responding to program requests by the CACEN. It is expected that as we travel to all project sites, visit with all associations and conduct training sessions with them, they will be more ready and capable of carrying out their respective responsibilities under the project.

In general, the project is progressing well and on schedule. There are a few problems and stumbling blocks but these all can be overcome through mutual cooperation. The following section details those problems which are major or that require more care and attention.

PROBLEMS AND/OR DELAYS ENCOUNTERED

1. A notable problem which has surfaced is that of land ownership in rural areas. In some parts of the country, ownership is tenuous and in cases such as in Montero, near Santa Cruz, different municipal authorities annul prior land titles with every new administration. This presents problems in mortgaging loans. Still another salient problem is that land sub-divided after Bolivia's Agrarian Reform in 1952 by law cannot be mortgaged. This represents much of the disbursed rural areas in the country. The CACEN and its attorneys are researching methods to deal with such problems. One such method is to sign repayment guarantees with communities or groups such as cooperatives which will act as guarantors and which together will insure that loans will be repaid.
2. The constant change in indexes and in the economic situation in Bolivia has caused a few problems in determining changes in the program's incomes and percentiles of eligible beneficiary families. A devaluation of the Bolivian peso in November 1979 followed by income adjustments, bonuses and a variety of other changes has caused CACEN to feel that program incomes determined in a study conducted in August of 1978 are no longer valid. In August 1980, CACEN upwardly adjusted the program's incomes to reflect the 25% devaluation of 1979. (The Bolivian peso went from 20 pesos to the dollar to 25 pesos to the dollar). By agreement, the CACEN must present a plan for annual adjustment of program incomes. However, the problem with nominal income in Bolivia is so diverse and is influenced by so many factors that the Mission asked the Chief of RHO/PSA to stop in Bolivia in September 1980 to discuss this issue and attempt to resolve it. However, Mr. Pita was unable to stop in La Paz on his return to Panamá from Asunción. This has delayed resolution of the problem. The problem has surfaced recurrently during the quarter. After a conference with

the CACEN it was decided that they would present an income study to AID which reflects all nominal changes in incomes and percentages. Thereafter, a short term consultancy would be utilized under the grant to review this study, program methodologies and assess changes in order to assist CACEN, the Mission and RHO make a more objective determination of what changes and adjustment if any need to be made.

3. Outreach to the more rural areas of the country has been a bit problematic due to two main problems: a) lack of project vehicles and b) an uncertainty on the part of some savings and loans associations about expanding operations into the rural areas. Project vehicles were first included as part of the project but these were later deleted by Congress. This presents a grave problem for the savings and loans associations which are expected to reach small rural market towns and disbursed areas. Rental vehicles are difficult to get and are expensive, thus adding to project administrative costs. Some savings and loans associations' boards of directors are wary of incurring such costs fearing that recuperation will not cover these expenses. Nonetheless, a majority of the savings and loans associations are making a good effort to reach those areas designated in the Implementation Agreement as "rural".

The outreach effort represented by this project is for some savings and loans associations a difficult one. These associations have only been familiar with urban projects which are literally in their back yards. Outreach represents staff, time and travel away from the office, and vehicle rental costs into these areas which are deemed to be "high risk". This problem is well recognized by the CACEN and it has plans to work with the associations which are either skeptical or have been unwilling to make the needed effort to reach a rather extensive rural housing demand.

4. The role between the Mission and the RHO is at times nebulous. These roles should be clearly defined and agreed upon given authorizations and other considerations.

ACTIVITIES EXPECTED NEXT QUARTER

1. A second disbursement of US\$650,000.
2. Travel and monitoring visits to balance of savings and loan associations.
3. Conference of savings and loan associations in La Paz to further train savings and loans' manager and Board Presidents in the implementation of 005.