PD-AAM-113
ISN-15115

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
Shelter Solutions for Low Income Families in Rural Areas	511-HG-005 / 511-0510	USAID/Bolivia
	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 83-2 Final Evaluation ☐ REGULAR EVALUATION ☐ SPECIAL EVALUATION	

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING ($000)	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 79; B. Final Obligation Expected FY 83; C. Final Input Delivery FY 83	A. Total 5,768; B. U.S. 128(G) 4,000(L); C. CACEN 1,640	From (month/yr.) 6/79; To (month/yr.) 8/82; Date of Evaluation Review 9-10/82

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. The CACEN should provide the Private Sector Office of USAID/Bolivia with an assessment of the technical capabilities of the branch office of Mutual Potosi in Tupiza and of Mutual La Promotora in Cochabamba, and with recommendations on how to upgrade the capabilities of each institution.	T.D. Johnston USAID/PS	1/83
2. The CACEN should provide the Private Sector Office of USAID/Bolivia with a circular for distribution to all participating S&Ls requiring the use of the environmental checklist and a detailed modification of its own FHA-2 form for all type "B" and type "C" loans	T.D. Johnston USAID/PS	1/83
3. The CACEN should require all Mutual technicians to be familiar with and use the cost/design methodology for all types of HG loans, and the CACEN should provide the Private Sector Office of USAID/Bolivia with a training plan for instructing the appropriate S&L technical staff in the use of this methodology.	T.D. Johnston USAID/PS	2/83
4. The CACEN in coordination with the four Mutuals in the southern region should prepare a report concerning the possibilities of working through cooperatives support institution and private businesses to provide low cost housing to their employees, thereby decreasing the administrative cost per loan to the Mutuals.	T.D. Johnston USAID/PS	3/83

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT
☐ Project Paper	☐ Implementation Plan e.g., CPI Network	☐ Other (Specify)	A. ☐ Continue Project Without Change
☐ Financial Plan	☐ PIO/T		B. ☐ Change Project Design and/or ☐ Change Implementation Plan
☐ Logical Framework	☐ PIO/C	☐ Other (Specify)	
☐ Project Agreement	☐ PIO/P		C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. Mission/AID/W Office Director Approval
Evaluators: Javier Garza, Lindsay Elmendorf, William Garvelink, Antonio Reyes, Gastón Ramos Reviewers: PS:TDJohnston; PS:MDeal; DPE:WGarvelink; DPE:RLeón de Vivero	Signature Typed Name Henry H. Bassford Director Date 12-6-82

AID 1330-15 (3-78)

PROJECT EVALUATION SUMMARY - PART II

Introduction

The Bolivian Savings and Loan (S&L) System represents the country's only nation-wide institution offering financing for private sector housing. It is composed of the Caja Central de Ahorro y Préstamo para la Vivienda (CACEN), established in 1966, and twelve member S&L (Mutuals), nine of which participated in the 005 project. USAID/Bolivia has provided assistance to the S&L System throughout its history, starting in 1965 with a seed loan to establish the first S&L related to the HG 005 project which is the subject of this evaluation.

The HG 005 project began in 1979 and concluded in FY 1982. AID provided more than $4.1 million in loan and grant funding for 005 and the CACEN's contribution came to $1.6 million. AID funds have been disbursed except for $500,000 which remains in escrow. The project has successfully helped expand the S&Ls' focus to include low income groups in rural areas. Under this program, nearly 3,000 shelter solutions with financing ranging from $500 to $4,500 have been provided to low income families.

Evaluation Purpose and Methodology

The purpose of the evaluation was to determine the extent to which HG 005 assisted CACEN in developing a continuing capacity to finance low income shelter solutions in rural areas. More specifically, the scope of work included analyses of: (1) the volume of lending under the 005 project as a percentage of each S&L portfolio, (2) S&L efforts to expand their operations into the rural areas, (3) S&L willingness to continue financing low income shelter solutions in rural areas after 005 is fully disbursed, (4) the feasibility of providing a broader range of credit services through existing S&Ls or new rural integrated S&Ls, and (5) an analysis of the administrative expenses of each S&L with recommendations concerning how to reduce their overhead and administrative costs per loan.

USAID/Bolivia contracted housing experts Javier Garza and Lindsay Elmendorf to direct the evaluation. Two teams were assembled to review the project activities of each of the nine participating S&Ls. Javier Garza, William Garvelink of USAID/Bolivia, and Gastón Ramos of the CACEN, were assigned to evaluate the four Mutuals of southern Bolivia: Mutual Potosí in Potosí and its branch office in Tupiza, Mutual Tarija in Tarija and its branch offices, Mutual La Promotora in Cochabamba, and Mutual el Progreso in Oruro. This team also reviewed the activities of Mutual La Primera in La Paz. The other team consisting of Lindsay Elmendorf and Antonio Reyes, the HG project director for CACEN, visited the four Mutuals in northern Bolivia: Mutual Paitití in Trinidad, Mutual La Frontera in Guayaramerín, Mutual Pando in Cobija, and Mutual Manutata in Riberalta.

During the field trips, the teams interviewed officials, reviewed the administrative costs of each Mutual and examined their loan files. Visits were made to selected loan sites and meetings were held with some of the project beneficiary families. To stylize data gathered by the two evaluation teams, a questionnaire covering the points contained in the scope of work was developed and presented to each Mutual. While the format of the two reports differed, the data presented and the conclusions drawn are basically the same.

Recommendations

1. By the end of January 1983, the CACEN should provide the Private Sector Office of USAID/Bolivia with an assessment of the technical capabilities of

the branch office of Mutual Potosí in Tupiza and of Mutual La Promotora in Cochabamba, and with recommendations on how to upgrade the capabilities of each institution.

2. By the end of January 1983, the CACEN should provide the Private Sector Office of USAID/Bolivia with a circular for distribution to all participating S&Ls requiring the use of the environmental checklist and a detailed modification of its own FHA-2 form for all type "B" and type "C" loans.

3. The CACEN should require all Mutual technicians to be familiar with and use the cost/design methodology for all types of HG loans, and by February 1983, the CACEN should provide the Private Sector Office of USAID/Bolivia with a training plan for instructing the appropriate S&L technical staff in the use of this methodology.

4. By March 1983, the CACEN in coordination with the four Mutuals in the southern region should prepare a report concerning the possibilities of working through cooperatives, support institutions and private businesses to provide low cost housing to their employees, thereby decreasing the administrative cost per loan to the Mutuals.

Special Comments

1. The Office of Development Program (AID/W - LAC/DP) may wish to consider making the reports of this evaluation available to other USAID Missions having housing projects in Latin America.

2. The Javier L. Garza and the Lindsay Elmendorf reports for the "Shelter Solutions for Low Income Families in Rural Areas" evaluation are on file in the Office of Development, Planning and Evaluation (USAID/Bolivia) and in AID/W - LAC/DP.

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ISN-15117

R E P O R T

FINAL EVALUATION OF 511-HG-005

SHELTER SOLUTIONS FOR LOW INCOME FAMILIES IN RURAL AREAS

BOLIVIA

Contract No.: 511-0510-S-00-2014

Grant Project: 511-0510

between

THE AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID MISSION BOLIVIA

AND

JAVIER L. GARZA

August 7, 1982

INTRODUCTION

The purpose of this evaluation was to assess the work done by the Borrower, the Caja Central de Ahorro y Préstamo para la Vivienda (Caja or CACEN), in the implementation of HG 005, a housing guaranty loan used to finance shelter solutions for low income families in the rural areas of Bolivia. The Caja is the Bolivian Savings and Loan System which is made up of twelve non-for-profit regional Mutual savings and loan institutions (Mutuals). Of these, nine have participated in the implementation of HG 005. The loan amount was $4.0 million. CACEN's counterpart contribution was $1.0 million. All funds have been disbursed although $600,000 remains in escrow. It was estimated that the project would produce approximately 2,870 shelter solutions. The project was the first of its kind to venture nationally into the rural areas of Bolivia. No other banking or housing production institution has attempted this on such a wide scope. Under the implementation agreement (511-HG-005) signed between USAID and CACEN, rural areas were defined as all those areas in Bolivia outside the capital cities of the nine Bolivian departments, except for the capital cities of Trinidad and Cobija, where the project could work.

AID contracted two advisors to carry out this evaluation, which was to "determine the extent to which project HG 005 has assisted the Caja Central de Ahorro y Préstamo para la Vivienda and the individual Mutuals to develop a continuing capacity to finance shelter solutions in rural areas." This advisor was contracted under a personal services contract. Mr. Lindsay Elmendorf of the Cooperative Housing Foundation (CHF) was contracted under AID's indefinite quantity contract with CHF.

Two evaluation teams were formed to review the implementation of the project at each Mutual. Mr. Elmendorf and Mr. Antonio Reyes, the project director for the CACEN, were assigned the Mutuals in the North. My team consisted of Mr. William Garvelink from USAID/Bolivia's planning and evaluation office and Mr. Gastón Ramos, an auditor with CACEN. We were assigned to visit the following Mutuals: Mutual Potosí in Potosí and its branch office in Tupiza; Mutual Tarija in Tarija and its various branch offices; Mutual La Promotora in Cochabamba; and Mutual El Progreso in Oruro.

An extensive trip was made to the Mutuals by each team to review loan records, to conduct site inspections of the loans made, to interview Mutual officials and to meet some of the project beneficiary families. In order to stylize data, an evaluation questionnaire covering the points contained in the scope of work was developed. The questionnaire was presented to each Mutual. The salient points of the data taken from the questionnaire and from interviews are contained in the narrative and charts which follow.

I. MUTUAL POTOSI

Met with: Eduardo Corral, General Manager
Efrain Retamozo, Chief Accountant

BACKGROUND: Mutual Potosí only recently became involved in the HG 005 program. It entered the program around December 1981 and has carried out HG 005 activities in three areas: Camargo, Atocha, and Tupiza. In Camargo and Atocha, the HG 005 credit line represent 100% of the loans given out. In Tupiza, the Mutual issued 122 type A loans, 153 type B loans, and 10 type C loans. The office in Tupiza also handles a small number of loans which have been passed to them by the central office in Potosí. These "H" loans are short-term family loans which Mutuals generally lend for one year and sometimes up to three years.

There are no offices or representatives of the Mutual Potosí in either Camargo or Atocha. However, a branch office was opened in Tupiza to carry out the HG 005 loan program. We met in Mutual Potosí with the General Manager and the Chief Accountant where we outlined the objectives of the evaluation, presented our questionnaire, and carried on a general discussion of the Mutual's activities. The next morning the evaluation team and the General Manager proceeded to Tupiza for an inspection of the HG 005 activities there.

IA. AGENCIA TUPIZA (Tupiza Branch Office of Mutual Potosí)

Met with: Lic. Jaime Gandarillas Maldonado, General Manager
Guillermo Gonzales Aramayo, President of the Board of Directors

Staffing Pattern: The office employs five individuals: Mr. Maldonado, an accountant, a loan officer and an office assistant. Mr. Blas Sivila Sarmiento is a contracted project technician/inspector hired to carry out HG 005.

BACKGROUND: As mentioned above, this office was created for the expressed purpose of implementing the HG 005 program in Tupiza, a city with a population estimated to be around 18,000. Economic activity is limited to agriculture and some beef production. Mining exists in the outlying areas. It is located some 265 kilometers or about 6 hours to the south of Potosí.

This branch office operates like all other offices insofar as procedures for granting loans are concerned. The General Manager prepares a report on each loan request and submits them to the Board of Directors. Disbursements which had been made in thirds in the past are now being made in full. A budget is prepared for each loan which, the Manager assured me, is strictly enforced within 15% of the total. The contracted technician prepares the necessary paperwork and inspects the progress of the construction.

LOAN FOLDER REVIEW: Because this branch office had not been visited before, a general review was made of the loan folders. As was previously mentioned, Tupiza has issued 122 type A loans, 153 type B loans and 10 type C loans. Due to a lack of time, it was decided that a sample of every fifth loan folder in the A and B loan lines would be reviewed. Therefore, 20% of these loan files were studied and 100% of the type C loan files examined.

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TYPE "A" LOANS: In general the loan files appeared orderly and neat. Family income levels and monthly payment amounts were within the program guidelines (prior to the 76% readjustment). In several cases, however, there were no project location maps and some of the loan request forms had not been filled out completely. A majority of the loan folders included only very general budgets of the work to be undertaken. For example: "Repair work $b 15,000." In some instances no budget existed at all. Loan amounts were grouped toward the maximum amount to be lent.

TYPE "B" LOANS: Again, the folders were neat and orderly, and income levels and monthly payments were within the program's parameters. In some loan folders there were affidavits from the place of employment certifying the loan beneficiary's income. Loan request forms in some cases were not filled out correctly or parts were left blank, e.g. incomes of other members of the household. Dates and income amounts were juxtaposed. Budgets were more detailed than in the type A loan files and, in many cases, there was a description of the work to be undertaken. Plans however, were sometimes absent. Loan amounts tended to gravitate toward the maximum.

TYPE "C" LOANS: Folders were in order insofar as project incomes and monthly guidelines were concerned. Here again, loan request forms were not filled out completely. Budgets, however, were detailed in most cases. Environmental impact forms were present but appeared to have been filled out without variation or comment. They were neither dated nor signed. A plan included in one folder was not for the construction of a core unit but rather for the amplification (upper level) of an existing house.

SITE INSPECTION: The evaluation team accompanied Mr. Corral, Mr. Gandarillas and Mr. Sivila on an inspection tour of construction under this project. While some loans were carried out within the spirit and intent of the project, there were major problems with others. These problems can be tied directly to two factors: 1) many loans were made during the period of the February 1982 devaluation and the establishment in March of a parellel dollar market (during this period the Bolivian peso rose substantially and construction costs and materials tripled), and 2) cost overruns, the absence of budgets and plans, a lack of technical assistance to loan beneficiary families in construction techniques and alternative building materials, appear to be correlated with the technician/inpsector's lack of understanding of housing construction and of HG 005's program goals and objectives.

In our estimate, the first factor described above was directly responsible for many loan amounts not being sufficient to cover the cost of the intended repair or home addition. By the time the second and third disbursements were made (beneficiary families received loan disbursements in thirds), the families getting these loans could not afford to purchase the construction materials needed to finish the projects. They had exahusted their loan funds and had no more resources of their own to invest in their construction projects. As a consequence, far too many of the projects have not been finished and are uninhabitable in their present state of construction. The timing of these loans, given the economic situation in Bolivia during the first quarter of 1982, was unfortunate for the loan beneficiary families.

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On the other hand, the second factor was even more of a problem. Had the technician/inspector been a person knowledgable and adept in this field (he is a topographer by trade) many of the problems would have been averted or mitigated. For instance, because the topographer could not draw house plans, loan beneficiary families desiring them had to employ professional architects to do this work. The General Manager of the Agencia Tupiza estimated that this cost loan beneficiary families an extra $b 6,000 to $b 8,000. This perhaps explained why so many loan folders lacked plans, sketches, or drawings of the work to be undertaken. Also, there did not appear to have been any technical assistance to loan beneficiary families in such areas as construction methods and materials to be employed. Steel rod reinforced concrete was used in constructing beams for one story dwellings. Four inch concrete slabs were poured as roofs. There was also no control of unit size. Loan amounts generally dictated the size of the area to be constructed or repaired; however, once construction began it became apparent that in many cases expectations were allowed to exceed resources. The area of construction was in some instances doubled. A lack of detailed budgets and plans was again a main factor. As a consequence, construction was half-finished in many cases, resulting in a double payment by loan beneficiaries. In some cases they were still paying rent because the new construction was uninhabitable, and they had to make payments on the HG 005 loan as well. This branch office had a high incidence of overdue payments.

GENERAL COMMENTS AND RECOMMENDATIONS: Mutual Potosí's loan portfolio is one of the smallest in the Bolivian savings and loan system. While Potosí was one of the richest mining areas in the world at one point in time, these riches have been virtually depleted. This Mutual has had a long struggle and is not considered very strong financially. It was hoped that HG 005 would serve as the impetus in helping the Mutual break into a broad new market since its Potosí market has always been rather stayed. If technical and financial problems can be alleviated, the Mutual can perhaps have a good recovery. CACEN must immediately take notice of the situation in Tupiza. Technical staff should be sent to work with the staff in Tupiza and to assess the status of half-finished structures and examine ways of repairing the deeds done. A technician should be trained and fully capacitated in the workings of this project's intent and purpose. The cost/design methodology should be employed in this training as the basis for the technician's future selection of adequate and appropriate construction materials for loan beneficiaries. The General Manager who appears to be very adept at administration and finance should be more involved in overall project execution. When the technician/inspector left our inspection trip, the manager could not show us where the loans were located. Care should also be taken so that loan beneficiaries actually utilize loan proceeds for housing rather than commercial purposes. The high delinquency rate should be carefully monitored by the Agencia, the Mutual in Potosí, and CACEN. The Tupiza staff should work closely with loan families who are delinquent to try to find solutions and to work out suitable payment schedules. Some loan beneficiary families wanted to "give back the loan" due to the severe readjustment. CACEN and the Mutual should jointly review the loan disbursement allocation vis-a-vis the problems encountered in Tupiza. A decision should be made as to whether new loans, assuming an improved technical capability at Agencia Tupiza, can offset the current problems caused by the situation outlined above.

There are families in Tupiza which have benefitted from receiving HG 005 loans. The critique delineated above is not intended to overshadow the benefits

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and good work that have been done. However, a serious inquiry should be made into the technical capability of Agencia Tupiza so that the benefits to be derived from this program's correct implementation can be shared by more families in Tupiza.

II. MUTUAL TARIJA

Met with, Dr. Jaime Colodro, President
Lic. Victor Flores, General Manager
Ing. Armando Nogales, Project Technician
Lic. Julian Cuellar, Chief Accountant

BACKGROUND: Mutual Tarija's involvement in the HG 005 program under Dr. Colodro's leadership has been exemplary of how shelter solutions for low-income families in rural areas should be developed and implemented. Because Tarija is a department capital and under the Implementation Agreement the project could not be implemented in a capital city (except Trinidad and Cobija), this Mutual's efforts have concentrated on an outreach program that involved four areas. The first area includes the dispersed rural communities of Chocloca, Chaguaya, Cañas, Guayrihuana, all located about two hours away, and the community of Padcaya about a one hour drive to the south of Tarija. The second area is the city of Entre Ríos located 109 kilometers or approximately three and a half hours to the east of Tarija. Villamontes, the third area, lies 257 kilometers or an 8 hour drive to the east northeast. Yacuiba is the fourth area and is located approximately 10 hours to the southeast of Tarija, a distance of approximately 357 kilometers.

BRANCH OFFICES: Mutual Tarija has four branch offices. In Entre Ríos an office does not exist per se. However, the Mutual has hired Mr. Guido Vera to oversee the loans in the area and to make loan collections. In Yacuiba the Mutual does have a one room branch office. This office is headed up on a part time basis by Ms. Elizabet de Silva. In Bermejo an office is managed by a full time person. Villamontes, like Entre Ríos, has no formal branch office but the Mutual has appointed a man to oversee business there.

SITE INSPECTION: A general inspection was made of the HG 005 loans placed in three of the five activity outreach areas of Mutual Tarija. In the rural communities of Chocloca, Chaguaya, Guayrihuana and Cañas, small type A loans were made. Despite the small loan size, families have been able to make them go far because they have done most of the work themselves. Dirt floors have been replaced by cement or brick floors. Exposed adobe walls have been plastered with a cement mix which preserves them from deterioration. Doors and windows have been installed and water and electrical connections have been made. Roofs previously made of mud packing mixed with thatch have been replaced with either colonial tile or zinc sheets. Ceilings have been plastered or covered with fabric material. Their homes are more sanitary and free of the bugs which thrive in the adobe ceilings and transmit chagas disease.

In the city of Padcaya, Mutual Tarija placed type B as well as type A loans. Several type B loans were used for home improvements. In other instances the type B loans were used for structural additions including units with an adjoining bath.

In Entre Ríos the majority of the loans were type B. Bathrooms, kitchens and washrooms have been constructed. Small houses were constructed for use as bedrooms. Generally speaking, these loans have been utilized for a variety of improvements which have bettered the living conditions of the families who have taken advantage of this line.

Yacuiba is a large border city of about 12,000 people. A general site inspection was made of the loans granted there. These type B loans were similar to those in Entre Ríos. Additions consisted of bedrooms, baths, washrooms, kitchen areas and living-dining room combinations. The houses inspected seemed to be of good construction. All but a couple of the houses inspected were completed. One structure was half-finished. In this case, the borrower had decided to alter the plans submitted to the Mutual. Because of the switch in building materials (the borrower employed brick and steel reinforced concrete), he ran out of money to complete his bathroom, which would have had an elevated water storage tank. Ing. Nogales pointed out that while he had drawn up the plan and budget, the borrower's alterations caused the problem. Because technical supervision by the Tarija staff is not ongoing, this type of problem can and does arise at times. Time unfortunately did not allow a visit to Villamontes or Bermejo.

GENERAL COMMENTS AND RECOMMENDATIONS: The shear distances involved from the home office in Tarija to the project sites dictated that this Mutual's administrative cost would be extremely high compared to the total volume of lending and that recuperation, given this high cost, would be slow.

Mutual Tarija contracted an additional staff person to be the technician-project director. Staff was trained in the project's guidelines and its implementation. Branch offices were opened in Entre Ríos and in Villamontes in response to needs arising from this project.

If there exists a Mutual with the sensitivity and willingness to lend to low income families in rural areas it would be the Mutual Tarija. Dr. Colodro's firm understanding of the problems of the poor in rural areas and his compassion for assisting them in their efforts to upgrade their shelters into decent home and suitable living environments is unsurpassed in the system. No other Mutual has put the type of effort that this Mutual has into the HG 005 program. In view of the fact that the Mutual's loan levels have not been as high as those of the Mutuals in the north, the difficulty of Mutual Tarija's outreach effort into the rural areas is particularly noteworthly. Choosing a combination of small, intermediate market towns as well as some of the towns in remote rural areas shows this Mutual's commitment to serving the rural poor where loan access has been unknown. While the willingness to continue is definitely present, the financial ability appears to be somewhat lacking. Savings generations from the participants has been minimal. Recuperations, given the level of lending, will be slow and too few to finance continued lending without added assistance from CACEN to the Mutual for this purpose. There is little doubt that Mutual Tarija would divert its own portfolio resources to service this type of target group; however, this appears unlikely because of the current economic crunch.

Mutual Tarija could perhaps reduce overhead and administrative costs per loan by contracting with technicians in each of the more urban areas where they are currently working to develop loans and provide technical assistance to the loan beneficiaries. These technicians would have to be fully trained in the workings of the project. They could be employed part-time and the Mutual's technical staff would only have to supervise their work periodically, thus cutting down on the number of costly trips to these areas.

The recent devaluation and the readjustment of loans by 76% will more than likely hit this region very hard, especially the more rural loan beneficiary families. The Mutual's staff commented that while urban borrowers had a better means of absorbing loan readjustments because of the greater variety of economic activity to which they were exposed, rural lenders were more limited and therefore would be hit hardest by the economic measures. Their incomes would remain virtually the same while their monthly loan amounts would go up by 76%. School teachers in Entre Ríos voiced this concern adding that they as salaried workers would also be harshly affected because incomes would never be adjusted as high as the devaluation readjustment amount.

Measures being contemplated by CACEN i.e., the 76% readjustment of loan balances and a substantial increase in interest rates (possibly to 38%), would devastate Mutual Tarija's ability to operate. While the Mutual's leadership is in accord with the readjustment, the proposed doubling of the interest rate to 38% would in their opinion critically damage their delicate relationship with the rural campesino borrower. Since these people have been lied to and deceived by other institutions, the task of building confidence in the savings and loan system has taken a long time to develop. The Mutual feels that the interest rate measure would severely damage the confidence built thus far and would make the campesino even more difficult to reach in the future. A way to minimize the impact would be to set up a schedule for easing into higher interest rates. This accompanied by the proper educational campaign would lessen the blow.

The environmental checklist was incorporated into this Mutual's operating procedure for type C loans. This, however, appears to be because it is an AID requirement rather than because it is the rational thing to do. CACEN's influence on this as a system-wide requirement for all such loans would probably be the impetus that would serve to institutionalize such a checklist. In the case of the cost/design methodology, this Mutual did not appear to use it often in its implementation of the HG 005 project. A cursory review of the methodology's purpose would suffice in Mutuals with competent technicians. This was the case in Tarija. In other Mutuals where the capability does not exist, there should be more use of the methodology. Perhaps an error in AID's introcution of the cost/design methodology was that it was given only to administrative personnel of each of the Mutuals during the training session in La Paz, instead of the project technicians who would use the methodology. CACEN's full-fledged support of the technique, its introduction to the Mutuals, and its periodic updating would also have been invaluable in guaranteeing its success.

III. MUTUAL LA PROMOTORA, COCHABAMBA

Met with: Alfonso Flores, General Manager
Augusto Celaya, Chief Accountant
Daniel Mejía, Project Technician

BACKGROUND: Mutual La Promotora has also been one of the Mutuals which has had to leave its urban setting to implement the HG 005 program. Their work has been carried out in places like Sacaba, Quillacollo, Irpa-Irpa, Punata and Arani, market towns outside Cochabamba but within its growth corridor. While the Mutual's leadership was at first very reluctant to start the program and there were several times when they froze loan activity, it is apparent that this Mutual mounted a strong effort to implement the program. They even exceeded the loan levels allocated to them by CACEN.

SITE INSPECTION: The evaluation team accompanied Mr. Flores and Mr. Mejía on a tour of HG 005 projects in the market towns of Punata and Arani. Punata located some 48 kilometers to the east of Cochabamba has about 15,000 inhabitants. The loans granted in this city are type B loans for home improvements and structural additions. The constructions inspected consisted of expanding old, one story adobe structures by adding an additional top floor for use as bedrooms. Lower floors were converted to kitchen-living-dining areas. Exposed adobe facades were converted both on the outside and on the inside. Delapidated roofs were replaced with better pitched ones and covered with either colonial tile or zinc sheets. Bathrooms connections were also made. Ceilings were covered with either plaster over bamboo, or with a nylon material used to cover exposed roofs. One loan reviewed consisted of a complete rehabilitation of the old structure and the addition of several rooms. The borrower had been purchasing building materials on his own and secured the loan from La Promotora to actually start and finish his remodelling. This particular loan was exemplary of the type of work which could be done using self-help methods. The borrower had done all the work himself and was even welding iron railings for an outdoor stairway during our inspection.

In Arani, 55 kilometers from Cochabamba several loans were given to people in this small town of about 3,000 people and several other loans had been given to people in the outlying areas. The work done here was of the same nature as that in Punata. Some borrowers had either remodelled their old structures and/or had built on additions. The transformation of the deteriorating huts to new-looking, sanitary and inhabitable structures was particularly noteworthy. Here again, dirt floors were covered with either cement or brick. A nylon material was sewn together to make a ceiling covering, walls were plastered and painted and electrical connections and installations were also made.

The work carried out by this Mutual appears to be very well executed. This is probably due to the fact that the architect hired to do the work understood the nature of the program and was technically qualified to carry it out. His experience in the field, dealing with low-income families, developing simple but useful construction plans, selecting appropriate materials, and budgeting the work to within loan limits, had a great deal to do with the success of the program in the Cochabamba region.

GENERAL COMMENTS AND RECOMMENDATIONS: Mutual La Promotora hired Mr. Mejía under contract to carry out the program. The Mutual also hired two "promotores" to scout out rural areas and develop loan requests of prospective loan beneficiary families. A branch office was opened in Quillacollo but it was soon closed. In conversations with the General Manager over the possibility of retaining Mr. Mejía after his contract terminates in August 1982, Mr. Flores was doubtful that La Promotora could keep the architect on. He claimed that the cost was too high and recuperation was too slow to justify keeping Mr. Mejía on the staff. In our estimation, every effort should be made to encourage the Mutual to retain Mr. Mejía. He has done excellent work and is an extremely valuable resource to the Mutual. It was pointed out that no other person in the Mutual knows where loans were made or knows the borrowers individually. In addition to this technical capability Mr. Mejía has at times even served as collector for the Mutual. Should he leave, the collection department would be at a loss to locate some borrowers and to collect from them. There is a general distrust of persons not known by rural borrowers, particularly people charging them money. If rural lending is to be continued, the Mutual must keep capable staff on hand who can work well in the field. The Implementation Agreement states that CACEN and the system are to add additional staff to carry out the program. It is highly recommended that this issue, especially in this case, be pressed in order to retain a capable and knowledgeable technician in a most important area of the country.

Mutual La Promotora would be quite willing to continue lending to low-income families for shelter solutions in rural areas; however, the Mutual's leadership felt that new monies would have to flow to them from the Caja or other sources in order to continue such lending. Mr. Flores stated that the requirement that loan beneficiary families open up savings accounts has not been advantageous to the Mutual. Thus far, he estimated that only about 3% of the beneficiaries have actually saved on a regular basis. The majority of borrowers have merely opened minimum balance savings accounts. Down payments have been added to these accounts but this has been done for the sole purpose of fulfilling this requirement in order to obtain a housing loan. Mr. Flores said that borrowers fear putting more money into their savings accounts because they mistakenly believe that if they didn't make a payment, the Mutual would automatically withdraw the funds from their savings account to amortize their loans. Recuperations were slow and insufficient to finance continued lending. The Chief Accountant, Mr. Celaya, stated that they may only rollover the funds one and one half times whereas they had expected to trebble rollover. Therefore, Mr. Flores stated that the program will be paralyzed when HG 005 stops. La Promotora's leadership indicated that while they would like to divert resources from their regular portfolio to low income shelter solutions in rural areas, this would not be possible. This is interesting because La Promotora has been known to have excess liquidity.

Mutual La Promotora has made short-term loans (one year) totalling millions of pesos to Mutuals in the north. This suggests that this Mutual may have the financial ability to continue lending in rural areas but that it has chosen a conservative pattern in managing its portfolio. Given the economic times in Bolivia, this is understandable although it should be pointed out that if this is the case with all of the more solvent Mutuals, then it will be difficult for the savings and loan system to meet its agreed goal of utilizing 25% of its loan portfolio in rural areas among low income families. It might be appropriate for AID to consider requiring Mutuals to meet some percentage goal for rural program lending as a condition precedent or covenant in future housing programs.

Mutual La Promotora was the only Mutual participating in the program which signed an agreement with a large firm to provide loans to employees. Loan amounts are automatically deducted from the worker's salaries and payment is made to the Mutual. This agreement with the Compañía Boliviana de Cemento (COBOCE) has, in effect, reduced the Mutual's overhead and administrative costs insofar as collections are concerned. Because the borrowers are concentrated in one single area, there is better access to the houses, reducing the technician's travel time.

The Mutual would like nothing better than to diversify its loan lines so that productive credits could be granted. If this were the case, the Mutual would be willing to participate in the formation of the integral rural savings and loan associations in key areas of the Department of Cochabamba. The Chapare region which is rich in resources and which produces many native construction materials would be a prime location. In a talk with a representative of 40 to 50 loan beneficiaries in Punata, a storekeeper, he iterated that many borrowers felt that the 76% readjustment would be very difficult because "the credit was not for business but for home repair". On the other hand, a productive credit would give them the means of making a better life for themselves and their ability to pay for home improvements would be enhanced. Mr. Flores took this very seriously and stated his willingness to participate in such programs if they were "reasonable and did not kill with too much paperwork". He used the PCGP as an example of one with onerous paperwork which scares off the campesino.

The 76% readjustment will be very difficult for the HG 005 loan beneficiaries to stomach. The same representative of loan beneficiaries asked no less than three times if anything else could be done to alleviate this heavy readjustment. He stated that it would be very hard on people in the campo. The other measure contemplated by CACEN, to raise the interest rate to 38% per annum, was hard even for the Mutual's staff to fathom. Their position was that if this doubling of the interest rate were to occur, they might as well close their doors because all their borrowers -- urban and rural alike -- would not buy it. This Mutual also stated that the payback would more adversely affect the rural borrowers than the urban borrower because the former's incomes tended to remain more static in these times than the urban borrower's incomes. Mr. Flores and Mr. Celaya complained that it would probably be a year before the economic situation in the country began to resolve itself. In the interim, they feared that high interest rates would also slow lending to a trickle. Also, given the hard times, they predicted that savings would dwindle because families which were hardly making it would be hardpressed to save any amount. Inflation would erode the value of current savings and the floating rate would add fuel to the fire.

Therefore, the recent devaluation and the accompanying economic measures are expected to play havoc with the savings and loan system. These will more adversely affect poor, rural borrowers although urban borrowers with higher loan amounts will also be harshly affected. The Mutual's leadership suggested that there might not be any way to minimize the negative impact. The 76%

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devaluation would be pro forma, however, higher interest rates might be the answer, but only if the system slowly made the transition to the higher rates rather than doubling them at once.

Environmental checklists were used by this Mutual in the implementation of some type B loans and in all type C loans. It was difficult to assess whether the Mutual would continue to use the checklist on their own for all loans granted. Mr. Kessler's cost/design methodology was employed by this Mutual because Mr. Mujía was given the manual and trained in its use. A good example of its use was in figuring the cost of a ceiling. The nylon material recommended by Mr. Mujía to be used to cover ceilings had a $b 30 per m^2 cost. Alternative materials such as bamboo covered with plaster cost as much as $b 300 per m^2. The savings to borrowers was clear. This was the purpose of the cost/design methodology. Its use in this case proved very beneficial. It should be noted that the use of the nylon material as a ceiling is useful in those areas served by electricity. For areas where there is no electricity and candles, kerosene lamps and/or torches are used, alternative materials should be employed because nylon is flamable.

IV. MUTUAL PROGRESO, ORURO

Met with: Cristina de Mercado, General Manager
Ing. Oscar Vargas Encinas, Chief, Technical Division
Enrique Heredia Guzmán, Technician, Project Director

BACKGROUND: Mutual El Progreso was late in joining the program. During a visit to the Mutual in August 1981, the Mutual's staff was just becoming familiar with the program and undergoing training in its requirements. The technical staff was skeptical at that time and felt that the program could not be implemented at all in the Department of Oruro. At present the Mutual has placed relatively few loans: 3 type A, 20 type B and 2 type C. While the program is small, the effort has been substantial and effective. The Mutual has placed loans in nine areas outside the city of Oruro. In the areas visited, project technicians have had to take buses and walk to these dispersed altiplano locales. The Mutual does not have a vehicle for its technicians to use. Other areas in which the Mutual works are far from Oruro and technicians must rely on whatever public transportation there is to reach these communities. Huari is 134 kilometers away and Llallagua is 95 kilometers from Oruro. Lucía is approximately 220 kilometers from the Department capital. The other communities are closer to Oruro and are described below.

LOAN FOLDER REVIEW: A general review was made of the loan folders in the Mutual. They were the most complete and orderly files that this advisor has seen in the entire program. Loan request forms were filled out completely with all the necessary information. Budgets were detailed. The Mutual's technicians had developed a form for the development of loan budgets. Plans whether detailed or illustrative were in each loan folder and were adequate for the work undertaken. Technical specifications complemented them. Another form was developed which detailed the percent completion of the construction under way. Disbursements were based on the information contained therein. Technical reports existed for each field visit made.

A noteworthy achievement evident here and absent in other Mutuals, was that this Mutual actually followed the guidelines suggesting that loan amounts be constructed on the basis of the borrower's capacity to pay -- which is based on his or her income. For other Mutuals it was much easier to grant the maximum loan amounts in each loan category and work backward from there. The method of constructing the loan amounts based on income then advising the loan beneficiaries as to what type and how much of an area of construction could be done with the loan amount was very much in line with the program's intent and guidelines. In Oruro this was done with care and forethought. The program itself in the office was most impressive.

SITE INSPECTIONS: The impressive work done in the office also existed in the field. Several loans were made in a dispersed altiplano community located five and a half miles from the Mutual's downtown office and three and a half miles off the main road. These loans were made in the vicinity of Challapampa and Canyapata. It should be reiterated that project technicians must visit these areas on foot because bus service drops them off three and a half miles away on the main road. The area covers approximately three and one half kilometers from the first site to the final site where loans were granted.

In Challapampa, two loans were made for construction of bedrooms and kitchens. A complete transformation could be seen in the new construction as compared to the old. Entire new structures were built which could be considered core units financed with type B loans for home improvements. In one loan, in addition to the new construction, enough money was available for the family to replace the roof on the old structure with colonial tile. The new structure sported a zinc sheet roof. Self-help methods were employed in these areas which reduced considerably the costs involved in construction.

On one loan it was noted that the amount to be borrowed was going to be $\$$ 46,000. However, working in conjunction with the Mutual's technicians, the borrower reported a drop in income due to a crop failure. The Mutual's technicians worked with the borrower to reduce the loan amount and calculated the new area of the loan construction.

Canyapata is located about two kilometers from Challapampa. The loans made in this community and its environs were type B loans for home improvements and amplifications. These loans ranged from $b 35,000 to $b 41,000. Again, the loan beneficiary families constructed new structures consisting of bedrooms with adjoining kitchens. Walls were either constructed or repaired and plastered. Thatched roofs which the borrowers complained had leaked terribly during rains were replaced. Dirt floors were covered with concrete or brick. Windows and doors were bought and installed. One borrower purchased used window frames in Oruro and saved on the costs.

While the sites inspected represented only about one fourth of the total loans granted by the Mutual La Promotora, it was clear that the program had been carried out successfully. The work done at the Mutual both in the office and in the field was very good and had been carried out within the purpose and spirit of the HG 005 program.

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GENERAL COMMENTS AND RECOMMENDATIONS: Mutual El Progreso did not hire any additional personnel. The branch offices in Huanuni and Llallagua, however, were said to have been strengthened as a result of the existance of HG 005.

Mutual El Progreso would like very much to continue lending in this new area. However, it was pointed out that loans were very slow in developing. Now, with interest rates rising, the Mutual's staff felt that it would be even more difficult to place loans. While willingness was present, the ability to continue lending was another issue. This Mutual would like an additional loan from CACEN to continue this and other possible loan lines. It appeared that they did not have funds of their own to lend for this purpose. Savings for the 25 loans under this program had not been sufficient to finance continued lending. The administrative costs reported by Mutual El Progreso were very low. They did not charge off any of their personnel's time since they felt that they were already on board and this program was simply an added responsibility. The other reasons for the low administrative costs were clear. No new offices were opened or new employees added. Costs of travel were minimized because public transportation was used. The trade-off, however, was that the level of loan placement was low, despite a radio and newspaper campaign advertising the program. This method of applying or implementing the loan caused a small overhead but also resulted in a small volume of loan placement. Perhaps a better method of working in the Oruro area would have been for the Mutual to have found a company much like the Mutual in Cochabamba. This would have concentrated credits, facilitated loan pay-backs and lowered administrative costs while placing many more loans. Technicians at the Mutual were working on such a possibility with a minimum concern at the time of this evaluation. It would be interesting to track this possibility and compare the administrative costs to see their effect when this method is employed.

The recent devaluation and the accompanying economic measures would, according to the General Manager, be very hard on HG 005 loan beneficiaries. The group of twenty five borrowers with which the Mutual had been working were mainly poor altiplano farmers who had very little economic activity. Perhaps a saving grace of this Mutual was the method used in calculating loans and the relatively low loan amount. Another group that would be affected was the 25 or so who had made loan requests under the program. The Mutual had yet to approve and implement these new loans pending a resolution of the interest rate situation. Project technicians claimed that many of these prospective borrowers would be reluctant to go through with the loans should interest rates double. Mrs. Mercado pointed out that this situation would be hard enough on their more traditional urban borrowers. The Mutual had an apartment building with apartments yet to sell. She stated that given the readjustment plus the new interest rates, the Mutual would encounter difficulty in selling those apartments. According to Mrs. Mercado "all borrowing is paralyzed". Because of the grave economic situation, the Mutual as well as banks had been closed for twelve of the last fifteen days.

This Mutual had only used the environmental checklist in its two type C loans for core units. These had been correctly filled out. However, there was an environmental problem that had risen in two type B loans. It should be noted that system-wide the environmental checklist was generally used only for type C loans. A case for the checklists' use in all loan lines can be seen in the following example. The Mutual had two type B loans to which it had stopped disbursing the full loan amount contemplated. The disbursements were suspended in November 1981 at 70% of the loan value because of flooding from a nearby river. The ground on which the homes of the loan beneficiaries were located was somewhat low. Also, the Padia river, which flooded outlying parts of the city of Oruro was diverted by the city to its present course which caused the flooding problem for these two type B loans. While the dwelling themselves had not flooded inside, water came up to the houses' exterior walls. Use of the environmental checklists for all loan lines would have alerted project technicians to the potential problem.

The cost/design methodology was not known at this Mutual. Nonetheless, the technicians, who had been fully trained in the workings of the HG 005 program, used good sense in granting loans and in assisting loan beneficiary families in selecting the best and least costly materials. Because this was the intent of the cost/design methodology, its absence in this case was not detrimental.

Overall, project implementation in Oruro was impressive. While it appeared that some CACEN staff members had a rather cavalier attitude toward this Mutual and thought that mining communities were most difficult to work with. We could not find much fault with the way in which the HG 005 program had been carried out. This Mutual, in fact, appeared to be very forward looking. They were in the process of programming a new computer which the Mutual purchased. Mrs. Mercado was interested in diversifying the loan portfolio to include productive credit, artisanry and other types of loans for productive machinery and the like. While the loan volume for HG 005 was lamentably low, the loans made were done well.

GENERAL DATA

I. Volume of handling by Mutual

		Mutual Potosí Potosí	Mutual Tarija Tarija	Mutual La Promotora Cochabamba	Mutual El Progreso Oruro
A.	$b Total	58,842,305	105,148,000	138,234,844	189,181,169
	$b HG 005	19,068,737	12,101,889	17,769,511	985,380
	005 as % of Total	.3240	.1151	.1285	.0052
B.	$b all housing loans	58,644,305	101,370,000	133,934,844	120,999,839
	$b HG 005	19,068,737	12,101,880	17,769,511	985,380
	005 as % housing loans	.3252	.1194	.1327	.0082
C.	Number total loans	707	722	1,105	3,800
	Number 005 loans	407	183	334	25
	005 as % of total	.5757	.2535	.3023	.0066
D.	Number housing loans	702	622	1,045	1,188
	Number 005 loans	407	183	354	25
	005 as % of total	.5798	.2942	.3388	.0210

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CONCLUSIONS

This report was structured such that it incorporated among other things the data of site inspections and loan folder reviews. While this type of information is generally reserved for trip reports, time constraints dictated their incorporation here. Not separating these comments was also deliberate because this advisor felt that it was of paramount importance in any evaluation that a general assessment of how the project was implemented and how it performed be included. This was the intent of this report. The information gathered on the trip to the Mutuals has a direct bearing on whether or not HG 005 was carried out effectively.

The specific issues related to this evaluation can be found in the comments and recommendations sections appearing throughout the report. These comments deal solely with the Mutuals visited. They concern only those issues delineated in the scope of work of the evaluation. This scope focused primarily on economic and financial factors, the level of lending by the mutuals, the financial capacity to continue lending given certain administrative costs and overhead, and the impact which the severe economic measures taken in Bolivia during the past seven months have had on the project. Only two technical points were included: the environmental checklist and the cost/design methodology.

It is the financial factors that represent the "bottom line" in any project. These factors determine whether this "line" is black or red. However, to concentrate primarily on net profit or loss in an exercise such as a final evaluation is to lose perspective of what the project has achieved. For the most part, we have not addressed the positive sociological, economic, and long-term benefits derived from this pilot effort which has alleviated the shelter problems of over 3,000 families. Project benefits, these intangible, difficult-to-quantify assets, cannot be readily plugged into financial formulas. Nonetheless, they are well worth mentioning especially because the scope of this evaluation focused almost exclusively on the financial liabilities, such as high administrative costs and overhead, which are the prime determinants of the project's net profit or loss.

Project HG 005 has come about in the wake of the worst economic crisis ever to hit Bolivia and CACEN. This project cannot be isolated from this problem, but neither can it be blamed for the ills of the bigger economic situation. HG 005 cannot be objectively evaluated in terms of CACEN's financial capacity to survive the economic crisis, or in light of its long history of borrowing in dollars since this has accentuated the problem. This was, in part, the reason for the incorporation of the trip notes and observations into the body of this report. Without this perspective, the bottom line fails to recognize and measure the project's true, outstanding impact on the rural poor in Bolivia.

In formulating the following conclusions; this advisor is drawing on knowledge of the entire project. Therefore, the following comments are general in nature and include data derived from all nine participating Mutuals, not solely the ones visited during the trip to the south of Bolivia.

1. Project 511-HG-005 has enabled the Caja Central de Ahorro y Préstamo para la Vivienda and the Mutuals in the Savings and Loan (S&L) System to develop their capacity and capability to finance shelter solutions for low income families in the rural areas of Bolivia. At CACEN and in each individual participating Mutual, HG 005 has served as a pilot project whose objectives and guidelines have been well understood. These have been implemented with the project's purpose and spirit in mind. The administration and staff of CACEN feel that HG 005 is merely a start. It is a first effort in the direction the S&L System should go in rural areas. With nine of the twelve S&L's in the System participating, interest is obviously widespread. The body of knowledge and experience gained from the implementation of HG 005 constitutes a solid foundation upon which new projects can be built.

The system has taken note of the particular problems associated with the implementation of this project; excessive paperwork for both Mutuals and borrowers, special legal work, mortgage registry and the time involved in this, difficulties with agrarian reform lands (which are not mortgageble), loan processing, special income guidelines, and outreach efforts. As a result of HG 005, CACEN, participating through the Mutual La Paz, experimented with housing in a rural area near La Paz known as Santiago de Collana under the Productive Credit Guaranty Program (PCGP) sponsored by the Bolivian Central Bank and AID. HG 005 was the impetus for the System to alter its effort and look forward to the demand and special work required in helping the development of housing in rural Bolivia.

There is widespread enthusiasm and willingness system-wide for continuation of a program such as HG 005. Technicians have been trained, skeptics fears have been allayed, and there is little doubt that CACEN and the System have the knowledge and ability to continue lending for shelter solutions in the rural areas. With adequate financing, good technical training, careful site and project selection and controlled expenses, CACEN and the System can function extremely well in this vast new sector.

2. The project has been effective in reaching the target group--low income families in the rural areas of Bolivia. From laundry women to school teachers, and laborers to farmers, the project has given shelter opportunities to a group not previously served by any financial institution. It should be noted that incomes in rural areas are difficult to determine, especially because a majority of these families are not salaried. Also, income guidelines were difficult to follow, though a good effort was made. Payback periods were determined by the beneficiary's ability to pay, i.e. monthly, bi-monthly, or quarterly. Some payments were even tied to harvests. It was found that payback periods of more than four months were not satisfactory and are not recommended. There does exist a proclivity on the part of a few within the savings and loan system to either ignore or soft-pedal the income requirements. There are some who blame AID for this and describe it as a harsh imposition. The majority of administrators associated with the system, are, however, willing to follow income guidelines. There were several effortr made to raise income levels. There also existed a tendency in some Mutuals to want to give out these loans to people who they knew, despite obvious income requirements. This is a problem inherent in most lending activities. Nevertheless, HG 005 did reach the people it intended to reach. A majority of

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these low income families would never have received a loan from commercial institutions for shelter had it not been for this project and its specific income level requirements.

3. Good experience has been gained in the diversity of rural areas reached in terms of geographic areas and size of locals where the project has been implemented. Bolivia's three distinct geographic areas -- altiplano, valleys (high and low), and tropics -- have all had good coverage. Also, the project experience spans small, rural dispersed areas (where technicians walk from site to site and house to house) and small intermediate and regional rural market towns. The combination of these can serve as a good foundation on which any new or ongoing project can be based.

A curious phenomena occurs when the project is implemented in large, regional market towns. The population in these places considers themselves more urban than rural. They resent being part of a "rural" program. Housing expectations in these locals tend to be greater; therefore, borrowers will generally demand more "urban-looking" houses. This entails the use of construction materials with higher costs. CACEN, the Mutuals and project technicians should be attuned to these quirks in the continuation of the HG 005 program and in planning future activities.

4. Either additional or existing staff were employed system-wide in the implementation of the project. The retention of key technicians hired under contract will determine whether the ongoing capability of these institutions to serve rural low-income families will be preserved or lost. Every effort should be made to retain those technicians who have understood the program, have implemented it well, and who have contributed significantly to its success. The quality of the technician and his direct knowledge of the people, their language and how to treat them is important. This is perhaps why technicians such as Mujía in Cochabamba and Nogales in Tarija have been successful. These factors should be considered when selecting project technicians, and should definitely be factors in developing training for the technicians.

Most all of the participating Mutuals had radio, television or other types of media campaigns in order to promote the program. Flyers were used by some while newspaper and magazine advertising were used by other Mutuals. These efforts must always be followed up by personal visits if the target group is indeed going to be reached. One Mutual had a radio campaign and the staff sat behind their desks for a year before they were advised that they needed to "beat the bushes" in order to attract eligible families. This helps to explain the late start of several Mutuals. Adequate promotion is needed and must be followed with on-site visits to target areas by Mutual personnel in order for media campaigns to be effective.

The opening of branch offices or full-fledged Mutuals came about as a direct result of the implementation of HG 005. Some "branch offices" like the one in Entre Ríos (Tarija) are not offices at all, but rather are places where a person has been hired to promote the program, take payments, and advise the people when the staff of the Mutual will visit next. In other locals such as Guayaramerín, the existing branch office drew a sufficient business from HG 005 to enable it to become an independent Mutual. In order to fully serve their purpose, branch offices must have trained personnel who can not only relay information from the Mutuals, but can also serve as technicians collection agents, and perform nearly all of the functions that a branch office should perform. In this manner, the Mutual not only has a liability in a paid representative but an asset in a trained and capable (even though part-time) person. The demand in the community and the level of loans/savings generated should dictate the necessity of the branch office, not other factors (i.e. half-way point on the road, broad interest but not real demand, etc.).

5. Administrative costs in implementing HG 005 have been generally high and recuperations will be too slow to cover these to a point of self-sufficiency in the very near future. It is perhaps implied in the scope of work for this evaluation that HG 005 would, in fact, generate a level of activity to effect a financial sufficiency to cover these costs. The project's documentation (the Project Paper and the Implementation Agreement) do not delineate this intent. Rather, administrative costs for this pilot project were to be tracked by CACEN so that these data would form the basis for further analysis and projections, especially in consideration of possible future activity (e.g. reflows and follow-on projects). Much more data and time would be required to specifically calculate a level of activity necessary to effectuate this activity. Due to the time constraint in Bolivia this activity was not completed.

Other than the work done by the very capable Technical Division of CACEN, the System has lacked a short and long-term financial planning capability to effectively track administrative and overhead costs and to perform the cash flows necessary to keep the project solvent. To my knowledge, no financial planning exists at CACEN. This shortcoming has impeded the organization from truly dedicating an effort to plan and prepare for economic stumbling blocks which the System has had to face. The Technical Division cannot adequately perform both technical and financial functions for an organization such as the Bolivian Savings and Loan System. Project administrative costs are an important part of projects such as this; however, without a concerted effort to track these on a system-wide basis, the on-going planning process for the project's implementation is truncated. It is hoped that CACEN can in the near future employ a financial analyst who can concentrate on this and other issues (i.e. cash flows, projections, long-term financial planning, etc.).

6. CACEN and participating Mutuals are generally enthusiastic and willing to continue lending for low-income shelter solutions in rural areas. Their ability to do this, however, is limited to reflows. No Mutual volunteered to use their own reserves to continue this lending program. New lending from CACEN or other sources will be necessary. The program has generated only minimal savings for the participating Mutuals. However, it should be noted that because of the severe economic conditions in Bolivia as a result of devaluation, institution of floating peso market system, and loan readjustments because of their dollar-tied lending clauses, there has been little savings generation as a whole.

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7. The greater the rural outreach effort expended by the Mutuals, the higher their administrative costs. Mutuals which have been allowed to work within their own locations have relatively low overhead costs. Such expenses can be reduced by providing shelter loans to interested employees of companies or factories which under contract can deduct mortgage payments from loan beneficiaries' payroll. Finding clusters of housing in which technicians can have ready access to beneficiary families concentrated in one location can also serve to reduce costs. While working through cooperatives or other such groups, including those groups capable of lending technical assistance could help to keep administrative and overhead costs down, the impression is that the savings and loan system would prefer to work on its own.

8. A broader range of credit services to be provided by the existing S&L's or by new rural integrated S&L's (ARAPIS) would benefit rural borrowers especially if housing credit were paralleled with productive credit. The latter would aid the borrowers' financial capability to pay his or her housing loan. It would also help them improve earnings, instead of merely saddling them with the onus of a mortgage payment without giving them the added capability to payback such a loan.

9. The recent devaluation and accompanying economic measures will adversely affect HG 005 beneficiaries. It will take at least another quarter or six months before the full impact can be adequately discerned by measuring delinquency rates and comparing these to urban middle-income clients' rates. While few Mutuals' leaders are blaming AID for making them grant loans to poorer people when they would have preferred more middle-income clients, there appears to be a better payback attitude and record on the part of the rural poor than by the urban middle-class borrower. Also, the urban borrower has protested readjustment of the loans more than the rural borrowers.

10. Measures contemplated by CACEN to counteract the current economic crisis are being met with mixed reviews. Mutuals are resigned to the 76% readjustment as a necessary move, but they are extremely wary of a doubling of the interest rate. Many Mutuals argued that should interest rates immediately jump to 38% they might as well shut down operations because there would be little or no borrowing. A more gradual shift or transition to higher interest rates would be more palatable and would help minimize the negative impact of such measures. An interest rate in the high twenties might be a temporary solution if it is financially feasible. Many rural borrowers, especially those with little or no facility in Spanish, have had difficulty understanding these changes. The S&L System could well consider a media campaign aimed at its diverse clientele to fully explain the measures and minimize rumor and speculation caused by those who are involved in inciting campesino groups against the measures.

11. CACEN has made a good effort to introduce the environmental checklist into the System. Its use, however, has been limited to type C loans. Because of the economic measures taken and the flotation of the Bolivian peso, loan amounts will tend to rise considerably. Environmental risks are present for type B construction as well. CACEN should require use of either the checklist or a detailed modification of its own FHA-2 form in

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order to help prevent environmental problems from occuring where they have given loans for home improvements.

12. The cost/design methodology developed by Earl Kessler is an extremely useful tool for the Mutuals' technicians to use in assisting low-income families select size of area and materials for construction. The methodology can be a good foundation for training technicians in designing low-cost shelter solutions. A training system for the technicians of all the Mutuals will be helpful. It could serve to train a new corps of technicians for other programs which could follow. The experience has been that where trained, conscientious technicians exist, the methodolcgy's information is being used. However, where there is an absence of training, the methodology should be used as the tool to guide novice technicians in the selection of alternate building materials, including consideration of appropriate local materials.

ANNEXES

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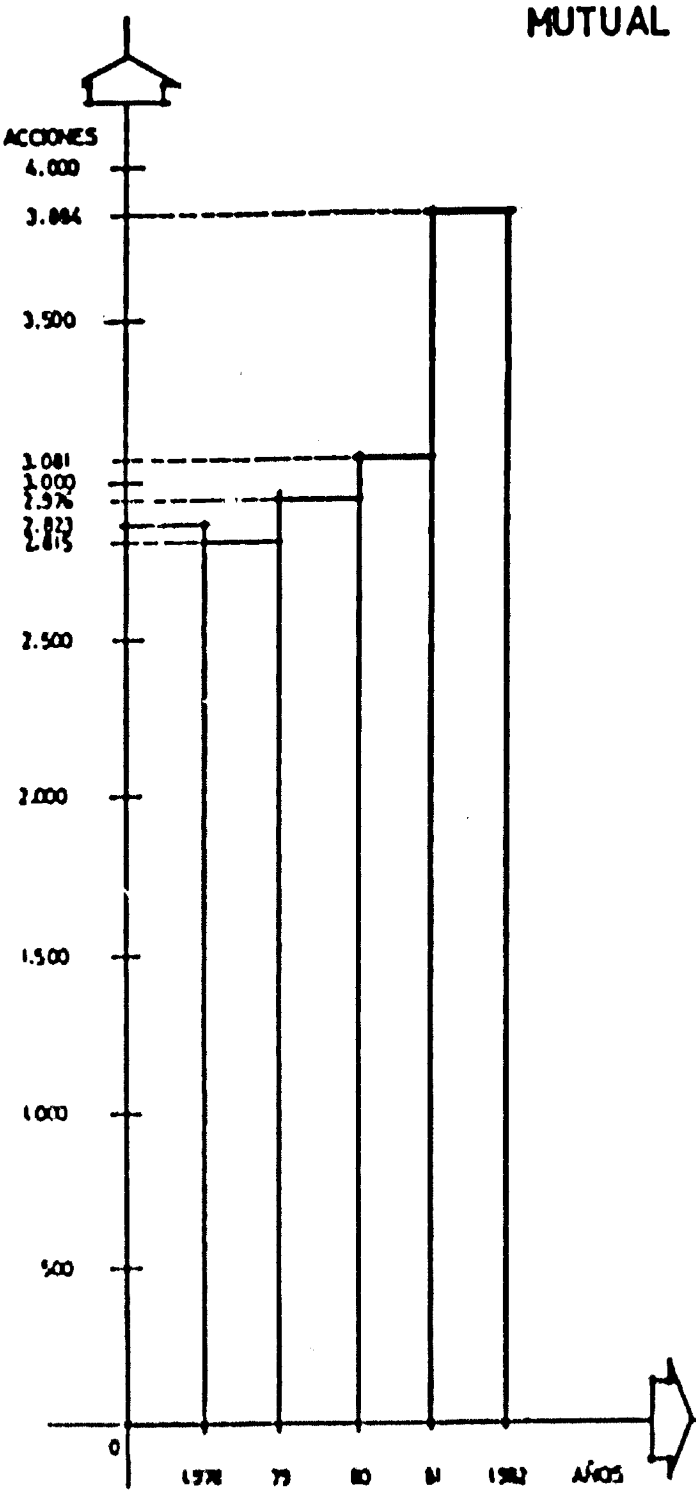
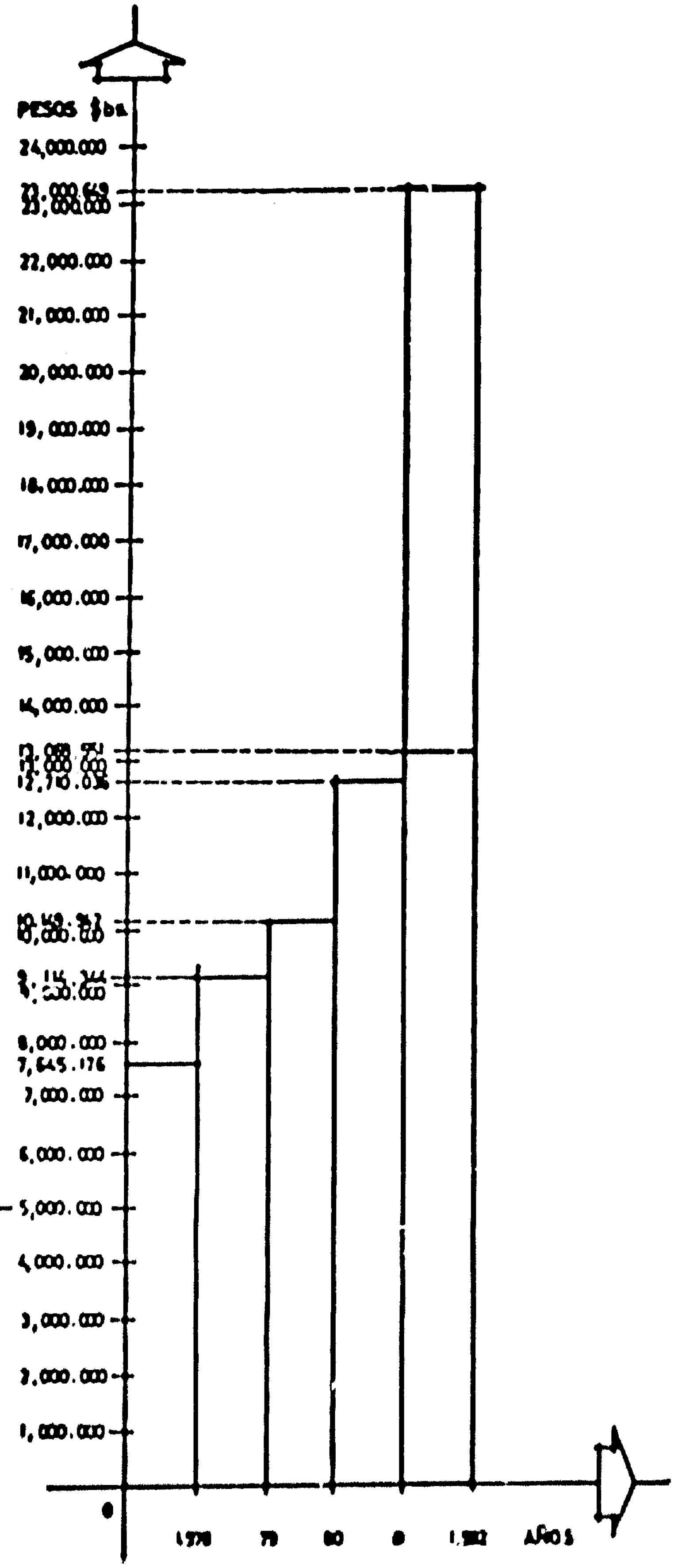
MUTUAL POTOSI





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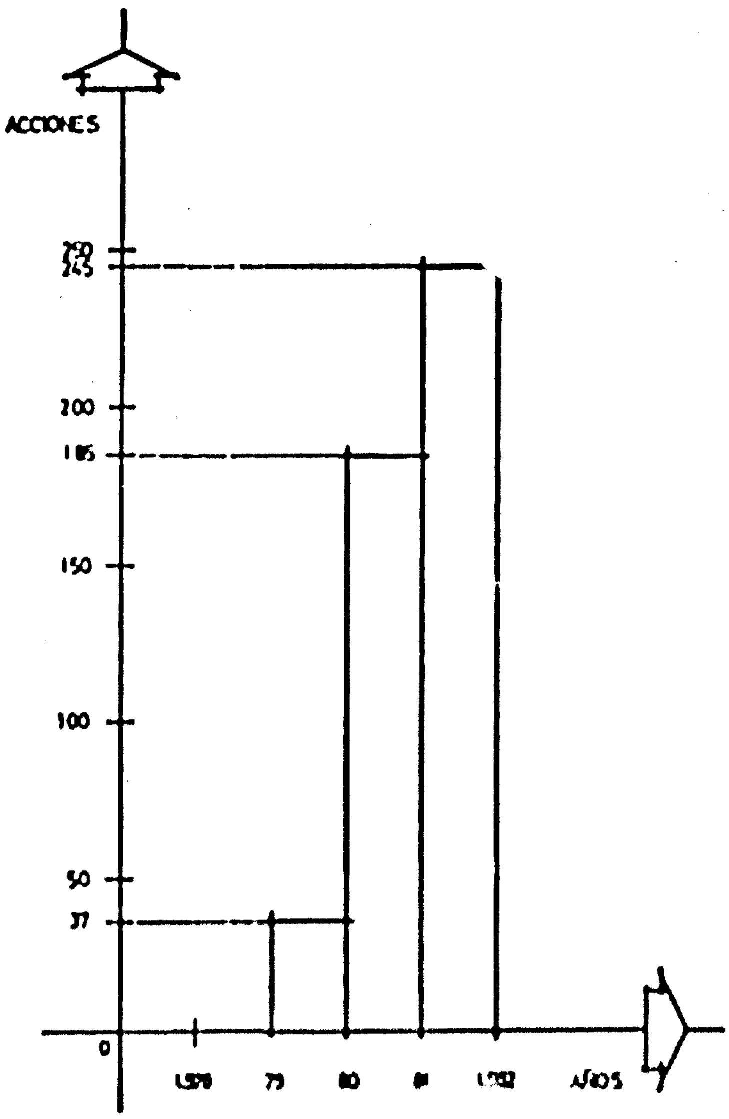

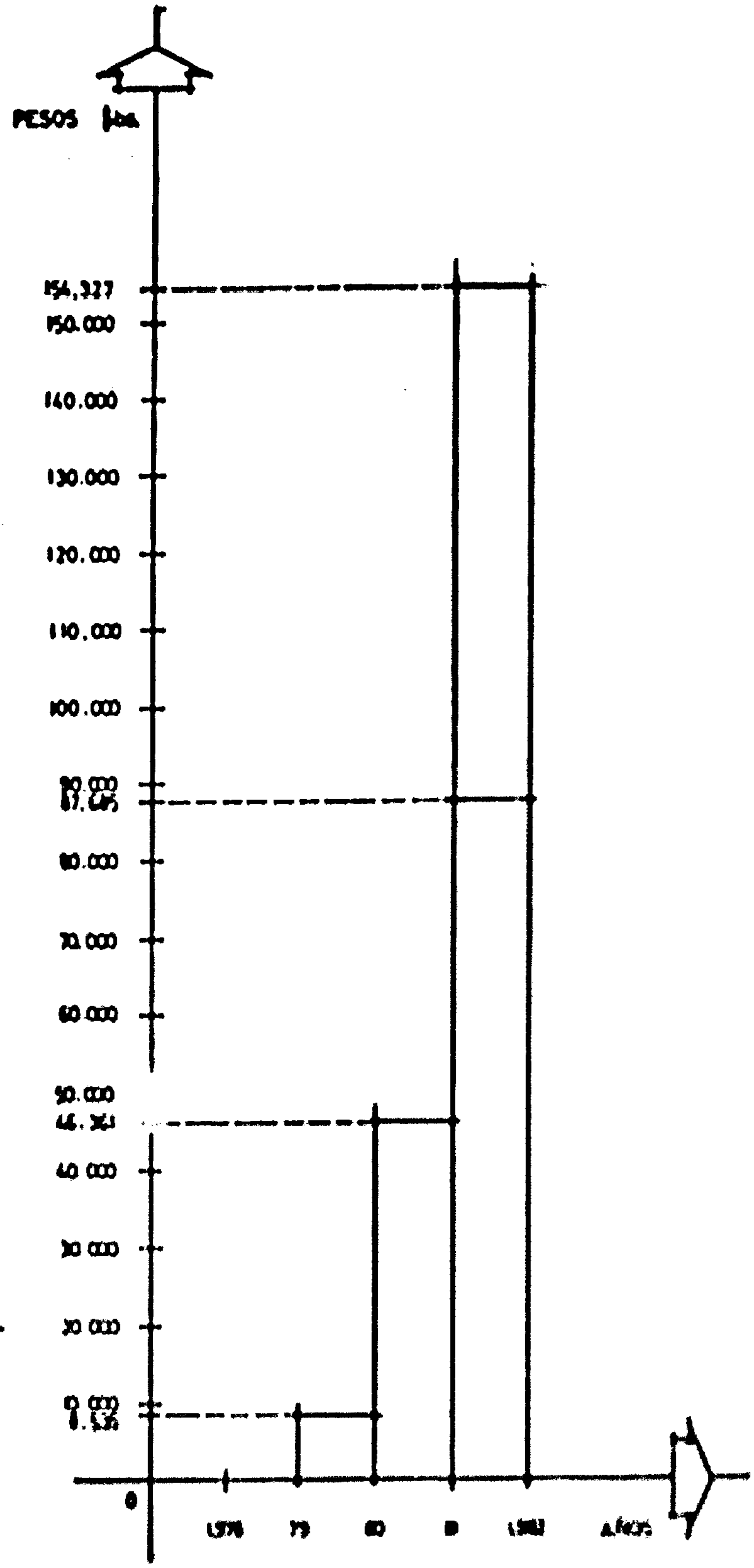

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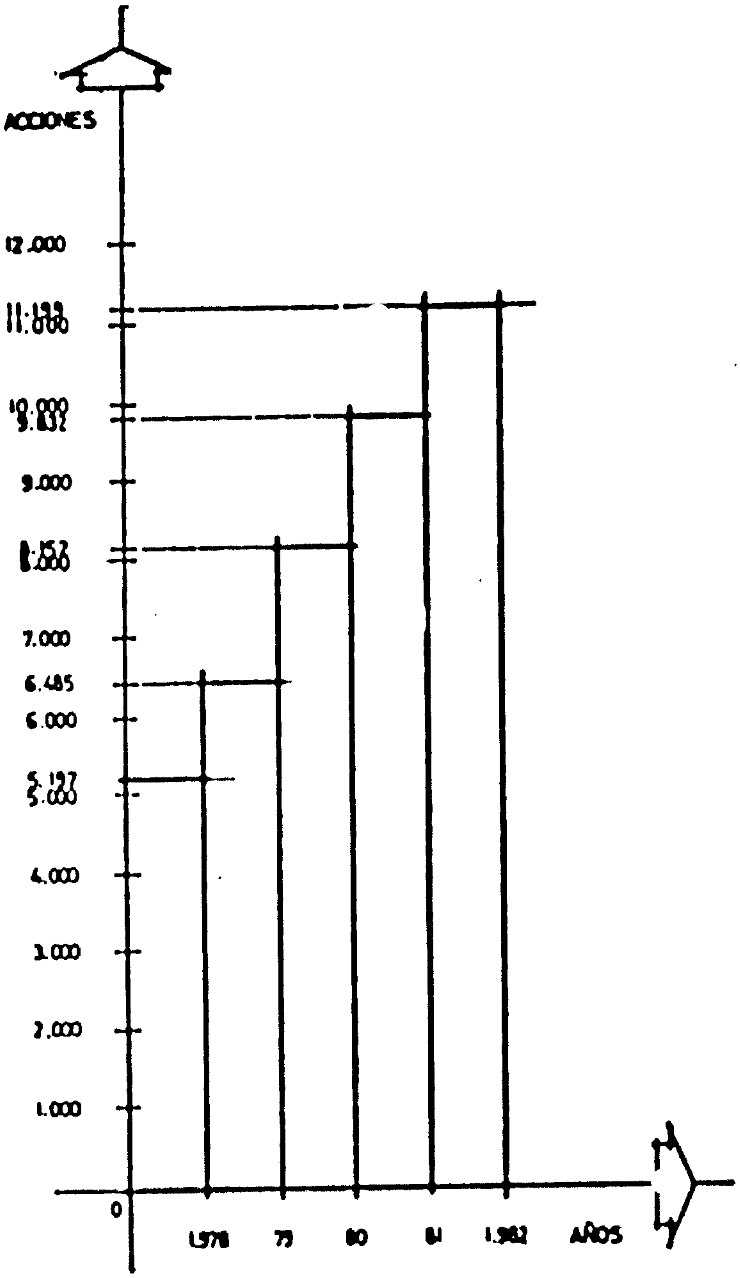

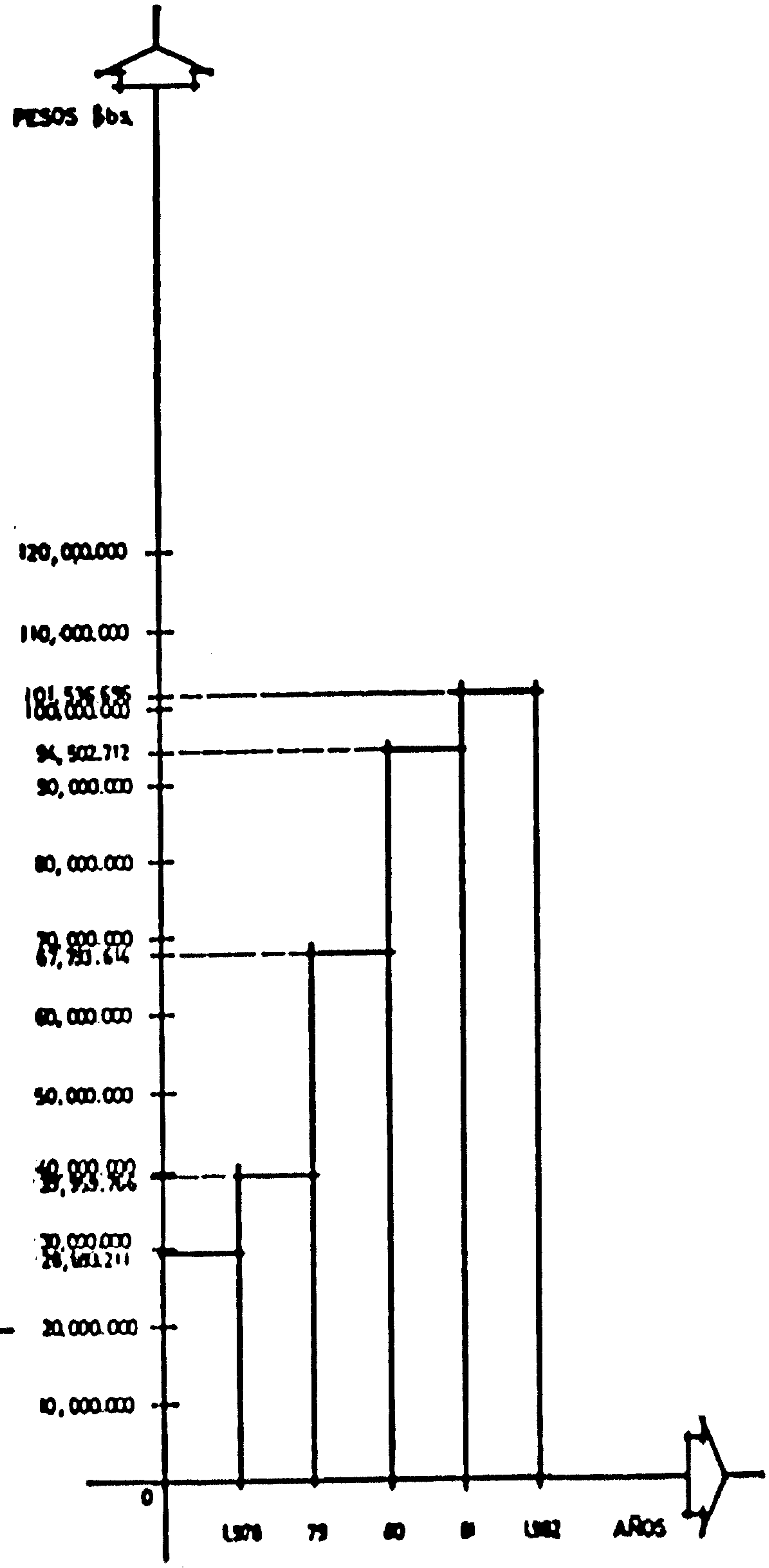

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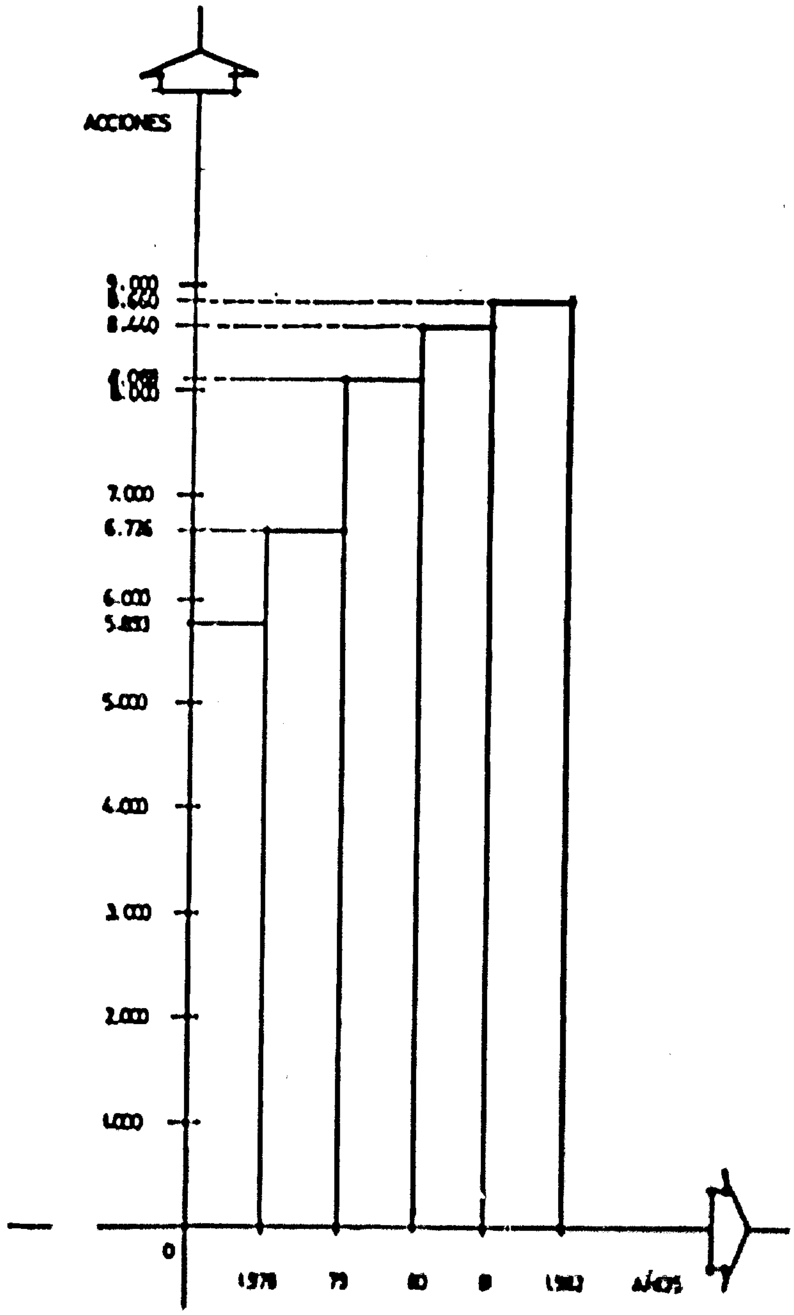

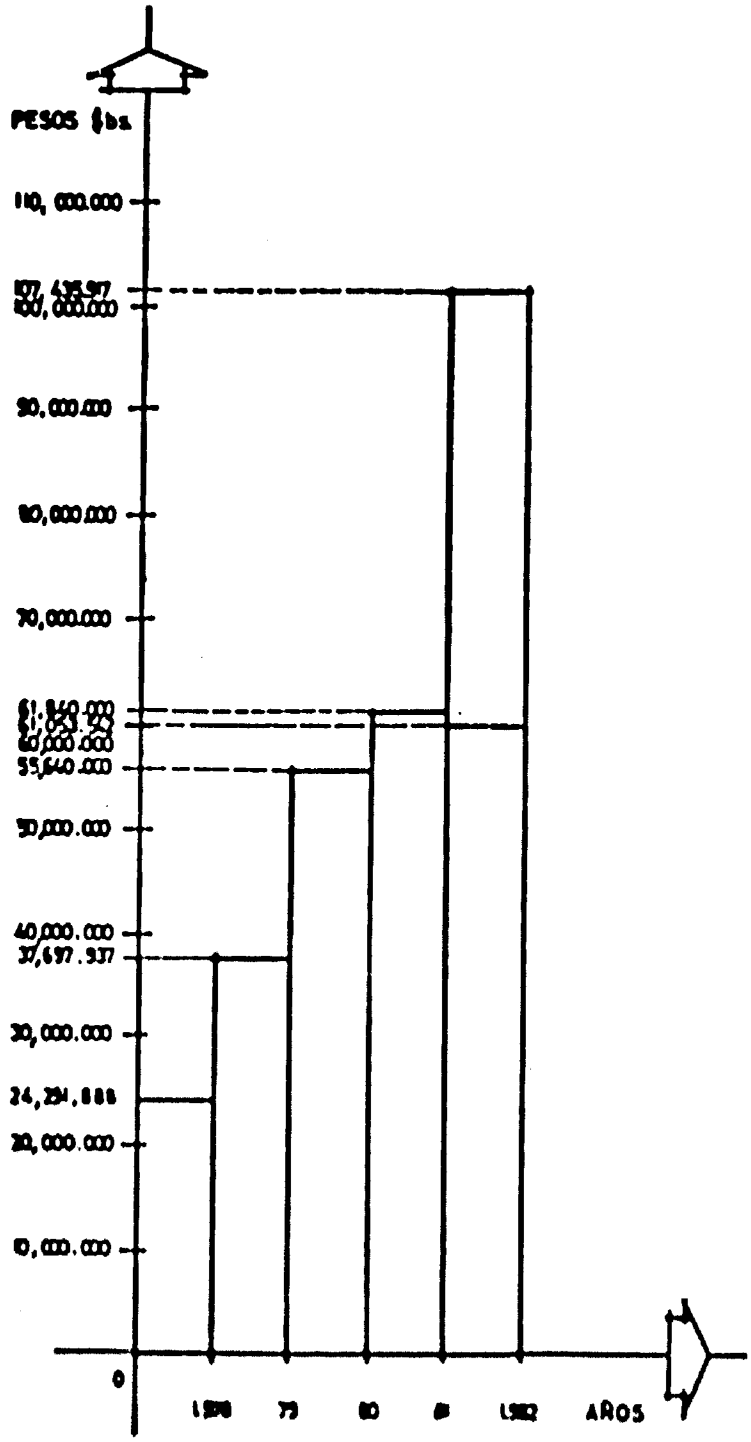

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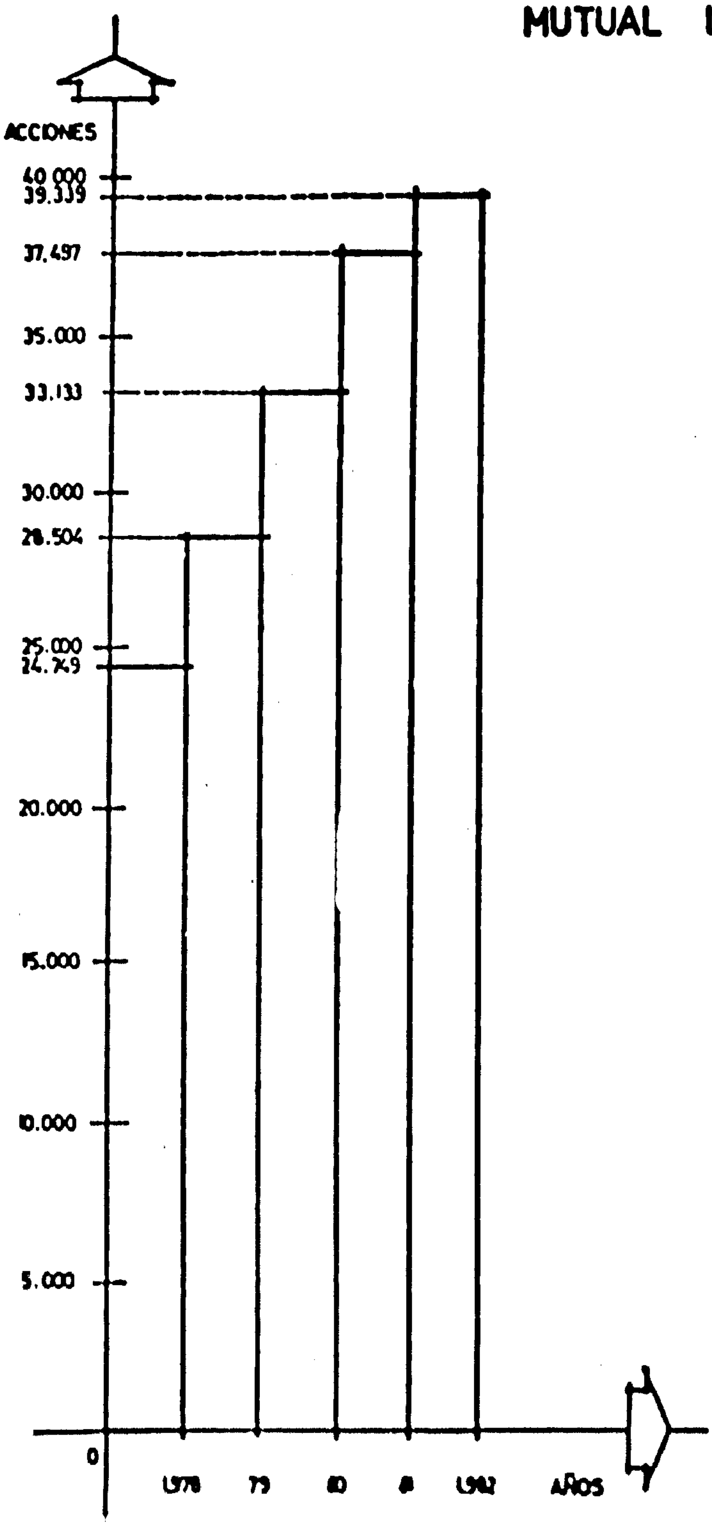

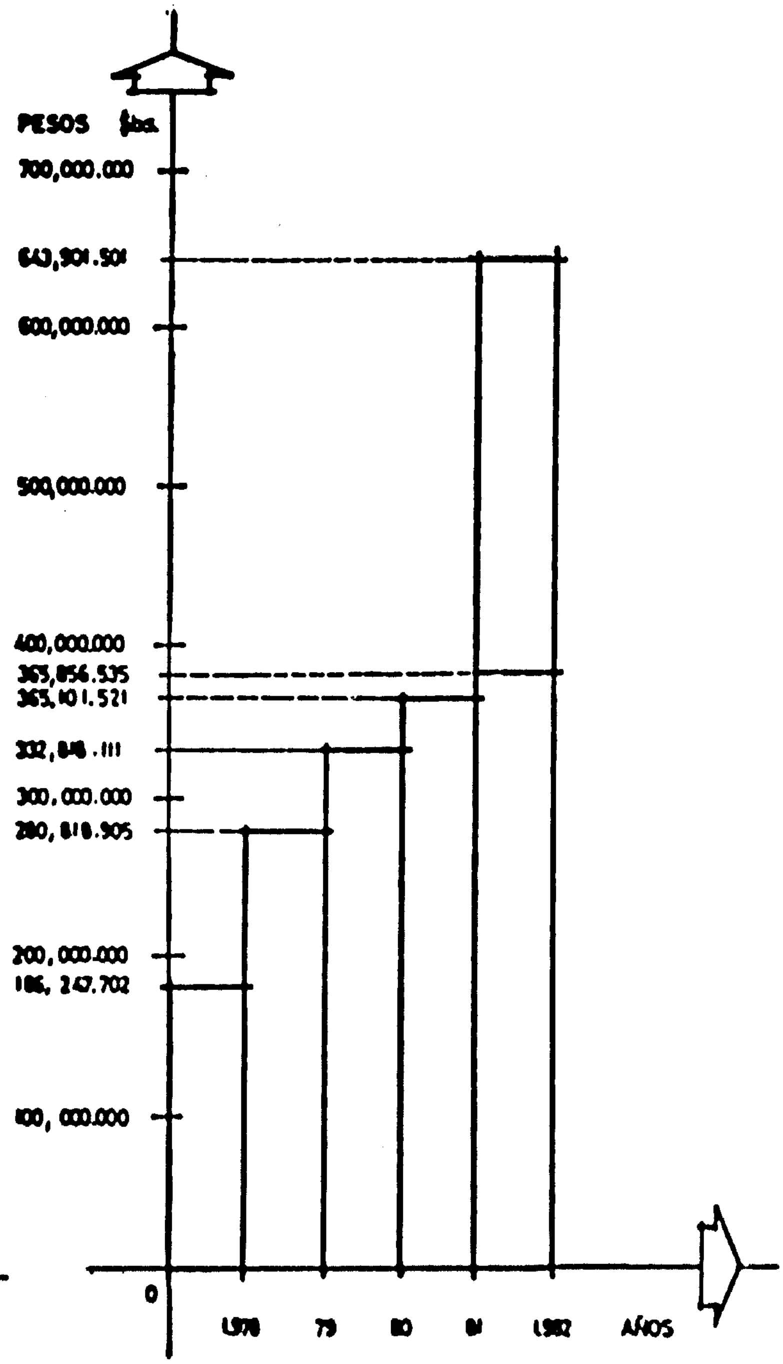

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