

**USI** INTERNATIONAL Inc.

1709 NEW YORK AVENUE, N.W., WASHINGTON, D.C. 20006 TEL (202) 637 8900 / 111 E WACKER DRIVE, CHICAGO IL 60601 TEL (312) 644 3100

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QUARTERLY REPORT FOR THE PERIOD JANUARY - MARCH 1985  
TECHNICAL ASSISTANCE PROGRAM FOR THE CAJA CENTRAL DE  
AHORRO Y PRESTAMO PARA LA VIVIENDA

UNDER USAID CONTRACT 511-0582-C-00-4216-00

submitted by

Robert Boni

USL INTERNATIONAL

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The initial quarter of 1985 has seen both some accomplishments and some changes in the operations of the Caja Central and the mutuels. The various activities pursued during this time period include the following:

1. Savings Mobilization This effort was continued and strengthened with the arrival of Roman Cowan for 4 weeks in late January and February. It was his general conclusion that the mutuels would not be able to attract high volumes of savings solely by paying interest rates on savings accounts. These interest rates have been, and continue to be, less than the rate of inflation.

What might serve as more of an attraction to savers would be the provision by the mutuels of services perceived to be of value by the savers. Mr. Cowan suggested starting a committee to review and analyze potential products and services that could be offered to members of the mutuels. This committee is now becoming active, and will begin analyzing the possibility of potential services for the mutuels.

2. Data Processing A review of the status of data processing in the mutuels was undertaken by Mr. John McGill, a technical consultant to the Caja Central. The study encompassed the state of data processing in all of the mutuels currently in possession of computer systems as well as a review of the EDP system at the Caja Central. His findings indicate a wide range of quality in the EDP efforts of the mutuels. At the same time, he recommends no further work be done with data processing in the mutuels until the economic situation stabilizes. However, he believes that the Caja Central's needs are perhaps more immediate, and that it would be appropriate for them to acquire a larger system for analytical and administrative work. A decision on this will be made within the next several months.

3. Economic Analysis Dr. Eugene Brady arrived for a two-week period in March. During his stay, a number of issues were studied, and a series of recommendations formulated.

Issues included a revision of information submitted by the mutuels to CACEN, a revision of the terms under which AID will advance funds to the system, a review of the subject of indexation for loans and savings, and the subject of communications and working relationships between the Caja Central and the mutuels. Most of the recommendations put forth are now being actively addressed.

4. Mutual Visits During the first quarter of 1985 an effort was made to contact the mutuels through personal visits. Two visits each were made to Oruro, Cochabamba and Santa Cruz. Visits were planned as well to Tarija, Sucre, Potosi, and Trinidad; however, the lack of funds for the mutuels made the utility of those visits questionable. These mutuels will be contacted when some of the disaster funds are available for their use.

5. Economic Changes A number of significant changes have occurred in the economy of the financial system. Most notable of those changes are the changes in interest rates of both savings and loans. Savings interest rates are now set at a minimum of 20% per month compounded monthly. This is a return of 800% on an annualized basis. Loan rates are flexible, although the Caja Central will probably end up charging between 30 and 40% monthly. Since these rates came into effect on March 1st and the general strike took effect shortly thereafter, there has been no practical experience on customer reaction to the rates. The swiftness of the rate change has emphasized the need for faster, more simple information flows between mutuels and the Caja Central. A more streamlined monthly reporting system has been recommended along with a weekly reporting of key numbers relating to savings and loan generation. In addition,

the Caja Central has developed a new series of cash flow forecasts reflecting these interest rates and also the continuing uncertainty of AID funding through the use of disaster fund reflows. These flows, incidentally, will continue to be the key consideration in the short term for the success of the system.

6. Ongoing Programs There are two programs currently underway which will help to attract savings deposits. Both have been stalled for lack of funds, but both the food program and the medical consultation program should be able to begin within several weeks after funding is available. Both of these programs will be run as pilots: the food purchase program in Trinidad, and the medical consultancy in Oruro. A trip is scheduled to Trinidad to review local preparations prior to Program start. Sources of supply have been arranged, and a method of shipment for the food has been worked out. The medical program will use the services of an existing clinic to provide an initial one-hour block of time each day for qualifying savers of the mutual. Initial services offered will be in pediatrics, gynecology, general medicine, and traumatology. If there is sufficient demand, the time block can be increased.

#### PROBLEM AREAS

There are a number of ongoing concerns for the System. One of the most critical is the continuing and possibly worsening liquidity problem of the mutuals. They must be able to begin covering all operating losses with additional revenue from short-term loans. At the same time, they must be able to pay competitive savings rates. If the mutuals have the ability to make short-term, sound loans, and if the required amounts of funds to make these loans are available, the liquidity problem should be able to be overcome. Initially this will require funds from AID. The importance of the availability of

those funds cannot be overemphasized. So far the funds have not been forthcoming with respect to either timing or amount, adversely affecting the System's operating plans. Later these funds will hopefully come from savings deposits generated by both higher interest rates and from the special programs being offered by the mutuals.

PLANS FOR APRIL - JUNE

During the second quarter of 1985 there will be technical assistance activities in the areas of savings mobilization, personnel management, portfolio diversification, insurance, potable water, and possibly data processing. Particularly key areas will be continued work in savings mobilization, and portfolio diversification.

If the social climate permits it, there will be increasing emphasis placed upon field contact with the mutuals. Closer monitoring of loan generation activities will be essential, as will the monitoring of savings growth. In addition, the Caja Central will have to prepare itself to closely follow economic and competitive conditions, with the intent of replanning its activities as these conditions change.