

PD-AAT-214
44748

QUARTERLY REPORT
January - March 1986

Technical Assistance to CACEN
Contract #511-0582-C-00-4216-00
Project #511-0582

Submitted by Robert Boni
USL International

INTRODUCTION

The first quarter of 1986 marked the beginning of the execution phase of the system 5 year plan. Objectives were set for each mutual for savings and lending volume, and profitability. Management at each of the mutuals is aware of what they must do for the year. First quarter results, although not uniformly satisfactory, indicate positive effort by most of the mutuals. This positive effort will be encouraged and monitored as the year progresses with an eye towards exceeding the established performance goals for 1986.

I. SAVINGS MOBILIZATION

Savings deposits at the end of March totalled \$575,000 up from \$400,000 at the end of December. This represents progress for the mutual system, and, if continued until year end, may enable the system to attain its savings goal for 1986. As a percentage of the total savings market in Bolivia this represents 2.5% down slightly from 2.6% at the beginning of January. (This incidentally, was erroneously reported as 2% in the last quarterly report.)

The lack of growth in market share is of concern. There must be a greater realization on the part of the mutuals

of the importance of savings. There will be a concentrated effort by the Caja Central and consultants to stress the vital nature of savings.

II. LOAN GENERATION

The system loan portfolio continued to grow during the quarter. At the end of March the system had a loan balance of \$759,000 as contrasted with a total loan portfolio at year end 1985 of \$295,000. In share of market terms the system increased from less than 2% at the end of 1985 to 3.5% by the end of March. The ratio of loans to savings has increased from 47% to 132%. Six of the twelve mutuals are making a "profit" if foreign debt is not considered. The mutual system as a whole is still experiencing losses on the order of \$10,000 per month largely due to the reluctance of the two largest mutuals to convert some of their dollar holdings into a loan portfolio that could provide them with higher yields. Nevertheless, the system's basic position has improved over the last 3 months, due in great measure to the heightened loan activity.

The system qualified for more disbursements from the AID disaster fund, and received a total of \$385,000. As of the end of March CACEN was in the process of disbursing the final \$200,000 of this amount to the mutuals. The effect of additional loans will be seen in the second quarter.

III.

TRAINING

One of the areas where significant strides were made during the quarter is the area of training. Recognizing the importance for providing training to employees of the mutuels, the Caja Central developed a training program for 1986. This program includes the following elements.

	<u>Dates</u>
1. Round Tables in La Paz, Cochabamba and Trinidad	Completed
2. Seminar on Marketing	April
3. Visit to Peruvian Mutual	April
4. Seminar on Accounting	June
5. Management Seminars	June
6. Seminar on Financing Planning	August
7. Meeting of Presidents - Managers - Review of 1986 Performance to Date	July
8. Meeting of Presidents and Managers - Planning for 1987	November

It is hoped that these meetings and forward training sessions will provide the kind of knowledge and feedback to the mutuels to help them accomplish their objectives.

In addition to the above, there may be a number of opportunities for specific individuals to pursue more in depth training outside the country. An example of this type of training is a course on housing policy to be given in Brazil in the middle of 1986.

IV. OTHER ACCOMPLISHMENTS

The System, through the efforts of the Caja Central, continued to progress other fronts as well as, described below.

A. Debt Refinancing

CACEN was able to prepare a suggested strategy for refinancing its existing USAID debts. This plan was presented to the Ministry of Finance, which has indicated that it is favorably disposed to accepting it. Should the plan be accepted, it will pave the way for additional AID funding in the area of housing.

B. Redefinition of CACEN's Role

With the backing of AID and as a prerequisite for continued support, CACEN has begun to restructure its relationship with the individual mutuals. It is becoming more actively involved in the annual meetings of the mutuals and the election of mutual directors. Where the presidents and

directors of individual mutuels are not seen as performing adequately, it is now pressing for changes. Additionally, the formation of a CACEN team to visit each Mutual on a bi-monthly basis will contribute both to CACEN's image with the mutuels and should also provide them with management backup and reinforcement.

C. Water Project

The water project in Guayaramerin is proceeding on schedule. A vendor for the water project hardware was selected, and first deliveries of pipe and other supplies is expected in early April. This coincides with the end of the rainy season, and the deliveries will allow excavation to begin in earnest. An AID donated truck is now on site to help with the transport of materials from storage facilities to the work sites. Completion of the project is scheduled for August - September.

D. Hardware

The radios for the outlying mutuels were ordered and will arrive in the second quarter. The request for the CACEN computer is now being actively considered and there is every hope that delivery can be expected by the middle of July. A final hardware item that is being evaluated for the Caja Central is a new copier to replace the rather antiquated model now in use. This will probably be delivered during the second quarter.

V. Consultant Visits

During the first quarter of 1986 the program of consultant visits continued at its planned level. The following persons came to Bolivia as part of the overall technical assistance program:

A. Lidia Artze

Ms. Artze was in La Paz from January 27 to February 7. During that time she developed an incentive compensation plan for the savings and loan system. This is viewed as an important step for the system because it represents a first attempt to tie compensation to achievement of key objectives for the mutuals. Although the incentive plan she recommended has not yet been implemented, it is planned to present it to the directors of the mutuals during the second quarter.

B. Roman Ortega Cowan

Mr. Cowan returned to Bolivia February 18 and remained until March 18. During this time he was a participant in the 3 round tables held in La Paz, Cochabamba, and Santa Cruz. In addition, he conducted in depth studies of the loan delinquency problems at Mutual "La Primera" and Mutual "Paititi". Finally, he collaborated with members of the Caja Central in defining the composition and duties of the Caja Central's internal monitoring and technical assistance team.

C. John Miller

Mr. Miller was in La Paz for a two week period, from February 2 to February 15. During this time he met with the ministry of housing to assist them in the formation of a comprehensive shelter strategy. Although it was not possible to produce the shelter policy in the time he was here, he laid the groundwork for doing so in the future. In addition, he helped improve the ministry's understanding of the role played by the Caja Central in the country's effort to provide an adequate stock of housing.

VI. Problem Areas

Probably the most important ongoing need for the mutuals at this time is the need to become more market oriented. Most mutual personnel have not yet learned to relate to their market environments and how to take advantage of the particular needs of that environment. It is a matter of developing a marketing consciousness that is currently lacking.

The matter of compensation is another problem area. While a study has been completed, as of yet the incentive compensation plan has not been implemented. Additionally, base wages still appear to be low in relation to other financial institutions.

As mentioned in the last report, loan delinquencies still continue to pose a risk to the system's profitability. However, most managements are now aware of the CACEN's preoccupation with the problem. Increasing attention will be paid to the 2 mutuals that have exhibited the most flagrant loan delinquencies.

A final problem area is that of financial reporting and accounting. It appears that the mutuals do not report financial data in a consistent manner. Moreover, certain accounting principles are applied differently by different mutuals. This makes accurate comparisons difficult. CACEN intends to address the problem.

VII. Plans for April - June

We will continue to emphasize good operating practice during the quarter. The CACEN team will be making regular visits to all the mutuals to monitor performance and to assist individual mutuals with problem areas. Achievement of planned objectives will be stressed.

As has been discussed previously, education and training programs will be continued during the quarter.

cb

Additional consultant visits will be conducted during the quarter. In April Jorge Avalos will return to provide on site assistance to the water project in Guayaramerin. Also in April, John Cobb will arrive to work with the Ministry of Housing and with the National Statistical Institute in the determination of national income levels. John Miller is scheduled to return in May to continue work on the National Housing Policy with the Ministry of Housing. John Magill will return in June to review progress on the installation of the proposed computer system. Roman Ortega Cowan will also return in June to continue his work in savings mobilization and operational consulting.