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QUARTERLY REPORT  
April - June 1986

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

In the second quarter of 1986 the Bolivian Savings and Loan System continued to make progress in its plan of recovery. While it is perhaps too early to say that a definitive change has taken place, personnel in the system seem to have developed a positive orientation - toward the goals set for 1986. "Cautious optimism" is probably a good description of my view towards the system's prospects for the rest of 1986 and the future beyond 1986.

### I. KEY PERFORMANCE INDICATORS

#### A. Savings Mobilization

Savings deposits at the end of June totalled \$1,133,000 up from \$575,000 at the end of March. This represents an increase of 97% in the 3 month period. Additional evidence of progress is the fact that market share of the system also rose, from 3% at the end of March to over 3.6% at the end of May (June figures were not available as of this writing). If progress continues, the 4% market share goal for 1986 will be attained. However, success, or even continued progress, is by no means a given. Rather, it is something that must be continuously worked at so that persons in the field will continue their efforts and thus build the system. Even with a market share of 4%, we are a far cry from the 18% or so

share of the market enjoyed by the system in 1981-82. As you can therefore see, we have a long way to go. The importance of savings growth is perhaps the single most important aspect of continued recovery.

#### B. Loan Generation

As with savings, the loan portfolio continued to grow during the quarter. From a reported 3.5% share at the end of March, the system has grown to over 4.5% as of the end of May. (June figures unavailable). Some of this growth was made possible by increased savings, and some of it can be attributed to further disbursements of funds from the PL 480 program. These disbursements totalled \$329,000 and helped increase the loan portfolio to \$1,481,500 from the \$759,000 at the end of March.

#### C. Profitability

The profitability of the individual mutuals has increased during the quarter. Whereas 6 mutuals of 12 realized a "profit" (not counting interest on foreign debt) in March, that number had risen to 9 by the end of June. Moreover, the combined "bottom line" of the 12 mutuals was \$8,000 in June as contrasted to a \$11,000 loss in March. This may not be a permanent change; the system may slip back into losses, but at least it represents a beginning. We are starting to prove that the situation can be turned around, with hard work and dedication to the task of recovery.

## II. TRAINING

The training schedule established earlier in the year was substantially adhered to during the quarter. The Caja Central arranged a trip to Arequipa, Peru, to visit with Mutual Arequipa. Twelve members of various mutuels spent 3 days exchanging work experiences with the management of that successful mutual. Both groups agreed that future contacts would serve a useful purpose, and it is hoped we can hold another meeting within a year's time.

In late April the Caja Central sponsored a marketing seminar in La Paz using IBEE, a local training group. Approximately 18 persons from the System attended and were given a primary exposure to marketing concepts. The subject area is an important one and an additional seminar will be presented at a later date, possibly after completion of a market survey now in progress. An advanced management seminar was also held at the end of June. Under the auspices of the Latin American Training Center in Panama, this course provided an opportunity for System managers to learn better planning and communication techniques. The skills learned will be useful in future strategic planning activities.

Additional group training activities are planned for the remainder of 1986. These are listed below.

	<u>Dates</u>
1. Meeting of Presidents and Managers, Review of 1986 performance through June	July
2. Seminar on financial planning	August
3. Round Table on accounting problems	September
4. Meeting of Presidents and Managers, Planning for 1987	November

In addition to the group training programs described above, at least two individuals have been or will be sent to classes in other countries. These include a June trip to Rio for a housing conference and a trip to Bogota for a course on auditing data processing systems which will take place in July.

### III. CONSULTANT VISITS

The technical assistance visits continued during the quarter although certain portions of the assistance were re-scheduled for the third quarter. The technical assistance during the quarter was as follows.

#### A. Jorge Avalos

Mr. Avalos was in Bolivia from April 5 to April 18. During this time he devoted himself to preparations for the physical arrival of the construction materials in Guayaramerin. This included supervising the preparation of

storage yards in that city, and also securing customs clearance for the materials arriving from Brazil.

B. John Cobb

Mr. Cobb was in Bolivia for two two-week periods in April and at the end of June. His primary accomplishments during his stays included revisions to estimates of median income data and development of a series of questions to be included in the 1986 Permanent Household Survey. In this capacity he designed a section of 15 questions on family income that will help clarify and confirm national income estimates. He was also instrumental in negotiating an agreement with the statistic institute's executive director for the inclusion of these questions. He was also involved in the detailed planning of the survey, which will go into the field on July 14.

C. Other Consultants

Planned visits during the quarter by John Miller (Housing Policy), John Magill (Data Processing), and Roman Ortega-Cowan (Savings Mobilization) were postponed until the 3rd quarter.

IV. OTHER ACCOMPLISHMENTS

The System realized progress in a number of other activities as described below.

A. Debt Refinancing

With the help of representatives of USAID Bolivia, Panama and Washington, CACEN was able to reach an accord with the government on the refinancing of existing AID debt. The Ministry of Finance has accepted the plan and the amount of the outstanding debt, approximately \$21 million, will be directly assumed by the Government of Bolivia. This should now facilitate the granting by AID of additional housing credits.

B. Formation of CACEN Team

The Caja Central organized a group of persons who will visit the mutuels to provide technical support on a periodic basis. Meetings have been held with the mutuels in La Paz and a schedule of visits to other mutuels will be developed.

C. Water Project

The water project in Guayaramerin continues on schedule. 100% of the construction materials have been delivered to the work site. In addition the work itself is perhaps 25% complete. This bodes well for the target completion date of September.

D. Marketing Survey

The long postponed survey of the savings and loan market potentials of each mutual was begun. We hope that this survey will provide necessary information which the mutuels can

use to increase their market penetration of both savings and loans. In addition, using the information developed, they should be able to offer better services to their respective publics.

#### E. Hardware

The 13 radios for use by outlying mutuals have arrived and are in storage at the customs warehouse in La Paz. Release from customs is expected upon arrival of the consular invoice from the Miami freight forwarder in charge of shipping the radios. The CACEN received a new photocopier to replace the inadequate model previously in use. A new computer system was selected by the Caja Central, but AID has not given final approval of the "PERTEC" system. This will probably be granted upon proof that a level of compatibility exists between PERTEC and at least one larger selling and more stable brand such as IBM, NCR, etc.

#### V. PROBLEM AREAS/AREAS OF CONCERN

The problem areas mentioned in the last report continue to be important. It is not that nothing has been done, but rather that the importance of these areas merits ongoing emphasis. The problem areas include:

A. Need for Marketing

Although the Mutuals are becoming more adept at marketing techniques than they used to be, it is an area that must be continuously emphasized. This applies to the generation of loans as well as savings.

B. Compensation

Pay in the mutual system is still low, although some mutuals have been able to raise salaries somewhat. The introduction of the incentive compensation system, hopefully in the third quarter, may help resolve the problem, as will further increased profitability.

C. Delinquencies

Loan delinquencies have been reduced from over 12% at the end of March to under 9% at the end of June. Nevertheless they are still high. However, now there is an awareness of the problem which should serve to further reduce the problem.

D. Financial Reporting

This and lack of consistency in accounting both plague the analysis of financial performance.

CACEN is aware of the problem and will try to improve this area during the third quarter.

While it may seem repetitive to cite the same major problem areas, they in reality continue to be the crucial concerns. In some measure, it is a positive indication that there are no new major problems. In reality, progress has been made in the first 3 problem areas, so it can be said that there has been solid improvement.

#### PLANS FOR JULY - SEPTEMBER

As in previous quarters the operational basic in savings generation and loan production will be emphasized. Additionally, there will be continued stress on profitable operations, because at this stage all the Mutuals have the potential to reach breakeven, without counting foreign debt service. There will be a meeting in July to review each mutual's performance during the first half of the year with respect to 1986 objectives.

Education and training programs will be continued as described in Section II, "Training".

Consultant visits will be continued, making up for certain visits not made in the second quarter. John Miller will arrive early July for continued work with the Ministry of Housing. Roman Ortega-Cowan will return in late August for additional work in savings mobilization. In this way he will

be able to take advantage of the market research study now being conducted and direct his efforts accordingly. John Magill will return to review progress on the data processing system once the computer has been approved by AID and delivered. This should be late in the third quarter.