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QUARTERLY REPORT
July - September 1986

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

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I. KEY PERFORMANCE INDICATORS

A. Savings Mobilization

Savings deposits at the end of September totalled the equivalent of \$2,240,800, an increase of over \$1,100,000 from the June figure. The percentage increase equals the March-June increase of 97%. Market share as of the end of August was over 3.5%, after having declined during the quarter to as low as 2.9% at the end of June. (As in the previous report, end of quarter figures are not available as of this writing). While the system has not yet attained its targeted 4% share, there has been a certain consistency above 3% and I believe that by the end of the year a 4% share should be realizable. To reiterate, however, even 4% is a far cry from the double digit share of market held by the System (up to 18% in 1981-1982) in earlier days. Growth in savings continues to be a primary preoccupation of the technical assistance effort because until the System is able to tap its local funds market effectively it will never be truly independent.

B. Loan Generation

Total loan volume increased to \$2,746,000 from a level of \$1,482,000 at the end of June. Although this was significant growth in absolute terms, the System suffered a loss of market share, to 2.2% at the end of August.

The System's ratio of loans to savings has risen to over 114%, due to the infusions of funds from the PL-480 program which have been lent out by the mutuals.

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C. Profitability

The System as a whole continued to show profits during the third quarter, if one does not count the interest payments of foreign debts. This, of course, is a big qualification, but the profit trend is at least in the right direction. For instance, the September profit of \$22,000 was significantly larger than the June figure of \$8,000. Moreover, it appears that the mutuels are now understanding the need for profitability. I expect further significant improvements in the fourth quarter.

II. TRAINING

During the third quarter additional training or training oriented meetings were conducted. In late July a meeting of the presidents of all the mutuels was held in Tarija. At this meeting the financial performance of the mutuels during the first half of 1986 was reviewed and goal activities for the second half were discussed. In addition, all of the financial officers of the mutuels held a meeting at the end of August in Cochabamba. The major business was to develop a new chart of accounts for the mutuels and to resolve the accounting treatment for certain accounting matters. The revised chart of accounts is now ready for distribution and will be placed in use in January 1987. Finally, the Caja Central's internal auditor attended a course in Bogota Colombia on Computer Security and Auditing. This will prove useful over the succeeding months as the Caja Central and some additional mutuels begin to computerize their operations.

At least two additional training activities are to be held before the end of the year. These are:

<u>TOPIC</u>	<u>DATES</u>
1. Meeting of President and Planning for 1987	November
2. Seminar on Marketing	December

III. CONSULTANTS' VISITS

JORGE AVALOS

Mr. Avalos was in Bolivia from July 22 to August 22. During this time he visited the water project in Guayaramerin to provide on site review of the progress to date. In addition, he visited several other sites including Cochabamba and Bermejo to assess the needs of those locations. As part of his work scope he reviewed and revised a complete list of other future projects that will be candidates for water loans upon successful completion of the project in Guayaramerin.

JOHN MAGILL

Mr. Magill was in La Paz from September 5 to September 23. During his stay he conducted an extensive revision of the proposals for data processing systems submitted earlier by NCR, WANG and IBM. In addition he developed groundrules for contract negotiation with the successful bidder, which was NCR.

ROMAN ORTEGA

Mr. Ortega was in Bolivia for one week. Although his trip was cut short by personal demands elsewhere, during his

stay he reviewed the marketing study completed at the end of August. He is incorporating the results of this study with other macro economic data to provide market by market recommendations on savings and lending policy.

JOHN MILLER

Mr. Miller was in Bolivia for several weeks in July. During his stay he continued to work with the Ministry of Housing on the creation of a housing policy plan. This document, when completed, will greatly aid the development of a coherent direction for housing in the country.

OTHER CONSULTANTS

Other planned visits by John Miller (housing policy) and John Cobb (National Income Statistics) were postponed until the 4th quarter. Mr. Miller will be arriving October 1st, and Mr. Cobb later, possibly November, when the National Statistical Institute has completed its survey of family incomes in Bolivia.

IV. OTHER ACCOMPLISHMENTS

A. Water Project

The water project in Guayaramerin was essentially complete by the end of September. The final adjustments and total completion will be realized before October 15. A dedication ceremony is planned for the first week of November.

B. Marketing

The marketing project begun in the second quarter has been completed. A considerable amount of statistical information including loan demand, plans for savings, and

income information was collected and tabulated. Some of this is now being used to help illustrate latent demand for housing loans by persons with incomes lower than the national median.

C. Hardware

The radios for the mutuals were released from customs and are presently held by the Caja Central. They will be distributed to the mutuals and installed during the 4th quarter of the year.

After a number of delays in selecting computer equipment for the Caja Central, a selection of NCR was finally made. We expect that a contract will be signed with NCR before October 15, and delivery will be made prior to the end of December.

V. PROBLEM AREAS/AREAS OF CONCERN

A. Marketing

The ongoing challenge in this area is to develop a marketing attitude and a consciousness of the importance of appealing to the marketplace. CACEN is doing several things to improve the System's marketing capability. First, there will be continuing emphasis on marketing training with a seminar on the subject to be held in late November or early December. Second, CACEN has identified the need for and designated the position of marketing manager, although the post still needs to be filled. Third, CACEN will continue to encourage the kind of market research performed in the marketing study just

completed. Finally, CACEN will develop an advertising campaign designed to provide greater public awareness of the mutual system.

B. Compensation

Although the improved financial conditions of the mutuals has made it somewhat easier to increase salaries, the basic problem of low pay still exists. With the introduction of an incentive compensation system there will be the opportunity to earn more as individual performance improves.

Two problem areas mentioned in the second quarter report, delinquencies and financial reporting, are of less concern than at that time. Delinquencies have been reduced from 9% to 6% of the loan portfolio. While still high, the mutuals appear to be conscious of the need to control delinquencies. As far as financial reporting is concerned, the meeting held in September helped to clarify reporting matters. With the introduction of the new chart of accounts and the revision of the existing accounting manual, there should be more consistency of financial information in the future.

VI. PLANS FOR OCTOBER - DECEMBER

During the last quarter of 1986, as in previous quarters, the overall emphasis will be on improving basic operations. The system needs continual emphasis on gaining market share in both savings acquisition and loan generation. In addition, considerable time will have to be invested by CACEN personnel in developing and implementing the new computer system.

Technical assistance will be directed at these areas with the use of advisors in marketing and data processing, as well as possibly compensation planning and insurance.

The planning meeting scheduled during the quarter will provide an opportunity for the mutuals to participate more heavily in developing objectives for 1987 that they will "own" and work to accomplish, in contrast to 1986, where CACEN played perhaps too dominant a role in the development of the mutual's objectives.