

SUPPORT FOR A PUBLIC FINANCE STATISTICS PROGRAM

(VE-0080)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:** Republic of Venezuela

EXECUTING AGENCY: Ministry of Finance

AMOUNT AND SOURCE: IDB: US\$2,200,000 (OC)
Local counterpart funding: US\$2,200,000
Total: US\$4,400,000

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 20 years
Disbursement period: 2.5 years
Interest rate: variable
Inspection and supervision: 1%
Credit fee: 0.75%
Currency: United States dollar
under the Single-
Currency Facility

OBJECTIVES: The main objective of the program is to improve the Government of Venezuela's decision-making process on economic policy matters by enabling the Oficina de Estadísticas de Finanzas Públicas [Public Finance Statistics Office] (OEFP), a unit of the Ministry of Finance, to provide complete, timely and reliable fiscal statistics.

The specific objectives of the program are to have:
(i) a strengthened Public Finance Statistics Office;
(ii) a modern public finance system based on internationally accepted methodologies; and (iii) a revised and appropriate legal framework for the national statistics system.

DESCRIPTION: The project comprises two components: (i) management and institutional development, comprising the management and administration of the project and the consolidation of the OEFP within an appropriate legal and institutional framework, and (ii) technical strengthening of the OEFP, through which the technical advisory services will be provided for the development of the public finance statistics system and the pertinent training.

**REVIEW OF
ENVIRONMENT AND
SOCIAL IMPACTS:**

The proposed operation does not involve impacts of a social or environmental nature.

BENEFITS:

Establishment of a system that will facilitate informed economic debate. The availability of useful information on the public accounts, in conjunction with other actions by the government aimed at strengthening macroeconomic programming and analysis, will constitute a key resource for discussion of economic issues.

Compliance with commitments to the IMF regarding production of fiscal statistics. The system to be established, based on IMF methodology, will facilitate the reporting of fiscal data to the Fund.

Promotion of an awareness among the authorities concerning the value of the fiscal statistics as a useful instrument for the formulation and evaluation of public policies. The existence of complete and reliable fiscal data will raise the debate on public policies to a more sophisticated and transparent level.

RISKS:

The main risk facing the operation concerns the reluctance shown by certain agencies in furnishing fiscal information. This problem will be rectified in part by means of a presidential decree making it mandatory to report information regularly to the OEFP and lifting the requirement to supply data to other agencies of the central government and the Central Bank.

Moreover, it is expected that the support being given by the Bank under the program (1110/OC-VE) to strengthen financial management at the State level, will facilitate the receipt of information from the states, which would not be required to observe the terms of the presidential decree.

Another risk confronting the operation is that fiscal statistics may not be used by all of the potential users. This risk has been minimized since the project incorporates various activities that involve institutional dissemination and user feedback to ensure reports comply with requirements.

**THE PROJECT'S
ROLE IN THE BANK'S
COUNTRY STRATEGY:**

The Bank's strategy in Venezuela has three main objectives: (i) maintaining of macroeconomic stability; (ii) reducing inequality and alleviating poverty, and (iii) improving the productivity of nonoil resources through the development of the

private sector. The common denominator of these objectives, which also sums up the Bank's operating strategy, is support for the country in the reform of policies and the public sector. The program proposed here will help to accomplish these three objectives in that it will facilitate availability of information for decision-making and economic monitoring.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The following will be conditions precedent to the signature of the loan agreement: (i) signature of the presidential decree creating the OEFP as an agency reporting to the Ministry of Finance, which decree is to be published in the Official Gazette; (ii) approval of the staff assigned to the OEFP, and (iii) signature of a cooperation agreement between the BCV and the Ministry of Finance, setting out the timetable for transfer of fiscal statistics functions to the OEFP and the date on which preparation of said statistics by the BCV shall cease.

The following will be conditions precedent to the first disbursement: (i) evidence that UNDP has been hired to administer the proceeds of the financing (paragraph 3.21); (ii) the contracting of the OEFP's entire management staff and at least one professional for each area (paragraph 3.18), and (iii) the contracting of the organization and methods consultant (paragraph 3.19).

**EXCEPTIONS TO
BANK POLICY:**

Since there is no unit in the Ministry of Finance that could assume responsibility for administering the program funds, it is proposed that UNDP be retained to perform this function (paragraphs 3.21, 3.22 and 3.23).

I. BACKGROUND

A. Introduction

- 1.1 The design, execution and supervision of economic policy requires a national macroeconomic statistics system that contributes to analysis and enables better decision-making. Within this system, Public Finance Statistics (PFS) play an important role in public financial activity since they record the financial transactions involved for purposes of economic, financial and fiscal analysis, thereby facilitating debate on economic issues and serving as suitable instruments for validating decisions made on public policies.

B. Macroeconomic setting

- 1.2 In April 1996, with the support of an IMF standby loan, Venezuela began to implement a stabilization program that included a series of major reforms. The economy was liberalized through the lifting of controls on the exchange rate, interest rates and most prices. The opening up of the oil sector, the reprivatization of the banks nationalized after the financial crisis in 1994 and 1995 and the privatization of other public enterprises were speeded up. The labor legislation was revised and work was started on reform of the social security system. At the same time a process of modernization of financial and budget administration was undertaken, which has not yet been completed.
- 1.3 After posting a favorable economic performance thanks to higher oil revenues and expansion of fiscal policy in 1997, the picture has deteriorated appreciably for 1998. A sharp fall in world oil prices has complicated macroeconomic management and performance in a year in which both national and local elections are scheduled to be held. The steps taken by the government have focused on large-scale budget cuts, a restrictive monetary policy and allowing the exchange rate to slide within a system of bands. The policies implemented have been prudent and have increased the government's credibility to the point that a shadow agreement was signed with the IMF in June 1998.

C. The situation of the macroeconomic statistics

- 1.4 The existing macroeconomic database suffers from serious deficiencies: (i) an antiquated legal framework that does not promote the coordination or definition of competences among the agencies concerned; (ii) lack of priority resulting in a scarcity of budget funds; (iii) inadequate organization and institutional coordination which gives rise in certain cases to duplication of data gathering and/or failure to do so; (iv) insufficient data sources, especially in the balance of payments and national accounts areas; (v) lack of updating of the sectorization and

classification of the public sector accounts; (vi) timeliness of data not in accordance with requirements, and (vii) absence of publications containing timely information on the macroeconomic figures.

- 1.5 The absence of an appropriate policy on statistics leads to inadequate coordination among those responsible for the preparation of macroeconomic statistics. There are no annual programs for public administration aimed at improving the timeliness and quality of statistics. The Central Statistics and Data-Processing Office (OCEI) attached to the Ministry of the Secretariat of the Office of the President produces some indicators of the real sector, but with considerable lags because of lack of resources.
- 1.6 As a result of the prevailing shortcomings, the Central Bank of Venezuela (BCV) has in recent years assumed an increasingly important role in the preparation of macroeconomic statistics for its own purposes. Thus, the BCV is currently responsible for the development and maintenance of a large part of the national macroeconomic database, despite the fact that the current legislation does not support this situation, since it is presumed that the majority of these functions should be handled by the OCEI.

D. The situation of public finance statistics

- 1.7 In 1986 Venezuela suspended the preparation and publication of fiscal statistics, so that data are presently available only for part of the public sector. In particular, public finance statistics are characterized by: (i) a lack of information on regional and local government transactions, the scale of which has increased in recent years; (ii) information constraints on the decentralized agencies and social security; (iii) partial coverage of public enterprises; (iv) paucity of data on the financing of the public sector; (v) the absence of organic legislation that clearly assigns responsibilities and of an agency bearing full responsibility for the preparation of the PFS; and (vi) insufficient human and material resources, a circumstance which hampers efforts to improve the information systems.
- 1.8 At the institutional level, the lack of organizational and institutional coordination is very evident. The gathering and processing of data for the PFS involves a number of actors: the Ministry of Finance (MF), the Central Budget Office (OCEPRE), the BCV, the Planning Commission of the Office of the President of the Republic (CORDIPLAN), the National Treasury (NT), the Integrated National Tax Administration Service (SENIAT), the Sector Directorate General of Public Finances of the MF (DGSFP), the Office of the Comptroller General of the Republic (CGR) and the Ministry of Internal Relations (MRI).
- 1.9 The OCEPRE is the agency responsible for formulating the national budget, and is obligated by law to draw up the consolidated budget

and to prepare the consolidated accounts of the entire public sector. In practice, the OCEPRE only maintains a statistical system for a limited part of public sector made up of: the central government; special government funds including the Venezuelan Investment Fund (FIV) and the Deposit Guarantee Fund (FOGADE); the Venezuelan Social Security Institute (IVSS); the Social Insurance and Assistance Institute for Ministry of Education Personnel (IPASME) and Petróleos de Venezuela (PDVSA). In addition, the OCEPRE has prepared a uniform chart of accounts for all public sector agencies which includes the accounts pertaining to budget funding and capital and assets.

- 1.10 For its part, the BCV prepares public finance statistics for two specific purposes: financial programming and national accounts. The BCV's Fiscal Programming Division makes estimates and performs the quarterly monitoring of a restricted public sector that comprises the central government budgeting, special government funds, the IVSS, PDVSA and 19 enterprises included in what is known as the Quantified Economic Program (QEP). It should be noted that the data on the restricted public sector prepared by the BCV's Fiscal Programming Division are used by the IMF for inclusion in the Fund's Public Finance Statistics and for its tracking of the country's economic programs.
- 1.11 In addition, CORDIPLAN has legal power over the entire public sector and analyzes and processes financial data from the 19 public enterprises included in the QEP plus a further 40 state enterprises on the basis of cash data and without specific information as to financing. The NT administers the central government's budget funds through a single treasury account in the BCV. The SENIAT maintains statistics covering all stages of tax collection. The DGSFP is the government agency responsible for recording and coordinating the operations subject to the Credit Law and the Paraguas Law (public credit). The CGR has the task of controlling the performance of the central government budget and, lastly, the MRI participates in the preparation of the regional and local government budgets.

E. Recent advances

- 1.12 In 1995, under an agreement with the IMF, the Venezuelan authorities agreed to evaluate the question of the country's macroeconomic statistics and concluded that the database and the national statistics system displayed shortcomings that affected the accuracy of the economic programming. To remedy these deficiencies the IMF put forward a set of recommendations aimed at establishing of a national statistics system, for the implementation of which both technical and financial assistance would be required from the international agencies.
- 1.13 These recommendations included: (i) modernizing the legal framework, including an organizational and functional structure for

a national statistical system; (ii) increasing the resources assigned to statistics production in the majority of the institutions charged with this work; (iii) reassigning the responsibilities concerning statistics to the specialized agencies; (iv) forming technical committees and interagency working groups to improve the supply of information; (v) upgrading the quality of human resources by means of training programs and exchanges utilizing the technical capacity existing in the BCV; (vi) automating the statistical processes; (vii) expanding the sources of data and the coverage of the statistics and updating the sectorization of accounts for proper management of the various components of the public sector, and (viii) periodic and timely publication of the major statistics.

- 1.14 Since 1996 the IMF has been working with the Venezuelan government on the implementation of a pilot project to improve the timeliness and quality of the macroeconomic statistics. In the fiscal area in particular, the government has embarked on an action plan that would make it possible to improve the statistical system for public finances. The need for reliable and timely production of consolidated statistics was one of the points underscored in the recent agreements with the IMF, and the so-called "Agenda Venezuela" recommended the establishment of an office that would report to the MF and be tasked with production of statistics covering public finances.
- 1.15 In response to these recommendations, in 1996 the government formed a mixed commission of MF and BCV officials in charge of establishing a Public Finance Statistics Program (PFSP) and developing a complete, centralized and permanent public finance statistics system for the consolidated public sector. From an institutional standpoint, responsibility for generating the statistics would lie with the MF rather than the BCV.

F. The role of the Bank

- 1.16 In September 1997, the Bank approved nonreimbursable technical-cooperation funding (operation ATN/SF-5682-VE) in the amount of US\$150,000 to assist the PFSP with its task of designing the OEFP. This technical cooperation envisaged: (i) evaluation of the legal framework required for establishing the OEFP and its relationship with the national public finance statistics system; (ii) the design of the data-gathering methodology, and (iii) a proposal for the organization and financing of the OEFP.
- 1.17 The program proposed here is one of the outcomes of the aforesaid technical-cooperation operation. In addition, the following has been accomplished: (i) the quarterly financial figures for the nonfinancial public sector for 1997, according to the BCV methodology and as specified in the IMF Manual; (ii) improvement of the coverage of the social security institutions and of the special funds; (iii) compilation of public debt data and identification of

intragovernmental transactions, and (iv) preparation of a work program for the period 1998-2001 that includes creation of and assumption of responsibilities by the OEFP (presidential decree establishing the office, agreement between the BCV and MF for transfer of functions, proposed organization, budget, etc.), together with expansion of the coverage of the public sector and improvement of the public debt statistics.

G. The government's strategy

- 1.18 The government's economic strategy is spelled out in the Agenda Venezuela and focuses on stabilization and improvement of the productivity of the country's nonpetroleum resources. The stabilization plan considers: (i) the program with the IMF; (ii) creation of a macroeconomic stabilization fund; (iii) creation of a debt buyback fund, and (iv) reform of the budget legislation. Regarding productivity, emphasis is placed on: (i) privatization of nonpetroleum enterprises; (ii) privatization of the financial system; (iii) reform of the severance pay system; (iv) reform of the social security system; (v) opening up of the petroleum sector, and (vi) public sector reform.
- 1.19 The operation proposed here is consistent with the Agenda Venezuela, in that it is a program that involves the public sector in working toward a goal of modernization, with specific objectives of achieving a better and more modern technology, greater efficiency and timeliness in the production of statistics, shorter processing times and a greater frequency in producing the information needed for decision-making on economic policy.

H. The Bank's strategy

- 1.20 The Bank's strategy in Venezuela has three main objectives: (i) maintaining macroeconomic stability; (ii) reducing inequality and alleviating poverty, and (iii) improving the productivity of nonpetroleum resources through the development of the private sector. The common denominator of these objectives, which also sums up the Bank's operating strategy, is to assist the country with policy and public sector reform. The proposed program will help accomplish these three objectives insofar as it will facilitate availability of information for decision-making and economic monitoring.
- 1.21 In Venezuela the Bank supports various programs that complement the one under consideration here; special mention should be made of the program for Strengthening of Budgetary Management and Macroeconomic Policy (945/OC-VE), which will create two fiscal analysis agencies (one in the executive and the other in the legislative branch) that will use the statistics produced by the OEFP as database. The Bank also recently approved an operation for strengthening of the financial administration of the states (1110/OC-VE), that will

produce data from the subnational level for aggregation and processing in the OEFP.

I. Bank experience in the sector

- 1.22 The Bank has built up experience in the strengthening of national statistics systems, and also in specific support for agencies responsible for statistics on public finances. The following projects can be cited as examples: (i) consolidation of the public sector administrative and financial reform (826/OC-AR), which includes an important component dealing with modernization of the Argentine National Institute of Statistics and Censuses (INDEC), and (ii) creation of the Financial Information Unit (ATN/SF-5030-SU), which serves to strengthen the Surinamese Ministry of Finance in the production of fiscal statistics in accordance with the IMF methodology.

II. OBJECTIVES

A. Main Objective

- 2.1 The main objective of the program is to improve the Venezuelan Government's economic policy decision-making process by enabling the OEFP, a unit of the Ministry of Finance, to provide complete, timely and reliable fiscal statistics.

B. Specific objectives

- 2.2 The specific objectives of the operation are the following:
1. A strengthened Public Finance Statistics Office, consolidated within a clearly defined institutional framework, with appropriate information technology systems and trained personnel, which is in a position to produce timely information in the form and quality required.
 2. A modern system of public finance statistics that functions efficiently and with extensive coverage and which includes, in addition to the central government, the regional and local governments, nonfinancial public enterprises and the administrative agencies of the State.
 3. A legal framework for the national statistics system revised by means of the contribution furnished by the revision of the rules governing fiscal statistics and in coordination with the Central Statistics and Data-Processing Office (OCEI).

III. DESCRIPTION OF THE PROJECT

A. Components and main activities

- 3.1 The project will finance the services of individual consultants, training courses, administration and audit services, procurement of computer and office equipment, publication of reports, remuneration, per diems and travel for the office staff and logistical support required for its full operation over a 30-month period. 1/ The main components and activities of the program are the following:
1. Management and institutional development (US\$2.4 million)
- 3.2 This component will finance all the activities connected with the management of the project and the organizational consolidation of the OEFP. It also includes US\$1.2 million for wages and salaries of OEFP personnel, chargeable to the local contribution.
- 3.3 Under this component three different activities are envisaged:
- a. Project management (US\$1.1 million)
- 3.4 This comprises: (i) the general coordination of the activities of the OEFP and the project; (ii) the preparation of work plans and progress reports; (iii) the selection of short-term consultants; (iv) supervision of the OEFP consultants and staff; (v) the publication of statistical reports in printed form and/or on the Internet, and (vi) support by the Bank for the supervision of the project and coordination with other multilateral agencies.
- b. Institutional development of the OEFP (US\$100,000)
- 3.5 The main activities envisaged here are: (i) preparation of a manual detailing the functions of the OEFP together with job descriptions for each staff member; (ii) advisory services in defining the legal framework and the corresponding updating system as part of the national statistics system. These activities would be carried out at the start of execution of the program.
- c. Project administration (US\$100,000)
- 3.6 The services of UNDP will be retained to perform the following activities: (i) processing all the program contracting and procurement in accordance with the procedures laid down in the loan agreement and the MF-IDB-UNDP agreement, and according to the

1/ The terms of reference are included in Annex III-1, in the project technical archives.

schedule specified for the project; (ii) administration of program financial resources; (iii) performance of the financial administration and accounting; (iv) payments to suppliers, contractors and consultants, and (v) support for outside audits.

2. Technical strengthening of the OEFP (US\$1.4 million)

3.7 This component will finance all the activities connected with the consultancy services and training required for OEFP staff and their working relationships with the agencies providing the data, so as to develop a public finance statistical system that produces accurate and timely statistics.

3.8 Two items will be financed under this heading.

a. Development of the Public Finance Statistics System
(US\$900,000)

3.9 The consultancy services in all the areas required for supporting the OEFP in the development of a complete public finance statistics system that meets the requirements for better decision-making in economic policy and also those at the international level as specified by the IMF.

3.10 The consultancy services will include support in the following areas: (i) macroeconomic statistics; (ii) central government statistics; (iii) regional governments; (iv) local governments; (v) financial accounting with emphasis on nonfinancial public enterprises; (vi) financial accounting with emphasis on administrative agencies, and (vii) information systems.

b. Training in use of the system (US\$500,000)

3.11 Training courses will be set up to equip both OEFP staff and staff of the agencies furnishing the data with the skills and expertise they will need to sustain the Public Finance Statistics System, thereby ensuring that it is formally established as an institution and updated on an ongoing basis.

3.12 The training will include courses and seminars in the following areas: (i) public finances statistics; (ii) government in-service training accounting, and (iii) national accounts.

B. Cost and financing

3.13 The total cost of the project will be US\$4.4 million, of which the Bank will contribute the equivalent of 50% from its ordinary capital, and the country will contribute the rest.

3.14 In addition to the two components defined in the program, finance charges totalling approximately US\$33,000 will form part of the

project costs, as will audit costs of US\$15,000 and contingencies calculated at US\$555,000.

- 3.15 The following table sets out the costs by investment component and source of financing.

**Table III-1. Cost of the program and its financing
(in US\$ thousands)**

COMPONENT	TOTAL	IDB	LOCAL	% of total
1. MANAGEMENT AND INSTITUTIONAL DEVELOPMENT	2,391	396	1,955	54.3
1.1 Consulting Services	282	192	90	6.4
1.2 Equipment	200	200	0	4.5
1.3 UNDP administration services	65	0	65	1.4
1.4 Other (includes OEFP staff salaries)	1,844	4	1,840	41.9
2. TECHNICAL STRENGTHENING	1,406	1,406	0.0	32.0
2.1 Consulting services	898	898	0	20.4
2.4 Training	508	508	0	11.5
SUBTOTAL	3,797	1,802	1,955	86.3
3. FINANCE CHARGES	33	22	11	0.8
4. OUTSIDE AUDIT	15	15	0	0.3
5. UNASSIGNED	555	361	194	12.6
TOTAL	4,400	2,200	2,200	100.0

C. Executing agency

- 3.16 The executing agency for the project will be the OEFP, which will report to the Ministry of Finance, and whose main objective will be to generate public finance statistics consistent with international standards that support economic policy decision-making.
- 3.17 This office is presently in process of being established, and it is a condition precedent to signature of the loan contract that this office be legally set up as a high-level unit of the Ministry of Finance. Another condition precedent to signature of the loan contract is signature of the cooperation agreement between the BCV and the Ministry of Finance, which agreement is currently being drafted and includes, among other things, the gradual transfer of the functions connected with public finance statistics presently performed by the BCV, a timetable for this transfer and

consolidation of the institutional support required from the BCV to enable the OEFP to perform its functions.

- 3.18 A staff of 22 is planned for the OEFP, made up of 2 managers, 13 area professionals, 4 administrative and systems personnel and 2 internal advisers who will be assigned to the office full-time until the project is consolidated. Approval of the structure of the office by the MF will be a condition precedent to signature of the loan contract. This structure is detailed in Annex III-2 in the project technical archives, and the final terms of reference for the hiring of the staff have to be approved by the Bank. The area professionals will specialize in each of the sectors to be included in the statistics: nonfinancial public enterprises (includes PDVSA), decentralized autonomous institutes (includes social security), financial institutions, central government, local governments, municipalities and public debt. As a condition precedent to the first disbursement, evidence shall be submitted that at least one person has been hired in each of the seven areas of the OEFP, plus the management staff (three persons).
- 3.19 Under the project and as part of the management component an organization and methods consultant is included who will be responsible for preparing both the general manual for the OEFP and the specific ones for each individual position. Selection of the organization and methods consultant will be a condition precedent to the first disbursement.
- 3.20 In addition, the OEFP staff will be assisted by the different consultants who will also be specialized in the different sectors to be included in the statistics system.

D. Execution of the program

- 3.21 The OEFP will contract the services of UNDP to administer the financing resources. Based on the terms of reference and the specifications provided by the OEFP and approved by the IDB, UNDP will perform the contracting and procurement work needed to obtain the services and goods required for the project, in accordance with the procedures laid down in the loan agreement. Annex III-3 in the project technical archives lists the minimum specifications of the equipment to be procured.
- 3.22 The selection of UNDP as administrator of the program resources was based on institutional and technical criteria. The chief institutional consideration was the fact that there was no unit in the Ministry of Finance with the capacity to perform the administrative functions required for the program. From the technical standpoint, the experience with UNDP in Venezuela, and specifically with the ATN-SD-5682-VE support program has been satisfactory as regards the agreement on administrative services.

- 3.23 In addition, UNDP will administer the program financial resources, make the payments to the suppliers and consultants, perform the financial administration and loan accounting and provide support services for the outside audits.

E. Execution schedule

- 3.24 The executing agency will submit a schedule of activities within the first month of program execution. This schedule will detail on a quarterly basis the activities required for accomplishment of the program objectives. It will include both the activities required for the establishment of the consolidated public finance statistics system, with the corresponding execution schedule, and those necessary for performing the contracting of consultants and the procurement and installation of equipment, together with those connected with the training of the OEFP staff and staff of the offices furnishing the data. The duration of the program will be 30 months.

F. Benchmarks

- 3.25 The benchmarks that will be used to measure the implementation and impact of the program are described in the logical framework (Annex III-4). The most important ones are listed below:

Table III-2. Performance indicators (benchmarks)

Type	Benchmark
Production of statistical tables	Complete tables available promptly on a quarterly basis as of 4/1/99
Presentation of statistical information for institutional users	Economic Cabinet, Central Bank, Congress and multilateral agencies receiving reports as of 4/1/99
Organizational structure	OEFP installed and in operation on 12/31/98
Transfer of statistical responsibilities	BCV ceases production of fiscal statistics in June 1999
Information available to public	Quarterly production of fiscal bulletin (printed and/or on the Internet) as of 4/1/99

G. Procedure for procurement of goods and services

- 3.26 **Goods procurement.** Goods procurement will be performed in accordance with the Bank's procedures. The threshold above which international competitive bidding will be required is US\$350,000 for consulting services. No contracts in excess of US\$350,000 are envisaged, so national procedures would be employed.

3.27 **Selection of consultants.** Both the national consultants and individual international consultants will be contracted by means of calls for bids published in the press. The requirement that the Bank be consulted will be applied only for the selection and hiring of individual consultants for contracts in excess of US\$50,000. The Bank's Country Office in Venezuela will perform an ex post evaluation of contracts on a random sampling basis to ensure that Bank procedures are being followed. If departures from Bank policies are found, the Bank will not recognize such expenditures as eligible to be covered by the financing and the sampling will be expanded, if need be, to the extent of requiring prior consultation for all contracts.

3.28 **National legislation.** National legislation (which applies to both goods and services) permits selective bidding (i.e. by invitation) for contracts between Bs. 7 million and Bs. 70 million and requires general (public) competitive bidding for contracts over Bs. 70 million.

H. Disbursement schedule

3.29 The detailed budget broken down by expenditure item, source of financing and year is presented in Annex III-5, in the project technical archives. The estimated disbursement schedule is shown in the table below:

**Table III-3. Estimated disbursement schedule per year
(in US\$ thousands)**

		1999		2000		2001	
CATEGORY	TOTAL	S1	S2	S1	S2	S1	S2
Consulting services	1,180	346	346	173	173	71	71
Equipment	200	200	0	0	0	0	0
Training	508	94	94	76	76	85	85
Other	1,909	358	358	415	415	181	181
SUBTOTAL	3,797	998	798	664	664	337	337
Finance charges	33	14.9	14.9	1.6	1.6	0	0
Outside audit	15	2.5	2.5	2.5	2.5	2.5	2.5
Unassigned	555	50	50	150	150	77	77
TOTAL	4,400	1,063	863	818	818	417	417
% OF TOTAL	100	24.1	19.6	18.6	18.6	9.5	9.5

I. Revolving fund

- 3.30 It is recommended that a revolving fund equivalent to 5% of the total amount of the loan be authorized, in accordance with Bank procedures.
- 3.31 Thirty days before the date of the last disbursement of the loan, UNDP and the borrower shall submit the final justification of the payments made from the revolving fund. All sums not justified shall be returned to the Bank prior to the date of the final disbursement of the loan.

J. Outside audits

- 3.32 The borrower shall submit audited project financial statements to the Bank annually throughout the project execution period, until all the project funds (Bank funds and local counterpart) have been disbursed. These audits will be financed from the proceeds of the Bank loan, as laid down in Section 419 of the operations administration manual, and shall be performed by an independent firm of auditors acceptable to the Bank.

K. Recognition of costs and retroactive financing

- 3.33 No expenditures using loan funds prior to the date of approval by the Board of Executive Directors are expected for procurement of goods and services required for the program.

L. Special conditions

- 3.34 The following will be conditions precedent to submission of the project to the Board of Executive Directors: (i) signature and publication in the Official Gazette of the Presidential Decree creating the OEFP as a unit of the MF published in the Official Gazette; (ii) approval of the staff assigned to form the OEFP; and (iii) signature of a cooperation agreement between the BCV and MF specifying the timetable for transfer of fiscal statistics functions to the OEFP and the date for completing preparation of such statistics by the BCV.
- 3.35 The following will be conditions precedent to the first disbursement: (i) evidence that the UNDP has been hired to administer the financing; (ii) the contracting of all of the management staff of the OEFP and of at least one professional for each area, and (iii) the contracting of the organization and methods consultant.

M. Final evaluation of results

- 3.36 In accordance with Bank policy, the borrower and executing agency were consulted and the latter decided not to make an ex post

evaluation as part of the program activities. In the event that the Bank wishes to perform such an evaluation, it will be based on the benchmarks contained in the logical framework.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The main benefits of the program will be: (i) the establishment of a system that will facilitate informed economic discussion: availability of useful information on the fiscal accounts, together with other government actions aimed at strengthening macroeconomic programming and analysis, will constitute a key instrument for debate on economic issues; (ii) satisfaction of commitments to the IMF regarding production of fiscal statistics; the system to be set up, based on the IMF methodology, will facilitate the reporting of fiscal accounts to the Fund, and (iii) heightening of awareness among the authorities of the value of fiscal statistics as an instrument for formulating and evaluating public policies. The existence of complete and reliable fiscal information will raise the level of debate on public policies to a more sophisticated and transparent plane.

B. Risks

- 4.2 The main risk to the operation is the reluctance of certain agencies to provide the required fiscal data. This problem will be partially resolved by the drafting and approval of the presidential decree making it mandatory to furnish the information periodically to the OEFP, while at the same time eliminating the requirement to supply the data to other central government agencies and the BCV.
- 4.3 In addition, it is expected that the assistance the Bank is providing through Program 1110/OC-VE for strengthening financial management at the state level will facilitate receipt of information from the states, which would not be obliged to observe the presidential decree.
- 4.4 A second risk is that the fiscal statistics will not be utilized by all the potential users. This risk will be minimized by the fact that the project includes various institutional dissemination and user feedback activities for ensuring that the reports meet the requirements.

C. Impact on low-income population

- 4.5 No direct impact on the low-income population is expected.

V. EVALUATION

- 5.1 Between 12 and 18 months after the first disbursement by the Bank, a technical supervision mission made up of IDB and project executing agency staff members will be conducted. A report will be drawn up on the progress of the project with recommendations for making up any lags with respect to the agreed schedule.
- 5.2 Within six months after completion of the project, a project completion report will be prepared for delivery to the IDB Country Office in Venezuela.

LOGICAL FRAMEWORK

NATIVE SUMMARY	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
public authorities and the with fiscal statistics that enable decision-making.	<ol style="list-style-type: none"> Submission to users of complete and timely statistical tables and analyses (quarterly commencing on April 1, 1999). Official users (Economic Cabinet, BCV, Congress and multilateral agencies) and the public interested in use of the statistics receiving the reports commencing on April 1, 1999. 	<ol style="list-style-type: none"> Printed publication delivered quarterly to the appropriate official authorities. Quarterly updating of selected fiscal information on the Internet. Questionnaires distributed among official users on use of statistics in the planning and programming process at end of 1999. Statistics on visits to Internet web page. 	<ul style="list-style-type: none"> IMF technical support for improving public finances statistics. Sustained support from central government (budget and responsibilities).
s reliable, complete and timely	<ol style="list-style-type: none"> OEFP in operation as of Jan. 1, 1999. Production and publication of statistics at least quarterly. Consolidation of the fiscal information from the different levels of government and the nongovernmental agencies. Close interagency cooperation with OPAM and data providers. 	<ol style="list-style-type: none"> Staff labor contracts, procurement of computer and office systems. Bulletins and Internet pages. Bulletins, Internet pages and methodology manual. Agreements with the data providers and minutes of the regular technical meetings. 	<ul style="list-style-type: none"> OEFP operational in accordance with rational organization chart. Adequate physical infrastructure (computer systems, office equipment and specialized information). Legal and institutional framework for national statistics system revised. Public finance statistics system modernized and published. Technical personnel trained.

NARRATIVE SUMMARY	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Development</p> <p>Operational in accordance with organization chart.</p> <p>Physical infrastructure (systems, office equipment, centralized information).</p> <p>Institutional framework of statistics system revised.</p>	<ul style="list-style-type: none"> - Organizational structure established as of Dec. 31, 1998. - Computer system procured and installed with all necessary software. - Product inventory (periodicals, books, CDs, Reuter service, etc.) procured. - Presidential decree or law establishing the OEFP and setting out its responsibilities and those of the data-providing organizations. 	<ul style="list-style-type: none"> - Manual and regulations of organization and functions as of Dec. 31, 1998. - Vouchers and progress report of the information systems consultant. - Semiannual reports of purchases and subscriptions. - Publication in the Official Gazette. 	<ul style="list-style-type: none"> - Contracting of an organization methods consultant. - Contracting of an information consultant. - Availability of technology and specialized information. - Political will. - Contracting of a legal consultant.
<p>Strengthening</p> <p>Finance statistics system updated, of high quality and accessible to users.</p> <p>Personnel trained (OEFP staff of data-providing organizations).</p>	<ul style="list-style-type: none"> - Methodologies of the fiscal statistics revised as of the first quarter of 1999. - Coverage of the statistics increased to include regional and local governments, public financial and nonfinancial enterprises and administrative agencies of the State. - Structured and historical database established as of Jan. 1, 1999. - Successful attendance of the technical staff in courses, in-service training and seminars on: (i) public finance statistics; (ii) government accounting; (iii) computer use; (iv) management, and (v) national accounts. 	<ul style="list-style-type: none"> - Methodologies manual updated semiannually as of July 1, 1999. - Publications (printed and/or on Internet) at least quarterly according to an approved and obligatory publications plan. - Database accessible from the OEFP internal network. - Quarterly monitoring reports on training plan as of Jan. 1, 1999. 	<ul style="list-style-type: none"> - Contracting of expert consultants: statistics, national accounts and accounts of the different subsectors of the public sector. - Cooperation of the data providers with the Central Statistics Data-Processing Office. - Contracting of expert consultants: statistics and accounting from different levels of government and public nongovernmental agencies. - Countries/institutions will receive technical staff for in-service training.

DESCRIPTIVE SUMMARY	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Development</p> <p>...n of an organization and ...manual.</p> <p>...ent and installation of an ...e computer system.</p> <p>...ent of office equipment.</p> <p>...ent of specialized information.</p> <p>...nent of legal framework for</p> <p>Strengthening</p> <p>...ent of quality and accessibility ...al statistics.</p> <p>...f technical staff of OEFP and ...roviding offices in the areas</p>	<p>Performance of project budget.</p>	<p>Project accounts audited.</p>	

PROPOSED RESOLUTION

VENEZUELA. TECHNICAL COOPERATION LOAN ____/OC-VE
SUPPORT FOR A PUBLIC FINANCE STATISTICS PROGRAM

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document PR-____ with respect to a technical cooperation loan with the República de Venezuela to support a public finance statistics program.

2. That up to the sum of US\$2,200,000, is authorized for the purposes of this resolution, chargeable to the Single Currency Facility of the Ordinary Capital of the Bank.

3. That the above-mentioned amount is to be provided on a reimbursable basis, in accordance with the respective conditions which shall be set forth in agreement to be signed for this operation.