

POLICY DIALOGUE TO IDENTIFY PRIORITY ACTIONS IN VENEZUELA

VE-T1069

CERTIFICATION

I hereby certify that this operation was approved for financing under the **OC Strategic Development Programs for Social Development (SOC), Sustainability (SUS), Infrastructure (INF), Integration (RIN), and Institutions (INS)** through a communication dated April 9, 2019 and signed by Kai Hertz. Also, I certify that resources from said fund are available for up to **US\$250,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:



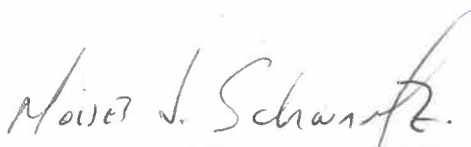
Sonia M. Rivera
Chief



Grants and Co-Financing Management Unit
ORP/GCM

April 23, 2019
Date

Approved by:



Moises Schwartz Rosenthal
Manager
Institutions for Development Sector
IFD/IFD

04/23/19
Date

Technical Cooperation Document

I. BASIC INFORMATION

▪ Country/Region:	Venezuela
▪ TC Name:	Policy dialogue to identify priority actions in Venezuela
▪ TC Number:	VE-T1069
▪ Team Leader/Members:	Claudia Mendieta (IFD/IFD), Team Leader, Sonia Rojas (IFD/ICS), Leopoldo Montanez (INE/INE), Norbert Schady (SCL/SCL), Cesar Leyva (CSD/CSD), Isabel Mejia (INT/INT), Osmel Manzano (CAN/CAN), Emmanuel Abuelafia (CAN/CAN), Javier Jimenez (LEG/SGO), Adela Barrio y Pablo Bachelet (KIC/KLD)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Research & Dissemination
▪ Date of TC Abstract authorization:	03-28-19
▪ Beneficiary:	Venezuela
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB), through the Institutions for Development Sector (IFD/IFD)
▪ Donors providing funding:	Ordinary Capital Strategic Development Program for Institutions (INS) - \$50,000 Ordinary Capital Strategic Development Program for Infrastructure (INF) - \$50,000 Ordinary Capital Strategic Development Program for Sustainability (SUS) - \$50,000 Ordinary Capital Strategic Development Program for Social Development (SOC) - \$50,000 Ordinary Capital Strategic Development Program for Integration (RIN) - \$50,000
▪ IDB Funding Requested:	US\$250,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	April 2019
▪ Types of consultants (firm or individual consultants):	Individual consultants and firms
▪ Prepared by Unit:	IFD/IFD
▪ Unit of Disbursement Responsibility:	IFD/IFD
▪ TC Included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020	Cross-cutting issues of: Institutional capacity and rule of law, Gender equality and diversity, and Climate change adaptation and mitigation; and Development challenges of: Social inclusion and equality, Productivity and innovation, and Economic integration

II. OBJECTIVES AND JUSTIFICATION OF THE TC

- 2.1 The objective of this TC is to promote a policy dialogue between thematic experts and Bank officials to further diagnose the Venezuelan crisis and identify priority actions in response to this diagnosis.
- 2.2 Venezuela is facing an unprecedented crisis.¹ The economic activity has decreased 47% since 2014 as a result of lower oil income and fiscal, monetary and exchange imbalances. Oil production is the lowest since 1949 (60% decrease compared to pre-crisis levels). The steep decrease of oil income (whose pre-crisis level represented 50% of public income and 97% of exports) translated into increased fiscal deficit (30.5% of GDP in 2018) and a deteriorated current account (surplus of 6.1% of GDP in 2018 due to collapse in imports). The level of international reserves is the lowest since 1974 (about US\$8,830 million in 2018). Hyperinflation is accelerating due to the monetization of public deficits (inflation in January 2019 was 290% and is estimated in 10,000,000% for 2019). Imports have dropped severely (82% decrease in 2017 with respect to 2012) and are expected to continue deteriorating (only \$11,900 million in 2018). Reduction in imports affects dramatically access to production inputs, food, and medicine and medical equipment.
- 2.3 The economic crisis has had a profound social impact. As of 2018, around 17% children below 5 years old are undernourished (their weight is below the expected given their height).² Maternal mortality rate in 2017 returned to levels observed in the 1960s (112 per 100,000 births).³ There was a four-fold increase in malaria cases between 2011 and 2017.⁴ Around 88% of hospitals don't have the required medicines,⁵ and 30% of medical personnel has emigrated.⁶ The migration outflow is unprecedented to the region, with approximately 3.4 million people having left the country as of January 2019 and an estimated 5.4 million as of December 2019.⁷
- 2.4 The magnitude of the crisis calls for urgent action from key development partners such as the IDB. In this context, it is crucial to foster policy dialogue with thematic experts in order to further diagnose the Venezuelan crisis and identify priority actions in response to this diagnosis, which will be addressed by this TC.
- 2.5 Due to its multisectoral nature, this TC is strategically aligned with all the development challenges and cross-cutting themes of the Bank's Update to the Institutional Strategy (AB-3008). The TC expected outcome is aligned with the CRF Country Development Result indicator of "Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery".

¹ CAN, CAN Macroeconomic Reports, March 2019.

² Caritas Venezuela.

³ *Boletines epidemiológicos*.

⁴ *Idem*.

⁵ *Encuesta de Hospitales* CENDES.

⁶ *Federación Médica Venezolana*.

⁷ *Plataforma de Coordinación para Refugiados y Migrantes de Venezuela, y IOM/UNHCR*.

- 2.6 This TC is also aligned with: (i) the Ordinary Capital Strategic Development Program (OC-SDP) for Institutions, by contributing to public policies and institutions more effective, efficient, open and citizen-centered, improved service delivery to citizens, and reduced constraints to business growth and productivity; (ii) the OC-SDP for infrastructure, by improving the design and monitoring of public policies, and the transmission of lessons learned in the infrastructure sector; (iii) the OC-SDP for social development, by strengthening public institutions' efforts to become more effective and efficient in social programming, group targeting and project execution, and promoting social inclusion, gender equality and diversity; (iv) the OC-SDP for sustainability, by supporting municipal governments to prepare for challenges related to rapid urban growth in a sustainable manner; and (v) the OC-SDP for integration, by supporting the harmonization of policies and procedures for greater productive integration.

III. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 3.1 **Single Component. Policy dialogue to further diagnose the Venezuelan crisis and identify priority actions.** The single component aims at furthering the diagnosis of the Venezuelan crisis and identifying priority actions in response to this diagnosis through policy dialogue between thematic experts and Bank officials. The policy dialogue will address priority areas such as: (i) social policies, including social protection (food and cash transfers), health, and education; (ii) key infrastructure, such as electricity, water and sanitation, and transport; (iii) urgent institutional reforms, including reestablishing market mechanisms,⁸ lifting foreign exchange restrictions, stimulating business development, facilitating exports and imports, recovering payment systems, strengthening financial sector, and strengthening the public sector resource management and service delivery capacity; (iv) key economic sectors (oil, agriculture, etc., as well as strategies to promote economic diversification); and (v) sustainable urban growth, including fostering the economic, social and institutional development of cities, and disaster risk management.
- 3.2 To this aim, the single component will fund the following activities: (i) dialogue events (planning, organization, preparation of background studies, and holding of dialogue events); (ii) technical assistance via thematic experts (including diagnosis and topic-specific reports); and (iii) knowledge and dissemination events and products.
- 3.3 The total amount of this TC will be US\$250,000 funded by the Bank through the Ordinary Capital Strategic Development Program for Institutions (INS), Ordinary Capital Strategic Development Program for Infrastructure (INF), Ordinary Capital Strategic Development Program for Sustainability (SUS), Ordinary Capital Strategic Development Program for Social Development (SOC), and Ordinary Capital Strategic Development Program for Integration (RIN). Table 1 details this budget.

⁸ Such as addressing exchange controls, price controls, trade controls, property rights, labor market restrictions, privatization, etc.

Table 1. Indicative Budget (in US\$ dollars)

Component	Products	INS	INF	SOC	SUS	RIN	Total IDB Financing
Component I: Policy dialogue to further diagnose the Venezuelan crisis and identify priority actions	Dialogue events	20,000	20,000	20,000	20,000	20,000	100,000
	Technical assistance via thematic experts	26,000	26,000	26,000	26,000	26,000	130,000
	Knowledge and dissemination events and products	4,000	4,000	4,000	4,000	4,000	20,000
Total		50,000	50,000	50,000	50,000	50,000	250,000

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 The executing agency for this TC will be the IDB through the Institutions for Development Sector (IFD/IFD) in coordination with all Bank sectors. The beneficiary country lacks the necessary technical, operational and institutional capacity to duly and timely execute this TC. Thus, the Bank's role as executing agency is crucial to attain this TC objective. The unit of disbursement responsibility will be IFD/IFD.
- 4.2 The Bank will coordinate the implementation of this TC with other development partners so as to ensure added value and synergies with other relevant interventions.
- 4.3 The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with Bank's current procurement policies and procedures: recruitment of individual consultants, AM-650; contracting of consulting firms for services of an intellectual nature, GN-2765-1 and its operational guidelines OP-1155-4; and procurement of logistics services and purchase of goods, GN-2303-20.

V. MAJOR ISSUES

- 5.1 A potential risk of the project is the lack of data to inform the dialogue and diagnosis. This risk will be mitigated by ensuring that adequate human and financial resources are allocated to the necessary background studies and diagnosis reports, and by engaging relevant experts and stakeholders throughout the dialogue process.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 No exceptions to Bank policy are envisioned.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 Given the nature of the project, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as “C”, meaning that no environmental assessment studies or consultations are required for this category. See [Safeguard Policy Filter \(SPF\) and Safeguard Screening Form \(SSF\)](#).

Required Annexes:

- Annex I - [Terms of Reference](#)
- Annex II – [Results Matrix](#)
- Annex III - [Procurement Plan](#)

TERMS OF REFERENCE

CONTRACTUAL TO CONDUCT DIAGNOSIS AND TOPIC-SPECIFIC REPORTS AS PART OF THE POLICY DIALOGUE TO IDENTIFY PRIORITY ACTIONS IN VENEZUELA

I. Background

Venezuela is facing an unprecedented crisis.¹ The economic activity has decreased 47% since 2014 as a result of lower oil income and fiscal, monetary and exchange imbalances. Oil production is the lowest since 1949 (60% decrease compared to pre-crisis levels). The steep decrease of oil income (whose pre-crisis level represented 50% of public income and 97% of exports) translated into increased fiscal deficit (30.5% of GDP in 2018) and a deteriorated current account (surplus of 6.1% of GDP in 2018 due to collapse in imports). The level of international reserves is the lowest since 1974 (about \$8,830 million in 2018). Hyperinflation is accelerating due to the monetization of public deficits (inflation in January 2019 was 290% and is estimated in 10,000,000% for 2019). Imports have dropped severely (82% decrease in 2017 with respect to 2012) and are expected to continue deteriorating (only \$11,900 million in 2018). Reduction in imports affects dramatically access to production inputs, food, and medicine and medical equipment.

The economic crisis has had a profound social impact. As of 2018, around 17% children below 5 years old are undernourished (their weight is below the expected given their height)². Maternal mortality rate in 2017 returned to levels observed in the 1960s (112 per 100,000 births)³. There was a four-fold increase in malaria cases between 2011 and 2017⁴. Around 88% of hospitals don't have the required medicines⁵, and 30% of medical personnel has emigrated⁶. The migration outflow is unprecedented to the region, with approximately 3.4 million people having left the country as of January 2019 and an estimated 5.4 million as of December 2019.⁷

The magnitude of the crisis calls for urgent action from key development partners such as the IDB. In this context, it is crucial to foster policy dialogue with thematic experts in order to further diagnose the Venezuelan crisis and identify priority actions in response to this diagnosis.

II. Consultancy Objective

Prepare diagnosis and topic-specific reports as part of the technical assistance that will be provided in the context of this policy dialogue with thematic experts.

¹ CAN, CAN Macroeconomic Reports, March 2019

² Caritas Venezuela

³ Boletines epidemiológicos

⁴ Idem

⁵ Encuesta de Hospitales CENDES

⁶ Federación Médica Venezolana

⁷ Plataforma de Coordinación para Refugiados y Migrantes de Venezuela, y IOM/UNHCR

III. Activities⁸

1. Prepare diagnosis and topic-specific reports in one or more of the following priority areas: (1) social policies, including social protection (food and cash transfers), health, and education; (2) key infrastructure, such as electricity, water and sanitation, and transport; (3) urgent institutional reforms, including reestablishing market mechanisms, lifting foreign exchange restrictions, stimulating business development and exports, recovering payment systems, strengthening financial sector, and strengthening the public sector resource management and service delivery capacity; (4) key economic sectors (oil, agriculture, etc., as well as strategies to promote economic diversification); and (5) sustainable urban growth, including fostering the economic, social and institutional development of cities, and disaster risk management.
2. Provide support in the planning, organization, preparation of background studies, and holding of dialogue events if deemed necessary by the dialogue events hosts.
3. Conduct knowledge and dissemination events related to the topics addressed in the reports.

IV. Qualifications

1. Academic background: International consultant with a master's degree in Economics, Public Policy, Public Administration, Public Investment, Political Science, Business Administration or related fields.
2. Work experience: Minimum of 5 years of experience in topics related to the above-mentioned priority areas. Strong analytical skills and high-quality written and verbal communication, good interpersonal skills and ability to work effectively with internal and external partners. Experience in the public sector of a LAC country is highly desirable.
3. Language skills: Fluent in English and Spanish.

V. Characteristics of the consultancy

Consultancy category and modality: Product & External Services (PEC); lump sum.

VI. Payment and Conditions

Compensation will be determined in accordance with Bank's policies and procedures.

VII. Coordination

Coordinator: Claudia Mendieta, Operations Specialist (IFD/IFD).

Department/Division: Institutions for Development Sector (IFD/IFD).

⁸ These activities may be conducted by one or more consultants depending on the nature of the reports and the priority areas to be addressed in the policy dialogue.

Results Matrix









Outcomes




Outcome: [1 Strengthened diagnosis of the Venezuela crisis and identification of priority actions](#)



Outputs: Annual Physical and Financial Progress

1 Policy dialogue to further diagnose the Venezuelan crisis and identify priority actions

1 Policy dialogue to further diagnose the Venezuelan crisis and identify priority actions						Physical Progress			Financial Progress			Theme	Fund	Flags		
Outputs	Output Description	Unit of Measure	Baseline	Baseline Year	Means of verification	2019	2020	EOP	2019	2020	EOP					
1.1 Policy dialogue events organized	Dialogue events - INS	Events (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	20000	0	20000	Institutional Development	INS	
						P(a)	1	0	0	P(a)	20000	0	0			
						A				A						
1.2 Policy dialogue events organized	Dialogue events - SOC	Events (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	20000	0	20000	Social Development	SOC	
						P(a)	1	0	0	P(a)	20000	0	0			
						A				A						
1.3 Policy dialogue events organized	Dialogue events - SUS	Events (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	20000	0	20000	Agricultural Productivity and Food Security	SUS	
						P(a)	1	0	0	P(a)	20000	0	0			
						A				A						
1.4 Policy dialogue events organized	Dialogue events - INF	Events (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	20000	0	20000	Sustainable Infrastructure	INF	
						P(a)	1	0	0	P(a)	20000	0	0			
						A				A						
1.5 Policy dialogue events organized	Dialogue events - RIN	Events (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	20000	0	20000	Regional Integration	RIN	
						P(a)	1	0	0	P(a)	20000	0	0			
						A				A						
1.6 Diagnostics and assessments completed	Technical assistance via thematic experts - INS	Diagnostics (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	26000	0	26000	Institutional Development	INS	
						P(a)	1	0	0	P(a)	26000	0	0			
						A				A						
1.7 Diagnostics and assessments completed	Technical assistance via thematic experts - SOC	Diagnostics (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	26000	0	26000	Social Development	SOC	
						P(a)	1	0	0	P(a)	26000	0	0			
						A				A						
1.8 Diagnostics and assessments completed	Technical assistance via thematic experts - SUS	Diagnostics (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	26000	0	26000	Agricultural Productivity and Food Security	SUS	
						P(a)	1	0	0	P(a)	26000	0	0			
						A				A						

1.9 Diagnostics and assessments completed	Technical assistance via thematic experts - INF	Diagnostics (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	26000	0	26000	Sustainable Infrastructure	INF	
						P(a)	1	0	0	P(a)	26000	0	0			
						A				A						
1.10 Diagnostics and assessments completed	Technical assistance via thematic experts - RIN	Diagnostics (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	0	1	P	26000	0	26000	Regional Integration	RIN	
						P(a)	1	0	0	P(a)	26000	0	0			
						A				A						
1.11 Workshops organized	Knowledge and dissemination events and products	Workshops (#)	0	2019	IDB systems, Knowledge and dissemination products	P	1	1	2	P	10000	10000	20000	Institutional Development	INS	
						P(a)	1	1	1	P(a)	10000	10000	10000			
						A				A						

Other Cost

Total Cost

	2019	2020	Total Cost
P	\$240,000.00	\$10,000.00	\$250,000.00
P(a)	\$240,000.00	\$10,000.00	\$10,000.00
A			

PROCUREMENT PLAN FOR BANK EXECUTED OPERATIONS														
Country: Venezuela							Executing Agency: IDB							UDR: IFD/IFD
Project number: VE-T1069						Title of Project: Policy dialogue to identify priority actions in Venezuela								
Period covered by the Plan: 24 months						Total Project Amount: \$ 250,000								
Component	Procurement Type (1) (2)	Service type (1) (2)	Description	Estimated contract cost (US\$)	Selection Method (2)	Type of Contract	Source of Financing and Percentage				Estimated date of the procurement notice	Estimated contract start date	Estimated contract length	Comments
							IDB/MIF		Other External Donor					
							Amount	%	Amount	%				
Component 1	C. Non consulting services	Corporate Procurement (GN-2303)	Logistics costs related to the organization of dialogue events #1	\$ 60,000	SSS	Lump Sum	\$ 60,000	100%	\$ -	0%	2Q 2019	2Q 2019		
Component 1	C. Non consulting services	Corporate Procurement (GN-2303)	Travel and logistics costs of thematic experts to participate in dialogue events #1	\$ 40,000	SSS	Lump Sum	\$ 40,000	100%	\$ -	0%	2Q 2019	2Q 2019		
Component 1	A. Consulting services	Individual Consultant (AM-650)	Consultancy to prepare diagnosis and topic-specific reports as part of the technical assistance that will be provided in the context of the policy dialogue #2	\$ 80,000	IICQ	Lump Sum	\$ 80,000	100%	\$ -	0%	2Q 2019	2Q 2019	10 months	
Component 1	C. Non consulting services	Corporate Procurement (GN-2303)	Travel and logistics costs of thematic experts to provide technical assistance #2	\$ 50,000	SSS	Lump Sum	\$ 50,000	100%	\$-	0%	2Q 2019	2Q 2019		
Component 1	C. Non consulting services	Corporate Procurement (GN-2303)	Logistics costs related to knowledge and dissemination events and products #3	\$ 20,000	SSS	Lump Sum	\$ 20,000	100%	\$ -	0%	2Q 2019	2Q 2019		
Prepared by:	Claudia Mendieta		TOTALS	\$ 250,000			\$ 250,000	100%	\$ -	0%				
(1) Grouping together of similar procurement is recommended, such as publications, travel, etc. If there are a number of similar individual contracts to be executed at different times, they can be grouped together under a single heading with an explanation in the comments column indicating the average individual amount and the period during which the contract would be executed. For example: an export promotion project that includes travel to participate in fairs would have an item called "airfare for fairs", an estimated total value od US\$5,000, and an explanation in the Comments column: "This is for approximately four different airfares to participate in fairs in the region in years X and X1".														
(2) (i) Individual consultants: ICQ: Individual Consultant Selection Based on Qualifications; SSS: Single Source Selection. Selection process to be done in accordance with AM-650.														
(2) (ii) Consulting firms: Per GN-2765-1, Consulting Firm selection methods for Bank-executed Operations are: Single Source Selection (SSS); Simplified Competitive Selection (<=250K) (SCS); Fully Competitive (>250K) (FCS); and Framework Agreement Task Order (TO). All Consulting Firm selection processes under this policy must use the electronic module in Convergence.														
(2) (iii) Goods: Per GN-2765-1, par. A.2.2.c: "The procurement of goods and related services, except when such goods and related services are necessary to achieve the objectives of the Bank-executed Operational Work and are included in the consulting services contract and represent less than ten percent (10%) of the consulting services contract value."														