

PROGRAM TO SUPPORT THE CENTRO DE ACCIÓN SOCIAL POR LA MÚSICA

(VE-0105)

EXECUTIVE SUMMARY

BORROWER:

The Republic of Venezuela

EXECUTING AGENCY:

The Ministry of Family Services, through Fundación del Estado para el Sistema Nacional de las Orquestas y Coros Juveniles e Infantiles de Venezuela (FESNOJIV) [Venezuelan State Foundation for the National System of Youth and Children's Orchestras and Choirs].

AMOUNT AND SOURCE:

IDB (OC, local currency): US\$ 8 million

Local counterpart contribution: US\$ 8 million

Total: US\$16 million

FINANCIAL

TERMS AND

CONDITIONS:

Amortization period: 25 years

Disbursement period: 4 years

Interest rate: 4%

Inspection and supervision: 1%

Currency: bolívars

OBJECTIVES:

The objective of this operation is to consolidate the Venezuelan National System of Youth and Children's Orchestras and Choirs (the Orchestra and Choir System) academically and financially as a national program targeted chiefly to poor and vulnerable communities, and to lay the groundwork for an increase in coverage.

DESCRIPTION:

The project has two components: (i) investment, and (ii) institutional strengthening.

Investment. This component includes construction of a headquarters building in Caracas to be called the Centro de Acción Social por la Música. It will be designed to meet specific acoustical and physical layout requirements to optimize the academic portion of the system. It is crucial to have a space of this kind to solve the current problems of scattered, makeshift teaching facilities and to ensure the institutional strengthening and consolidation of the Orchestra and Choir System. The building will have a total constructed area of about 14,750 square meters. It will be ready for occupancy in four years.

Institutional strengthening. Under this component, music teaching and FESNOJIV management will be modernized, involving civil society in the Orchestra and Choir System through a fundraising strategy with active private sector participation. It is divided into two subcomponents: (i) actions to strengthen the academic aspects of music teaching; and (ii) institutional and financial strengthening. The program will benefit the entire system. However, it has been designed to ensure that at least 70% of the funds go to the regions.

THE BANK'S COUNTRY

AND SECTOR

STRATEGY:

The Bank's strategy for Venezuela for 1996-1997 is focused on supporting the country in attaining macroeconomic stability, reducing imbalances and poverty, and strengthening the productivity of nonoil resources. This program will comply with the second of these objectives by bolstering the work of the Orchestra and Choir System, principally in marginal communities.

The program will have several positive impacts on poverty reduction, such as affording more children

and young people a way out of marginality, a future improvement in the impact of investments in education, and an increase in earning potential through musical training for children and youths.

ENVIRONMENTAL

REVIEW:

The environment and social impact brief for this operation was approved by the Committee on Environment and Social Impact at its meeting on April 18, 1997. No additional analyses were requested.

BENEFITS:

The musical education provided by the Orchestra and Choir System in poor communities has several important benefits. It will: (i) **develop the artistic and intellectual capacity** of children and young people through a program which they would not normally be able to afford; (ii) **improve the lives of underprivileged youth and children**, through structured work after school for three or four hours, in a healthy environment, that will build discipline and a spirit of cooperation and self-esteem and steer the participants away from drugs, delinquency, prostitution, vices, and corruption; and (iii) **create new income-earning opportunities** for youths who decide to pursue a musical career.

The preliminary results of a study conducted by a consulting firm during preparation of this operation suggest that a correlation exists between performance in the orchestra system and in school, since as students move toward musical excellence, their school performance improves considerably.

RISKS:

One risk identified during project preparation is the possibility that progress will not be made in defining and implementing an aggressive fundraising strategy to ensure the future sustainability of the program and facilitate an increase in coverage. To reduce that risk, annual monitoring and evaluation meetings will be held to track progress, make recommendations, and adjust the strategy as necessary.

Studies and consultations with the private sector and state and local governments when the operation was being prepared indicated that: (i) the program is already receiving sizeable contributions, especially from some state governments; (ii) there is large untapped potential for obtaining further contributions; (iii) the private sector is clearly interested in providing systematic support for the program, particularly if FESNOJIV's operation can be streamlined and it can be run more professionally, and develops a system of accountability to donors; and (iv) there is a large unexplored potential for the sale of goods and services produced by the Orchestra and Choir System, such as compact discs and concerts.

SPECIAL

CONTRACTUAL

CONDITIONS:

Conditions precedent to the first disbursement

The borrower is to present the following to the Bank's satisfaction:

- a. Evidence that a special account has been opened in the Central Bank of Venezuela to be used to deposit the loan proceeds (paragraph 3.35(a)).
- b. Evidence that the coordination unit has been established and the staff needed for its operation have been appointed, in accordance with the staffing timetable, terms of reference, and selection procedures agreed upon in advance with the Bank (paragraph 3.35(b)).
- c. Designs required for calls for tenders for the building (paragraph 3.35(c)).

Other special conditions

- a. Within eight months after the loan contract is signed, the following are to be presented to the Bank's satisfaction: (i) a plan for evaluating the impact of the Orchestra and Choir System on the beneficiaries (paragraph 2.18); (ii) a proposal for improving the targeting system (paragraph 2.12); and (iii) the findings and recommendations of the study by consultants on a fundraising strategy, fundraising approaches, and an action plan to be agreed upon by FESNOJIV and the Bank for implementation thereof (paragraph 3.30(a)).
- b. Within 12 months after the loan contract is signed, FESNOJIV will present to the Bank: (i) evidence of the creation of a nonprofit civil corporation, with private sector and FESNOJIV participation, to raise funds for the Orchestra and Choir System, which will be able to decide, with FESNOJIV, how funds will be used; (ii) the articles of incorporation of the nonprofit civil corporation and its by-laws; (iii) evidence that its board of directors has been appointed and has agreed to adopt the fundraising strategy and action plan recommended by the consultants and accepted by FESNOJIV and the Bank; (iv) the agreement between FESNOJIV and the nonprofit civil corporation (paragraph 3.30(b)); and (v) the decree approving the restructuring of FESNOJIV (paragraph 2.35).
- c. Prior to the end of year three of the loan contract, FESNOJIV will present a definitive program for management, operation, and maintenance of the building, to the Bank's satisfaction (paragraph 3.21).
- d. Before the end of each calendar year for four years after the final disbursement, FESNOJIV will present to the Bank's satisfaction annual reports describing fundraising operations and outcomes (paragraph 3.31).

POVERTY-TARGETING:

Although the proposed operation is intended to consolidate a program targeted to low-income children and youths, it does not qualify as poverty-targeted in the terms of paragraph 2.15 of the Eighth Replenishment document.

EXCEPTIONS TO

BANK POLICY:

N/A

PROCUREMENT:

Owing to the type of funds to be used (ordinary capital in local currency), bid calls for goods and services will be local, and the thresholds for tenders by public agencies will follow the guidelines established in Venezuelan legislation. However, at the request of the executing agency, international companies will be invited to prequalify for construction of the building and for the supply of special equipment and musical instruments.

Adherence to the Bank's procedures will be verified ex post for selection and procurement of equipment and fixtures costing up to US\$50,000 equivalent, US\$75,000 equivalent for construction contracts, and US\$30,000 equivalent for individual consulting contracts, on the understanding that only consulting services that comply with the Bank's requisites and procedures will be financed from the loan proceeds.