



<b>1. Project Data:</b>		<b>Date Posted :</b> 04/08/2004	
<b>PROJ ID:</b> P041807		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Public Sector Legislative And Administrative Modernization Project (former Pub Sec Mod & Decen)	<b>Project Costs (US\$M)</b>	19.8	0.0
<b>Country:</b> Venezuela	<b>Loan/Credit (US\$M)</b>	9.0	0.0
<b>Sector(s):</b> Board: PS - Sub-national government administration (69%), Central government administration (31%)	<b>Cofinancing (US\$M)</b>	10.8	0.0
<b>L/C Number:</b> L4317			
	<b>Board Approval (FY)</b>		98
<b>Partners involved :</b> IDB and Government	<b>Closing Date</b>	03/31/2002	

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The objectives were:

- 1) To increase efficiency in the delivery of public services and in the management of infrastructure facilities and productive enterprises of the Participating States, and improve the fiscal and financial situation of the latter, by promoting private sector participation. There were three Participating States at Board approval, but any other State selected by GOV could become participant with the approval of the Bank; and
- 2) To strengthen the Borrower's regulatory framework for some transport sub -sectors, and rationalize existing institutional structures of the Borrower .

**b. Components**

There were three components:

- 1) Privatization at the State level: providing support to a pilot group of four state governments (3 already defined at approval and one to be defined subsequently) to design and implement customized strategies for privatizing productive activities, and to grant concessions to the private sector for the construction, operation and maintenance of transport infrastructures. This component was to finance specific privatization initiatives . Technical assistance (TA) was to provide assistance in strategy development and implementation .
- 2) Reform and decentralization at the national level : (i) providing support to the Ministry of Transport and Communications (MTC) to restructure its organization and staff, to strengthen its supervisory functions, and develop regulatory and competition frameworks in the transport sub -sectors (e.g., airports and ports); and (ii) financing restructuring studies to support the wider Public Sector Modernization Program of the Government; and
- 3) Project coordination: financing of TA to the different project coordination units at the national and state levels .

**c. Comments on Project Cost, Financing and Dates**

The project was co-financed by IDB for US\$8.0 million, GOV for US\$1.8 million, and States for US\$1.0 million.

The project was not implemented as a result of long delays marking each step in its processing and of the coming to office of a new Government in February 1999, which requested a major restructuring affecting both objectives and design. Long discussions between GOV and the Bank led to reformulating the project with the primary objective of improving the efficiency and efficacy of the national public sector . The new focus was on the following : (i) a stronger emphasis on activities having a national impact; (ii) activities relating to decentralization targeted the capacity of the central government to direct the process rather than the capacity of decentralized institutions; and (iii) privatization of public enterprises was dropped . In spite of the fact that GOV and the Bank team came to an agreement on a restructured project, the latter was not submitted to the Board because, in the meantime, a new Minister of Planning requested the cancellation of the Loan .

The following summarizes the events :

- 1) Identification to signing took almost 4 years (March 1995-December 1998), with 8 months between approval and signing;
- 2) Effectiveness took another 6 months to June 1999;
- 3) With the arrival of a new President in February 1999, the Government decided to review the project and, in January 2000, requested that it be refocused to respond to the challenges then posed by a constitutional and administrative reform, and by a revised institutional framework at the Ministry of Plan and Development; at that point IDB cancelled its loan;
- 4) Informal discussions on project restructuring were not completed until March 2002 as a result of the complexity of the issues and of numerous delays;
- 5) In May 2002, a new Minister of Plan requested to revise again the reformulated project;
- 6) The new discussions concluded with a request from GOV in November 2002 to cancel the loan;
- 7) As a result, the proposed restructuring and amendment to the loan agreement were not submitted to the Board .

### 3. Achievement of Relevant Objectives:

The project was not implemented.

### 4. Significant Outcomes/Impacts:

The project was not implemented.

### 5. Significant Shortcomings (including non-compliance with safeguard policies):

The project was not implemented.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Unsatisfactory	Unsatisfactory	
<b>Institutional Dev .:</b>	Negligible	Negligible	
<b>Sustainability :</b>	Unlikely	Unlikely	
<b>Bank Performance :</b>	Unsatisfactory	Unsatisfactory	
<b>Borrower Perf .:</b>	Unsatisfactory	Unsatisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

### 7. Lessons of Broad Applicability:

In highly politically volatile countries, the Bank should reassess government ownership each time there is a change in Government or of key ministers.

In this case, the Bank was much too slow, both during preparation /appraisal and implementation, to react to the shifting political situation in the country. Although it showed flexibility in trying to accommodate the request for restructuring, once the latter proved to be excessively prolonged, the Bank should have closed the discussions and cancelled the Loan. The rationale for maintaining the dialogue on the basis of country relations may have been self-defeating, in that the interests of neither the country nor the Bank were served, as noted by QAG .

**8. Assessment Recommended?**  Yes  No

### 9. Comments on Quality of ICR: