1. We welcome this Country Assistance Strategy to the Republic of Venezuela, which we think is consistent with the government’s development agenda and responds to Venezuela’s needs and priorities.

2. Despite being a country rich in natural resources, a sizable percentage of Venezuela’s population continues to live in poverty. To address the country’s economic difficulties, the government, supported by an IMF stand-by arrangement, last year began implementing “Agenda Venezuela”, a reform program with interrelated themes of enhancing sustainable growth, promoting social development and modernizing the public sector. The objective of the government’s agenda is to put the country on a more stable growth path, while also seeking to reduce poverty in the long term.

3. With the new economic agenda, the country is returning to free market policies under a strong economic program. The government’s efforts have started yielding results within a very short period, as the country has made substantial progress towards restoring macroeconomic stability. The currency has remained stable, interest rates have declined, and monthly inflation is on a downward course. In addition, foreign exchange reserves are projected to cover 18 months of imports by the end of the year. The country has also been integrated into international trade and capital markets, thereby bringing benefits such as larger export markets, technology, and increased access to foreign capital.

4. We note that some of the objectives of the previous CAS were not fulfilled, partly due to weaknesses in Venezuela’s institutional capacity and a slow consensus-building process among the Bank, the stakeholders and the government. We, therefore, consider, the lending scenario of the new CAS and the strategy to focus on project implementation and non-lending services to be appropriate. As a knowledge-based institution, the Bank, through its non-lending activities, will make available to the country its cross-country knowledge, while helping to strengthen institutional capacity, build support for change in economic and social policies, and improve governance.

5. The CAS document frankly admits that Venezuela’s poor portfolio performance was not only due to implementation problems, but also due to inappropriately designed or
wrongly-targeted projects. We are pleased to note, therefore, that the design of the CAS under consideration today is better-suited to the institutional capacity of the country, and takes into consideration the country's past performance, and more especially, its desire to keep its borrowing portfolio at a manageable level. We also concur with the Bank's proposal to limit its lending activities to core social services, especially in the area of education, health and nutrition, and targeted interventions to reduce poverty.

6. In view of the country's record of project implementation, we can support the government's plan to restructure its MDB portfolios. This will enable the government to improve the quality and efficiency of existing portfolios, simplify administrative procedures, restructure project implementation units where needed, and strengthen project management. The plan to give the Resident Mission more authority, therefore, merits our full support.

7. We welcome the coordination between the Bank Group, IMF and IDB and the division of labor among multilateral institutions active in Venezuela, as we believe that this is essential for effective international assistance to the country. We also note the proposal by the multilateral institutions to restore the integrity of the banking sector and help the government to overcome structural weaknesses in the sector by providing assistance to strengthen the regulatory and institutional arm of the financial sector through the establishment of appropriate standards for regulation, supervision and reporting.

8. We are pleased to note the strong support of IFC and MIGA in furthering private sector development in Venezuela and their involvement in the preparation of this CAS. We are of the belief that the activities of the two institutions will contribute towards the creation of a positive investment environment in Venezuela, thereby increasing the flow of foreign investment into the country. The developmental impact of their activities on the economy, especially in employment creation and poverty reduction, is likely to be substantial.

9. With respect to the risks highlighted in paragraphs 45-48, it is our belief that while these risks are not insignificant, they are worth taking, and should be mitigated, to a large extent, by the continued dialogue of the MDBs with the government, and their involvement in enlightening the policy-makers and stakeholders through workshops, seminars, policy advice and Economy and Sector Work.

10. On the whole, we find the CAS to be quite candid, and we believe that the Bank's lending and non-lending support will have a positive impact on Venezuela's economy and assist the government as it tries to put the economy back on track and regain investor confidence.