



EUROPEAN COMMISSION

VENEZUELA

COUNTRY STRATEGY PAPER

2007-2013

11.04.2007 (E/2007/622)

COUNTRY STRATEGY PAPER – VENEZUELA 2007 – 2013 – TABLE OF CONTENTS

0.	EXECUTIVE SUMMARY	4
1.	EU COOPERATION OBJECTIVES	5
1.1	The EU Treaty objectives for external cooperation	5
1.2	The Joint Statement on EU Development Policy “The European Consensus” (2005)	5
1.3	Communication on “A Stronger Partnership between the EU & Latin America”	5
2.	THE VENEZUELAN GOVERNMENT’S POLICY AGENDA	6
3.	ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION	8
3.1	Political situation	8
3.1.1	General political situation	8
3.1.2	Venezuela’s foreign policy	9
3.2	Economic situation	9
3.2.1	General economic situation	9
3.2.2	Structure of trade	10
3.3	Social development	11
3.4	Environmental situation	12
3.5	Analysis of the reform process	13
3.6	Cross-cutting issues	13
3.6.1	Human rights & democratization (including children’s’ rights)	13
3.6.2	Conflict prevention	14
3.6.3	Gender	14
3.6.4	Migration	14
3.6.5	Drugs	14
3.6.6	Indigenous peoples	14
3.6.7	HIV-AIDS	15
3.6.8	Culture	15
4.	OVERVIEW OF PAST AND ONGOING EC COOPERATION	15
4.1	Overview of past and ongoing EC cooperation	15
4.1.1	Community cooperation prior to 2000	15
4.1.2	Community cooperation since 2000	15
4.1.3	Lessons learned	17
4.2	Programmes of EU Member States and other donors	18
4.2.1	Member States	18
4.2.2	Other bilateral donors	19
4.2.3	UN organisations	19
4.2.4	Other international agencies	19
4.3	Coherence with EU/EC policies	20
4.3.1	General framework for political and other relations	20
4.3.2	Trade policy	20
4.3.3	Social cohesion	21
4.3.4	Energy relations	21
4.3.5	Agricultural policy (CAP)	21
4.3.6	Environmental policy	21
4.3.7	Knowledge society	22
4.3.8	Conflict prevention	22
4.3.9	Drugs policy	22
4.3.10	Research & Development	22
5.	EC RESPONSE STRATEGY	23
5.1	General objectives and principles for co-operation	23
5.2	Focal sectors and specific objectives for co-operation in the CSP	25
5.2.1	Support to the modernisation and decentralisation of the state	25
5.2.2	Equitable and sustainable economic growth and diversification	26
5.3	Coherence with other budget lines	27

6	NATIONAL INDICATIVE PROGRAMME	28
6.1	Financial Envelope	28
6.2	Indicative Cooperation priority	28
6.2.1	Support to the modernisation and decentralisation of the State	28
6.2.2	Equitable and sustainable economic growth and diversification	28
-	ANNEXES	30

0. EXECUTIVE SUMMARY

Venezuela is the seventh largest country in Latin America and in 2006 was estimated to have a population of some 25.7 million. With both a Caribbean and Atlantic coastline, it is generally considered to be one of the world's most ecologically diverse countries with four distinct geographical regions. The country has one of the largest economies in the region but income remains very unevenly distributed.

Venezuela has been characterised in recent years by serious political and social tensions, with deep divisions between supporters and opponents of the government, with some social and productive sectors protesting against the scale of changes introduced by the government of President Hugo Chávez. A referendum on the President's tenure in office took place in August 2004, and saw some 59% vote against his recall. Since the referendum, the government has maintained its emphasis on highly popular social programmes known as *Misiones* which have largely been funded by the income generated from energy exports. President Chávez was re-elected for another 6 year mandate on 3 December 2006.

One of the major challenges the country faces is the reform and modernisation of the public administration, which urgently needs to be made more efficient and accountable, including through decentralisation and greater participation by individual citizens and civil society.

The country's economy is striking for its continued dependence on the energy sector, which is developed and efficient compared with other sectors. The sector represents about 30% of GDP and 80% of exports, making the economy vulnerable to oil price fluctuations. Diversifying the economy and the country's export base is therefore a major government policy objective, at the same time as it pushes to take maximum benefit from the country's natural resources.

The European Commission's relations and co-operation assistance with Venezuela take place both at a regional (EU-LAC and in the future EU-Mercosur) and bilateral level. While the former concentrates on aspects relating to the strengthening of regional integration and social cohesion, the latter will focus on support to the government's efforts to modernise and decentralise the public sector, and to help build equitable and sustainable economic growth and diversification.

Under the Development Cooperation Instrument (DCI), an indicative allocation of € 40 million has been earmarked for Venezuela in the period 2007-2013. These resources can be supplemented by projects and programmes financed under the Latin American regional programmes, as well as from thematic programmes and other cooperation instruments of the European Commission.

1. EU/EC CO-OPERATION OBJECTIVES

1.1. The EU Treaty Objectives for External Co-operation

In accordance with Article 177 of the Treaty Establishing the European Community, the Community's co-operation policy shall foster the sustainable economic and social development of developing countries, the smooth and gradual integration of these countries into the global economy and the fight against poverty. The Community's policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, as well as respect for human rights and fundamental freedoms.

On the basis of Article 179 of the same Treaty, a new Development Cooperation Instrument (DCI) was adopted in December 2006. Venezuela is eligible to participate in cooperation programmes financed under the DCI [European Parliament and Council Regulation (EEC) No. 1905/2006 of 18 December 2006 establishing a financial instrument for development cooperation.]

1.2. The Joint Statement on EU Development Policy “The European Consensus” (2005)

The context for the new strategy for the period 2007–2013 is the EU Development Policy Statement “The European Consensus on Development” adopted by the European Parliament, the Council of Ministers, the Member States and the European Commission in December 2005. This Statement underlines that the primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including the pursuit of the Millennium Development Goals (MDGs). It also highlights the importance of partnership with the developing countries as well as the promotion of good governance, human rights and democracy, in order to achieve a fair and equitable globalisation. The Statement sets out a differentiated approach, according to the relevant context and needs, and proposes a common thematic framework which includes social cohesion and employment, as well as trade and regional integration, among the priorities for Community cooperation.

The Development Policy Statement also contains a specific chapter on mainstreaming cross-cutting issues. Special reference is made to the promotion of human rights, gender equality, democracy, good governance, children's rights and the rights of indigenous peoples, conflict prevention, environmental sustainability and combating HIV/AIDS. These cross-cutting issues are both objectives in themselves and vital factors in strengthening the impact and sustainability of cooperation.

1.3. Commission Communication on “A Stronger Partnership between the European Union and Latin America” (2005)

In December 2005, the European Commission adopted a Communication on a renewed strategy designed to strengthen the EU-Latin America strategic partnership. With a view

to the 4th EU-Latin America/Caribbean Summit which was held in Vienna in May 2006, the Communication analysed the current challenges and made practical recommendations for revitalising the partnership. Its proposals included stepping up political dialogue between the two regions, stimulating economic and commercial exchanges, encouraging regional integration, tackling inequality and tailoring its development and aid policy more closely to actual conditions in Latin America. The Declaration of Vienna, issued by the Heads of State and Government of the European Union and of Latin America and the Caribbean on 12 May 2006, reiterates the commitment to expand and deepen EU-LAC cooperation in all areas in a spirit of mutual respect, equality and solidarity.

2. THE VENEZUELAN GOVERNMENT'S POLICY AGENDA

President Hugo Chávez has been in office since his victory in the presidential elections of December 1998, in which his party, the *Movimiento Quinta República (MVR)* campaigned on a platform of radical reform of both the economy and the political system, known as the “Bolivarian revolution”. Since then, the Venezuelan government has actively pursued policies aimed at tackling poverty and social exclusion, especially through programmes known as *Misiones*. These programmes, which include free health care, subsidised food and land reform, have been buoyed by a windfall in income generated by oil exports. As they also run in parallel to state structures, some critics have questioned the sustainability of the *Misiones*; however, the government's emphasis on social projects have almost certainly generated new opportunities and feelings of inclusion for previously marginalised sections of the population. President Chávez was re-elected for another 6 year mandate, on 3 December 2006, by ample margin (with 62,9% of votes against 36,9% for Manuel Rosales) with a very high turnout reaching almost 75%.

The outlines of Venezuela's development policy are laid down in the new Constitution, introduced by the Chávez government in 1999, especially under Title VI (“The Socio-economic System”), as well as in the National Economic and Social Development Plan for 2001-2007, which defines the principal challenges facing the country as (i) the need to diversify its economy and (ii) to deal with social challenges and the rise in poverty¹.

This development plan identifies four domestic policy objectives; which are classified as economic, social, political, territorial and international. The “economic” objective is to “increase and strengthen economic democracy and promote self-governing initiatives”, with a special emphasis on developing cooperatives. The “social” objective is defined as the “guarantee of equal treatment and social rights”. On the “political” front, the intention is to “contribute to the establishment of participative democracy”. The final “territorial” objective consists of devolved decentralisation, promoting integration on three “fronts” (the Andes, the Amazon and the Caribbean), and three devolution “axes” (western, Orinoco-Apure, eastern and Norte-Llanero).

¹ Líneas Generales del Plan de Desarrollo Económico y Social de la Nación 2001 2007 – see <http://www.mpd.gob.ve/>

The decentralisation programme, initially introduced as part of IMF structural adjustment policies, took a significant step forward in 1989 with the introduction of direct elections for governors and mayors. Under the present government, the process of decentralisation is linked not only to the process of devolution identified in the national development plan but also to the direct involvement of citizens in policy-making. This is provided for under legislation such as the law on local councils for public planning and the law on the decentralisation, delimitation and transfer of government competences. The latter identifies those powers which are to be transferred progressively to the responsibility of state and regional bodies. The 1999 constitution also allowed for greater decentralisation and participative actions by the country's citizens.

Implementation of most areas of decentralisation has been slow however and the transfer of competences from central government to local authorities has been limited. Important government initiatives in the field of social policy (see point 3.3 below) have also resulted in changes to the traditional relationships between central and local government. While the government has espoused devolved policy-making, there is still an overriding tendency for decisions to be made in the most centralised manner, with many issues dealt with by the President himself, where they could perhaps be dealt with at a more regional level.

A great deal of work has been put into efforts in the area of participatory democracy, much of which is to be congratulated and which would be worthy of support. Not all such activities have been properly co-ordinated with local government however and many have been developed to the detriment of the local institutions already in place.

The government, which has said it wishes to introduce a "new form of socialism", has also heavily promoted the concept of "endogenous development". This is defined as the use of local populations' culture and practices to involve them more closely in development activities, and is a product of the new strategic guidelines framework launched by the President in November 2004 to transform the "capitalist model" into a new "popular socialist endogenous model". Endogenous development aims to strengthen the role of state councils for planning and coordinating public policy, and to boost local development and the decentralisation process. The strategy also endeavours to reduce the country's economic dependence on exports, principally in the energy sector, and to diversify production in areas such as agriculture, tourism and high technology services. The government also hopes to facilitate micro-credits through government banks and through a mechanism for financing small and medium-sized enterprises.

Education is one of the key issues targeted by the government, for example, through the appointment of schools inspectors or the conversion of some educational establishments into "Bolivarian schools", aimed at creating a new political culture of co-operation and solidarity. Education is also addressed through the *Misiones*, with *Mision Robinson* aiming to eliminate illiteracy, *Mision Rivas* to provide medium-level educational access to previously excluded adults and *Mision Sucre* to provide university-level education. In health, the most important goals include programmes aimed at improving the control of epidemics, as well as once again through the *Misiones* programmes. One of the best

known of these is *Mision Barrio Adentro*, which provides free basic medical care to the poorest sectors of the population, through the presence of a significant number of Cuban doctors and medical staff.

3. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

3.1 Political situation

3.1.1 General political and institutional situation

As noted above, Hugo Chávez was elected president on a platform calling for widespread political, social and economic reform. Under the 1999 constitution the country changed its name to the Bolivarian Republic of Venezuela (*República Bolivariana de Venezuela*), the president's term of office was extended to six years, a unicameral national assembly replaced the previous bicameral system and the concept of participative democracy, a form of democracy by plebiscite, was introduced. The country has been characterised in recent years by serious political and social tensions, with deep divisions between the supporters and opponents of the President. However, many of these divisions were preceded and conditioned by social divisions dating back to the mid-1980s. Anti-government protests began in earnest in late 2001, with the first of four general strikes intended to force the president to step down. These culminated in a failed coup attempt in April 2002. After the failure of the strikes, opposition groups began to concentrate their efforts on securing a presidential recall referendum. Voting took place in August 2004 and was notable for the highest voter participation in the country's history, with a turnout of 70% of the eligible population. The final result (endorsed by the OAS and the Carter Centre, the two main international observers) saw 59% of the electorate voting against the departure of the president, and less than 41% voting in favour. President Chávez was re-elected for another 6 year mandate, on 3 December 2006, by ample margin (with 62,9% of votes against 36,9% for Manuel Rosales) with a very high turnout of almost 75%. The EU Electoral Observation Mission deployed this year concluded that "the high turnout, peaceful nature and general acceptance of results of the Presidential Elections in Venezuela open the way forward to substantial improvement in the quality and public confidence in electoral processes".

The independence of key democratic institutions such as the judicial system is enshrined in the constitution, although some international observers have expressed concern that institutions such as the Supreme Court, the National Electoral Council and the Ombudsman do not enjoy sufficient independence from the government². The judiciary is also weakened by the fact that a considerable number of judges are employed on renewable or temporary contracts. Moreover, despite the government's stated objective of greater decentralisation (as described above), the public administration remains highly centralised and in urgent requirement of modernisation. While the media have traditionally been free and outspoken (and media coverage remains very divisive), some observers have expressed concerns over freedom of expression following new media

² See for example Human Right Watch - <http://hrw.org/english/docs/2004/12/14/venezu9864.htm>

content legislation aimed at radio and television and changes to the penal code. There is also an ongoing lack of involvement on the part of citizens in policy-making.

3.1.2 *Venezuela's foreign policy*

The country has a vigorous attitude to foreign policy, and places particular emphasis on its relations with its Latin American neighbours. It has strong views on South American integration and has recently left the Andean Community and joined Mercosur. It opposes the Free Trade Area of the Americas (FTAA), and together with Cuba has proposed the Bolivarian Alternative for Latin America and the Caribbean (*Alternativa Bolivariana para América, ALBA*). Relations with Colombia are of particular importance, especially as Colombia's internal conflicts threaten Venezuelan security. Guerrillas and rebel groups have used the frontier zone as a place of refuge, and have committed crimes against Venezuelan citizens. Despite occasional bilateral tensions, relations between the two countries are generally good, and trade adds a positive economic note. Energy links help to ensure that the country has a significant political influence in the Caribbean, while it also retains very close ties with Cuba. Relations with the US have become tense in recent years, although bilateral energy relations are still important as the country is the United States' fourth largest oil supplier³. Venezuela plays a leading role in global energy markets, and inside OPEC continues to support a system of price bands to limit variations in the price of oil, and thereby prevent a sudden fall that could harm the country's economy. In line with that, Caracas has been actively seeking to improve relations with other oil-producing nations such as Russia, Iran and the Gulf States. The government has also taken important steps towards extending relations with developing economies like China and India, and has signed energy agreements with these countries.

Relations with the EU are generally good, with President Chávez visiting Brussels in 2001, subsequent high-level contacts at the EC-Latin American summits in Madrid, Guadalajara and Vienna. and at EU-Andean Community and EU-Rio Group ministerial meetings in Vouliagmeni in 2003 and Luxembourg in 2005. Members of the European Parliament Delegation for relations with the Andean Community visited the country in February 2005.

3.2 **Economic situation**

3.2.1 *General economic situation*

Venezuela's 2005 GDP of approximately \$106 billion made it the biggest economy when compared to its then Andean Community neighbours, and the fourth biggest in Latin America. Per capita income that year was \$4,020 placing it in the upper section of the middle band, and 60th in terms of world rankings⁴. The economy is overwhelmingly dependent on the oil industry, which accounts for around 30% of GDP, more than 80% of all exports and some 90% of government export earnings⁵. Production has still not returned to the levels attained prior to the strike in the oil industry in 2002-2003, and the reliance on export earnings means that the economy is vulnerable to price fluctuations on the international oil market.

³ US Energy Information Administration - <http://www.eia.doe.gov/>

⁴ World Bank: World Development Indicators database, 2006

⁵ Banco Central de Venezuela - <http://www.bcv.org.ve/>

The government has embarked on an expansive fiscal policy, mainly as a result of government-funded social programmes and investment in infrastructure. With earnings rising thanks to the high international oil prices however, overall central government revenue rose by 4% of GDP in 2005. In 2004, the GDP grew by 17.3% and in 2005 by 9%, reflecting a fiscal stance and capital controls that boosted domestic demand, and a base that was extremely low in comparison to the previous year⁶.

The overall business environment has been hindered however by concerns about legal security, the lack of any major tax incentives and institutional challenges. Foreign direct investment has been limited, other than in the oil and telecommunications industries. The private sector accounted for 31% of GDP in 2004 (which placed it in the middle ranks of the main Latin American economies)⁷. As noted above, the authorities have made efforts to accelerate the model of state-directed development, with a rapid expansion, for instance, of *Mercal*, the state-owned food distribution company. The constitution also backs continuing state ownership of strategic economic activities, including oil production, although it does not preclude concessions and business associations with the private sector in many areas. Exchange controls, while still in force, have been progressively relaxed since their introduction in 2003. Venezuela has the advantage of a high skills base and infrastructure that is more developed than many of its neighbours, although decades of low investment in human capital and infrastructure have eroded these advantages despite the present government's emphasis on social development.

3.2.2 *Structure of trade*

Recognising its continued over-dependence on energy exports, much of the government's trade policy is aimed at diversifying exports and gaining access to new markets. A government trade policy review in 2002 refers to complete integration into the world economy as one of the country's main objectives, with a view to achieving a higher standard of living for the country's citizens. However, the overriding policy approach of the government is now considered to be based on the concept of economic complementarity between trading nations⁸.

The country has taken part in a number of trade talks, including those held in the process of Joint Assessment of Regional Economic Integration between the EU and the Andean Community, between the Andean Community and Mercosur, and on an individual basis with other countries. Venezuelan trade with the countries of the Andean Community (and above all with Colombia) has increased significantly in recent years, although this may decline in the short term given the country's decision to formally enter Mercosur. At present, Venezuela's trade with Mercosur remains limited (representing approximately 5% of total trade – 2% of exports and 10% of imports). The trade balance lies strongly in favour of Mercosur as Venezuela is mainly an importing country (US\$ 2,481 million worth of Venezuelan imports from Mercosur as against US\$210 million exports in 2005).

⁶ Instituto Nacional de Estadística - <http://www.ine.gov.ve/>

⁷ World Bank: World Development Indicators database, August 2005

⁸ See for example objectives of the Ministry for Light Industry & Commerce - <http://www.milco.gob.ve/>

The EU is a medium-sized trading partner for Venezuela. In 2005, 8% of Venezuelan trade was with the EU, compared to 48% with the US. Venezuela accounts for 0.31% of EU imports and 0.27% of EU exports. The main products exported to the EU are energy products (64% in 2005), and its main imports from Europe are machinery (30%) and chemical products (15%). The balance of trade has traditionally favoured the EU, depending to some extent on the price of oil. Between 1998 and 2001, the average trade surplus was €28 million in favour of the EU, although this has dropped in recent years, standing at some €188 million in 2004 and finally passing to favour Venezuela in 2005. Europe is the biggest investor in Venezuela, concentrating on the energy sector and services. In 2004, new European investments totalled €702 million⁹.

3.3 Social developments

The Venezuelan authorities have made major efforts over recent years to tackle poverty and social exclusion, especially through the programmes known as *Misiones*. While the sustainability of these projects may be disputed by some observers, there is little doubt regarding the feelings of inclusion they have created, or the opportunities they have generated for previously marginalised sections of the population. The country's progress in reaching the UN's Millennium Development Goals (MDGs) is difficult to quantify accurately however, not least given much of the most recent data available relates to the period 2002-2003, a period of profound political and economic instability in Venezuela. Moreover, despite producing its own report quantifying progress in December 2004, the Venezuelan government has tended to distance itself from the actual conceptual basis of the MDGs.¹⁰

Such data that does exist appears to suggest that poverty does still affect a significant section of the population, particularly in rural areas and indigenous communities (38% in 2002, according to figures contained in the government report on the Millennium Development Goals). One local study (carried out by the Universidad Católica Andrés Bello in 2004) showed that poverty levels had doubled since the mid-70s, while figures from the UNDP human development index in 2003 showed Venezuela ranked 75 (0.772)¹¹. According to the labour ministry and the national statistics institute, unemployment is currently running at approximately 15%, and under-employment and employment in the informal sectors remain high (with workers in the latter currently accounting for nearly half of the country's workforce). Income distribution is highly unequal, with a GINI coefficient that has hovered between 0.45 and 0.50 for more than 30 years (0.491 in 1998, for example)¹².

Despite these undoubted difficulties however, the overall situation of the country as regards social development remains superior to that of its immediate Andean neighbours, in areas such as high school graduation, infant mortality, health and access to drinking water. Venezuela is currently ranked 58th in the UNDP gender-related development

⁹ EUROSTAT - <http://epp.eurostat.cec.eu.int/> & Instituto Nacional de Estadística - <http://www.ine.gov.ve/>

¹⁰ A breakdown of the indicators relating to the MDGs is contained in Annex 3. The government's own report on progress in meeting the MDGs is available at: http://www.pnud.org.ve/Metas_Milenio.pdf

¹¹ UN Human Development Report 2005

¹² World Bank: World Development Indicators database, August 2005

index, ahead of most of its Andean neighbours but behind Brazil, Argentina and Uruguay. In education for example, the combined school leaving certificates at primary, secondary and tertiary levels stand at 71%. This figure has been rising steadily (at the secondary level, for example, the figure rose from 19% in 1991 to 57% in 2002, and the figure currently stands at 91% for the primary level). The constitution enshrines a right to public health services, and in 2002 public spending on health stood at 2.3% of GDP. According to the WHO, the percentage of the population that has access to health services has continued to rise, from 45% in 1985 to 58% in 1996 and to 65% in 2002. Infant mortality has fallen from 27 per 1,000 in 1990 to 21 per 1,000 in 2002. Life expectancy is currently 73 years. Historically, land distribution in Venezuela has been very unequal, and reform is a major priority for the Venezuelan authorities. A National Land Commission redistributes private land when it has been established that it is illegally occupied or unproductive. Private ownership must be demonstrated with official documentation. Land may be expropriated at market value if it is deemed to be unoccupied.

3.4 Environmental situation

Venezuela is generally considered to be one of the most developed countries in the region with regard to environmental legislation, and something of a pioneer in the field in Latin America as a whole. As early as 1977, the government established a dedicated environmental ministry. The new constitution adopted in 1999 makes specific reference to environmental issues, and the existing environmental legal framework is currently being adapted in order to make it fully compatible with these changes. The country has also ratified the main environmental conventions, including the Kyoto Protocol, the UN framework agreement on climate change, the Convention on Biological Diversity and the UN Convention to Combat Desertification. Despite these advances however, a significant gap remains between the advanced framework and apparent political willingness of the authorities on one hand, and continued difficulties in relation to the country's environmental performance and achievements. Particular challenges include deforestation, desertification, a reduction in biodiversity, insufficient management of waste and pollution caused by industry, agriculture, and mining areas. An additional problem is the concentration of both the population and industrial activities in a small number of urban areas (mainly in the north-eastern coastal regions) where pollution and refuse disposal present major difficulties. There is also an important linkage between poverty in Venezuela and environmental degradation, with the basic need for economic survival compelling poorer sections of the population to exhaust soils and agricultural potential in rural areas, and to contribute to severe sanitation and water supply problems in urban areas. Poor people are therefore often both the victims and originators of environmental degradation. Land degradation also adds to the dangers that the poorest sections of the population face from natural disasters such as landslides or flooding. Climate change and the country's broad coastline also mean that the country is particularly vulnerable to natural disasters such as hurricanes, floods and mudslides and requires assistance in both its mitigation and adaptation efforts. Further details of the environmental situation are available in Annex 4 of this document.

3.5 Assessment of the reform process in Venezuela

The cornerstone of the government's policy agenda has been a focus on the empowerment of the poorest and most marginalised sectors of the population. To this end, the government has set up its *Misiones* programme (as mentioned above), which redistributes export earnings (principally from oil exports) directly to areas such as education, health and working and living conditions. The political crises of 2001-2003 (which also had severe economic repercussions as a result of the various national strike actions) hampered the government in its reform agenda and also resulted in the introduction of strict exchange controls to avoid capital flight and price controls to avoid any inflationary effects that might result from the devaluation of the currency. At times therefore, the authorities' programme in office appears to have clashed with the country's requirements in terms of economic reform and sustainable growth. In the long-term, the government plans to use revenue from the country's oil exports to develop non-traditional sectors of the economy like agriculture and SMEs and local co-operative ventures. While the government has succeeded in its initial efforts to redistribute income generated by oil exports among the more depressed areas of society, the country remains heavily dependent on the oil sector, and therefore vulnerable to price fluctuations in the energy market. Efforts by the government to modernise and reform the public administration have produced a number of positive results, although much remains to be done to ensure the efficiency and accountability of all the country's institutions.

3.6 Cross-cutting issues

3.6.1 *Human rights and democracy (including the rights of children)*

The new constitution is explicit in its commitments to democracy, pluralist values and the protection of human rights. The rights of indigenous peoples are included, as are the protection of the environment and commitments to respect international agreements. In practice however, there has been criticism of some aspects of the human rights situation with allegations of brutality by the police and members of the security forces, and an apparent rise in civilian deaths in custody.¹³ Additional criticism has been made over difficulties in access to justice and lengthy delays in the processing of appeals to the courts. There is also concern over prison conditions in many areas, and over the high level of violence between inmates. Security is one of the public's major worries, and of particular concern in the poorest and most marginalised urban areas, with a murder rate that has tripled over the last decade. The rights of children are protected under the constitution. However, child labour remains a significant problem, with the ILO estimating that between 150,000 and 200,000 children under the age of 14 are working in the country, almost all in the informal sector.¹⁴

3.6.2 *Conflict prevention*

¹³ See Amnesty International's 2006 report <http://web.amnesty.org/report2006/ven-summary-eng>

¹⁴ <http://www.ilo.org/>

While the potential for sporadic conflict has diminished significantly since the August 2004 referendum and even more since the Presidential elections in December 2006, there remains a risk that radical factions might emerge in either pro-government or pro-opposition groups, who would favour the use of political violence. Prior to the August referendum, clashes between demonstrators, pro-government groups and the police were a regular occurrence and labour unrest also rose sharply. In November 2004, a prosecutor who had been investigating suspects involved in the failed coup of April 2002 was killed by a car bomb in Caracas.

3.6.3 Gender

As regards gender issues, Venezuela's new constitution clearly states that women are entitled to full citizenship and attempts to address discrimination, sexual harassment and domestic violence. It also recognises the sexual and reproductive rights of women and is also the only constitution in Latin America that specifically recognises housework as an economically productive activity. The country has ratified the main international conventions relating to discrimination and violence against women, and is committed to implementing the Beijing Action Plan. The government introduced a new domestic law on equal opportunities for women in 1999 as well as a national plan for the prevention of violence against women for 2004-2009. Other government initiatives in this area have included the creation of a national institute for women (*INAMU*) and a national women's bank (*BanMujer*). Nevertheless, significant challenges in this area remain, including disparities between men and women as regards equal pay and access to jobs, education and reproductive healthcare.

3.6.4 Migration

In addition to being a traditional country of immigration, Venezuela has in recent years received a significant number of illegal entrants from Colombia, including both economic migrants and refugees seeking shelter in frontier zones to escape the conflict in the neighbouring country. In 2003, the governments of Venezuela and Colombia signed a Memorandum of Understanding on immigration, with special regard to the issue of refugees in the frontier zone. The situation at the border remains difficult, and there are concerns about illegal drugs, people and arms trafficking.

3.6.5 Drugs

A difficult to secure 2,200-kilometer border separates Venezuela from Colombia. (Colombia is the world's primary source of cocaine as well as South America's largest heroin producer). Colombian drugs producers and traffickers exploit a variety of routes and methods to move drugs into Venezuela every year. On the outbound side, cocaine is smuggled from Venezuela to the US and Europe via maritime cargo containers, fishing vessels, and "go-fast" boats

3.6.6 Indigenous and native people

The population of Venezuela is comprised of a combination of European, African and indigenous heritages. The latter while small in relative terms (some 1.5% of the population) is extremely diverse, with twenty-eight different ethnic groups represented. As is the case elsewhere in the region, these groups are disproportionately affected by

discrimination, poverty and unemployment and although the rights of indigenous people is now enshrined in the 1999 Constitution (and further confirmed by the ratification by Venezuela of the ILO Convention 169 on Indigenous and Tribal Peoples); implementation remains a challenge.

3.6.7 HIV-AIDS

In its 2006 Report on the Global AIDS epidemic, UNAIDS reported that 110,000 Venezuelans are living with HIV/AIDS, while 6,100 are estimated to have died in 2005 due to AIDS. The estimated percentage of adults (ages 15-49) living with HIV/AIDS by the end of 2005 is 0,6%. The Venezuelan Government reported having invested more than USD 28 million to fight HIV/AIDS in 2005. This fund is mainly managed by the Health Ministry through its National AIDS Program (PNSIDA), and 80% of the fund is assigned to buying drugs. A special effort is also made for prevention through educational programmes and the press.

3.6.8 Culture

The 1999 constitution includes a specific reference to cultural issues and describes cultural values as the property of the Venezuelan people. It further affirms that the state guarantees the protection, preservation, enrichment, conservation and restoration of both the country's national heritage and history. The body with primary responsibility for this area is the Ministry of State for Culture.

4. OVERVIEW OF PAST AND ONGOING EC CO-OPERATION: COORDINATION AND COHERENCE

4.1 Overview of past and ongoing EC co-operation

4.1.1 Community cooperation prior to 2000

Due to its abundant natural resources, Venezuela had only received small amounts of foreign aid before the severe economic crisis that struck the country in 1989, which had targeted scientific and technological cooperation projects and NGO projects. Funding and assistance from the EU subsequently increased considerably in the 1990s, most especially after the severe floods which struck the country in 1999.

4.1.2 Community cooperation since 2000

Bilateral cooperation with the Venezuelan government

In 2000 the Country Strategy Paper (CSP), outlined the main axes of cooperation with Venezuela for 2001-2006. This targeted two major sectors, firstly prevention and reconstruction (in response to the floods of 1999, with an explicit environmental remit); and secondly, trade diversification (the fisheries sector). The initial provision for the 2001-2006 CSP was €38.5 million, of which €30 million was earmarked for disaster prevention and reconstruction, with the remaining €8.5 million for the fisheries sector. In

response to an initiative from the European Parliament, “Disaster prevention in the Vargas State”, projects worth €25 million were subsequently added to the prevention and reconstruction components of the 2001–2006 CSP.

The flood prevention projects target the management of selected drainage basins affected by the floods in 1999 and the creation of early warning systems, and the treatment of solid and liquid waste from major population centres in the area, above all in the Vargas state (the “PREDERES” project). Another project (the “INUNDACIONES” project) targets the rehabilitation and reconstruction of the Falcón, Miranda and Yaracuy States, with particular emphasis on the sustainable management of the drainage basins, through the creation of a committee that will include participation by the local municipal authorities.

The sole economic cooperation project, for fisheries, was programmed for 2006 under the 2001-2006 CSP but will unfortunately not be implemented following difficulties in reaching agreement on the precise details of the intervention.

Projects supported by technical and financial co-operation and rehabilitation budget lines

Projects under this heading have included “PROJUVENDES”, which supports nationwide jobs and skills training for poor and unemployed young people; the “DESMIRS” project, which aims to improve the management of solid waste in the municipalities of Mancosta, Noroccidental de Barinas and Mazpa and the “MONAGAS” project, which aims to enhance the socio-economic development of the southern areas of Monagas state through institutional support and human resources training.

Horizontal programmes

With the purpose of supporting regional integration, increasing competitiveness of Latin American companies in international markets and facilitating the transfer of knowledge, a number of programmes were created at the regional level. Venezuela participates in all these programmes: ALFA (Latin America Academic Training), Urb-Al (Encourage experience exchange between local authorities of Europe and Latin America), @LIS (Alliance for the Information Society), AL-Invest (Cooperation between European and Latin American Companies) and ALBAN (European Union Programme of High Level Scholarships for Latin America). Partners for these programmes include universities, chambers of commerce and NGOs. A programme known as ‘Erasmus Mundus’ allows for Venezuelan and other Latin American students to participate in European postgraduate programmes and for EU nationals to obtain scholarships to study in third countries, including in Latin America. The above projects allow for co-operation with Venezuela in both the field of education and information society.

Regarding regional projects in the context of the Andean Community, the Regional Strategy Paper 2002-2006 planned the implementation of seven development projects worth some €30 million in the areas of technical assistance to statistics, support for disaster prevention, technical assistance for trade, harmonisation of competition rules in, strengthening of the customs union between, and cooperation involving civil society. There have been several projects financed under thematic budget lines in recent years; one focused on drug prevention with the country's national council against illicit drug use (CONACUID), and one for the environment (with an NGO called Tierra Viva), totalling €2.6 million.

In the area of human rights, the European Initiative for Democracy and Human Rights budget line has provided funding and support to a number of NGOs in Venezuela in the framework of a regional programme which runs until the end of 2005. 2005 saw the EIDHR include Venezuela in the list of focus countries, eligible therefore for the implementation not only of regional projects but also national ones. Under this instrument, Venezuelan civil society is eligible for support in two specific areas, namely "campaigns to foster a culture of human rights" and efforts to "advance equality, tolerance and peace". In 2002, the Commission also approved a project to assist the OAS in its efforts to implement the agreements reached between the parties of the OAS-sponsored dialogue between the government and the opposition. This latter project had three main components: support for free and fair elections, an investigation of the events of the failed coup of April 2002 and the disarmament of the civilian population.

Support to NGOs

There are currently some seven projects underway with local Venezuelan NGOs in the areas of education (two projects), indigenous communities, reproductive health, ecotourism, agricultural development and post-disaster rehabilitation in the state of Miranda. A call for proposals for micro-projects has also been recently concluded with the award of eleven contracts to NGOs to a value of €50.000.

Disaster prevention

The Commission has also made resources available, through its Directorate-General for Humanitarian Aid (DG ECHO) which has an Andean regional office in Quito, for emergency aid and disaster risk reduction policies. This has been particularly important given Venezuela's vulnerability to a wide range of natural disasters such as flooding, desertification and landslides

4.1.3 Lessons learned

While co-operation activities undertaken in Venezuela in the framework of the 2001-2006 CSP have shown satisfactory results (e.g. in the area of disaster prevention), almost all of them have faced administrative and institutional difficulties. Such difficulties were often also inherent to pre-2001 programmes and have included:

- Insufficient absorption capacity in the identification and implementation phases of EC assistance (activities could not be identified or implemented as foreseen).

- Different authorities were responsible for project identification, the financing agreement and the implementation of the projects. Together with frequent changes at an institutional level, this has on occasion led to a
- Lack of ownership and commitment and;
- Lack of financial support of the projects by counterpart funds.

The co-operation programmes have also suffered as a result not only of the difficult political situation the country has experienced in recent years (political polarisation, national strike actions etc.), but also as an after-effect of the various natural disasters which have befallen the country during the period in question. Particular lessons to be learnt from existing co-operation therefore include the importance of selection of beneficiaries and implementing agencies for EC programmes. Assistance to the Venezuelan authorities to understand and take full account of EC rules and procedures when implementing co-operation activities will also be especially important, as will the fostering of maximum ownership on both sides.

Most importantly of all, the difficulties in the implementation of existing co-operation activities, point to a need in the future to concentrate in particular on efforts to modernise the public administration and better ensure its efficiency and accountability.

It is to be noted that the Venezuelan authorities and civil society (see section 5.1 below) have been fully associated with the choice of sectors for the 2007-2013 CSP. Taking into account the good results in the area of disaster prevention in the previous CSP, as well as the new political and social priorities in Venezuela, EC assistance will be shifted to new sectors as described in greater detail below. While implementation of the economic co-operation project (in the fisheries sector) has been problematic, discussions between Commission services and the government underline the latter's strong interest in further future assistance to diversify the country's economy.

4.2 Programmes of EU Member States and other donors

4.2.1 Member States

Fifteen Member States have diplomatic representations in Venezuela. Four (France, Italy, United Kingdom and Spain) have an official in charge of cooperation, although a greater number carry out some form of cooperation with the country. Between 2000 and 2003, Germany was the largest bilateral donor (after Japan), providing more than US\$ 4.6 million in assistance, followed by Spain with US\$ 3.6 million and France with US\$ 3 million (figures from the ministry for planning and development). Currently Germany is financing a number of stand-alone projects with local groups, indigenous groups and NGOs on themes such as the environment, democracy building and education. Spain channels cooperation to the country via a Joint Committee which draws up a three-year agreement similar to an EU CSP. The most recent agreement dates from 1999, but it is expected that this will be renewed shortly. The UK funds projects on the environment, human rights, drugs, and a regional project on conflict prevention in the Andean area. Other EU donors include Finland, which supports activities in the field of human rights

and the country's Ombudsman; Greece, which funds a project aimed at preventing natural catastrophes; and the Netherlands, which provides some cooperation through local NGOs. There is considerable convergence regarding Member States' cooperation in thematic sectors: almost all work in the environmental sector, several work fighting drug trafficking, and several more in areas of governance and support for civil society, while others work on themes such as conflict prevention, and indigenous rights. The new EC strategy is designed to fully complement these activities.

4.2.2 Other bilateral donors

After the EU, Japan was the largest bilateral donor between 2000 and 2003, with a total of US\$ 14 million provided. US cooperation is relatively limited, amounting to some US\$ 5 million in 2003, of which US\$ 2 million was implemented bilaterally with the government. The main areas of bilateral cooperation are the fight against drug trafficking, the fight against terrorism, and security. Canada's cooperation is also limited in the country and focused in the Human Rights area.

4.2.3 UN organisations

In 2002, the United Nations Development Programme (UNDP), together with the United Nations Population Fund (UNPFA), developed its first Country Programme for Venezuela (2003-2007). Fundamental cross-cutting issues adopted by the programme include gender equality and human rights, and it is designed to contribute to human development, and cooperation on priorities such as democratic governance, poverty reduction, preservation of the environment, energy, disaster prevention and relief, and HIV and AIDS prevention. The main programmes for 2003-07 concern the environment, with the Ministry of Natural Resources; disaster prevention, with the Ministry of Planning and Development; customs reform and reform of the penal justice system with the Office of the Attorney-General; and the health services, with the Ministry of Health and Social Development.

4.2.4 Other international aid agencies

The InterAmerican Development Bank currently finances ten projects in Venezuela worth some US\$ 530 million. The main ones concern infrastructure, science and technology, support for reform of the penal justice system and modernisation of the health sector. Six further projects worth a total of US\$ 920 million (electrical energy, environmental management and drinking water) are in preparation. Venezuela receives cooperation from the Organisation of American States under the 2002-2005 strategic plan of the Inter-American Council for Integral Development in areas of social development and creation of productive employment, economic integration and market access, education, culture, strengthening of democratic institutions, sustainable development, the environment and tourism. The Corporación Andina de Fomento (CAF) is particularly active in Venezuela. In 2003, it provided funding worth US\$ 535 million, of which US\$ 458 million was earmarked for sovereign risk projects in the transport, warehousing, communications, electricity supply, gas and water sectors. 2004 saw a marked increase in

loans to Venezuela, which rose to US\$ 862 million, with the largest increases in assistance allocated to urban transport and the energy sector).

4.3 Coherence with EU/EC policies

4.3.1 General framework for political and other relations

Political relations between Venezuela and the EU have been conducted not only bilaterally but also in the framework of regional relations with the Andean Community (including through its political dialogue aspects, high level dialogue on drugs and framework co-operation agreement). Following the country's recent decision to leave the Andean Community and join Mercosur, Venezuela is now expected to begin participating in ministerial and senior officials meetings in the context of the EU-Mercosur political dialogue. After accession, it will also participate fully in the negotiations for an EU-Mercosur regional association agreement.

In a bilateral context, the EU issued several Presidency declarations between 2002 and 2004, expressing its full support for efforts by the OAS and the Group of Friends and emphasizing the need for peaceful, democratic, constitutional and electoral solutions to the country's political problems. The EU deployed an EU Election Observation Mission to observe the country's legislative elections in December 2005¹⁵ and again for the Presidential elections in December 2006¹⁶.

4.3.2 Trade policy

In terms of trade, the Commission works to strengthen and expand trade relations on the basis of transparent and non-discriminatory multilateral rules, including through the WTO negotiations launched at Doha. Given the country's decision to join Mercosur, future efforts will be directed at stimulate Venezuela's economic integration into this bloc, with the ultimate objective being the conclusion of an Association Agreement, including a Free Trade Agreement, between the two regions. In previous years, Venezuela, in common with the members of the Andean Community, had benefited from the EU's GSP "drugs" scheme, which permitted duty free access to the EU for the great majority of Venezuelan originating products. Venezuela retains its privileged market access to the EU through a new "GSP +" scheme that has been introduced to replace the former version. Eligibility to this scheme is granted to countries which commit themselves to ratify and to effectively implement a number of key international core labour and human rights (UN/ILO) as well as environment and good governance conventions, including the relevant UN drug conventions. Combined with Most Favoured Nation (MFN) provisions, this mechanism allows some 90% of export products from Venezuela and its fellow former Andean Community members to enter the EU free of customs duties.

¹⁵ See http://ec.europa.eu/comm/external_relations/human_rights/eu_election_ass_observ/venezuela/

¹⁶ See: <http://www.eueomvenezuela.org/>

4.3.3 Social cohesion

The Declaration of Guadalajara of May 2004, specifically underscores the commitment "to the principles of decent work proclaimed by the International Labour Organisation, in the belief that respect for workers' rights and dignity is vital for achieving poverty reduction and sustainable social and economic development for our peoples". Equally it considers social cohesion "as one the main elements of our bi-regional partnership and have committed ourselves to cooperate to eradicate poverty, inequality and social exclusion". The Commission has also announced the organisation of its EurosociAL programme to promote the exchange of experiences and best practice between both regions in the field of education, health, justice, fiscal issues and employment. The Vienna Summit in May 2006 confirmed the relevance of social cohesion as one of the key policies between Europe and Latin America.

4.3.4 Energy relations

Venezuela's significance as a major energy producer is of particular interest. An exchange of letters of intent with guidelines for co-operation was signed the European Commissioner for Energy and the Venezuelan Minister for Energy and Mining in June 1998. It provides for discussion and co-operation on specific subjects such as the dialogue between producers and consumers, the regulatory framework for energy, as well as on energy-related technology and could usefully be complemented by provision for further dialogue on renewable energy issues.

4.3.5 Agriculture (Common Agricultural Policy)

Venezuela has not been significantly affected by the Common Agricultural Policy as virtually all its products have been able to enter the EU duty free. Nevertheless, the country continues to call upon the EU to further reform the policy and to take measures to eliminate what it considers to be customs barriers.

4.3.6 Environmental policy

Together with the economic and social dimensions, the EU sees the environment as a key component of sustainable development, or in other words, meeting the needs of the present without compromising the ability of future generations to meet their own needs. Particular areas in which the Commission seeks to act include the limiting of climate change, the reduction of public health risks (including those posed by chemicals), and more responsible management of natural resources as well as limiting adverse effects of transport growth. The EU's environmental policy relevant to Venezuela and its neighbours focuses in particular on the Sixth Community Environment Action Programme (6th EAP, 2002-2011) and efforts to encourage Venezuela to implement its international commitments under multilateral environmental agreements. The former encompasses areas including climate change, depletion of natural resources and the loss of bio-diversity and discussions on forest related issues.

4.3.7 Knowledge society

The EU's policies in the area of research and development, education and culture and information society are also integral to the EC's co-operation with Venezuela. In the area of research and development, for example, the seventh framework programme (2007-2013) foresees an international co-operation budget of some €358 million. As described above, cultural and educational programmes include student scholarships and the establishment of networks between academic institutions. In the area of information society, the major objectives for co-operation with Latin American countries include the promotion of an information society based on regional integration and the reintegration of the countries of Latin America into the global information society, the promotion of interests of European companies and actors and the reinforcement of technological co-operation in the area of information society, notably through the EU's RTD programmes.

4.3.8 Conflict prevention

The European Union has a wealth of instruments at its disposal for conflict prevention. These range from new crisis management instruments through political, diplomatic, trade and development tools. The EU Security Strategy emphasizes the need for better co-ordination between diplomatic efforts of the CFSP and EU development, trade, environment and justice and home affairs instruments.. The EC external assistance programs provide key instruments for treating the root causes of conflict, such as poverty, social inequality, ethnic and regional tensions, weakness of socio-political structures, illicit trade and the competition for natural resources.

4.3.9 Drugs policy

EU efforts to fight against the consumption, production and trafficking of illicit drugs are dealt with in the 2005-2012 EU Drugs Strategy (and the new Action Plan 2005-2008) which provide a framework for a balanced, integrated approach to the problem of illicit drugs. This strategy concentrates on demand and supply reduction, but also covers international co-operation. In this respect, the Drugs Strategy refers to enhanced EU action to promote a balanced approach to the drugs problem in international organisations and to assistance to third countries in curbing drugs demand and supply through development co-operation, including through co-ordinated action against drug trafficking. Within the international cooperation section of the 2005-2008 Action Plan, it is anticipated that particular attention should be paid to cooperation with the countries of Latin America and the Caribbean.

4.3.10 Research and Development

In the area of Research and Development Policy, the EU Research Framework Programmes encourage international cooperation with Latin American countries and highlights the potential to reinforce the partnership with that region. Countries such as Venezuela will benefit from new mechanisms which are being put in place under the

Seventh EU Research Framework Programme (2007-2013) such as exchange of researchers and coordination of the bi-lateral cooperation programmes vis-à-vis EU Member States and third Countries. Moreover, Science and Technology Promotion Platforms will further develop these possibilities in a wide regional context.

5. EC RESPONSE STRATEGY

5.1 General objectives and principles for cooperation

As the above analysis makes clear, Venezuela continues to face an array of substantial challenges in its efforts towards sustainable development. Although recent years have seen major efforts by the Venezuelan authorities to tackle social exclusion, poverty levels continue to be high and income distribution remains uneven. The political tensions of recent years have exacerbated problems for key state institutions and for the public administration, which remains overly centralized and at times lacking in public confidence. The country also remains highly dependent on the income generated from oil exports and there is little in the way of economic diversification outside the energy sector, thereby limiting the potential for sustainable and equitable growth.

Benefiting as it does from significant levels of income generated by these energy exports, Venezuela is not a major recipient of overseas aid, either from the EU or other donors. Nevertheless, given both the high levels of poverty in the country, and the increasingly important role being played by it elsewhere in Latin America, there are clear benefits to co-operation for all concerned. The EC co-operation strategy for 2007-2013 therefore aims neither to supplant nor displace the activities of the government, but rather to provide added-value through intervention in carefully targeted areas, which have been agreed and consulted upon with the Venezuelan authorities.

The broad EU response strategy aims to reinforce political, economic, social and cultural relations between the EU and Venezuela, accompany the government in its efforts to reduce poverty and foster greater social cohesion, and advance Venezuela's participation in the process of regional integration. These objectives will be carried out following a participative approach in all identified sectors of intervention by including non-state actors in the dialogue regarding the definition of projects and interventions, their implementation and monitoring of results. The EU strategy must also be in line with the EC general co-operation objectives, which are to reduce poverty, to consolidate democracy and to enhance economic development. The guiding principles that underlay all EC co-operation activities, such as the promotion of equal opportunities for men and women and respect for human rights (including the rights of children and indigenous peoples) will be fully taken into account in the policies outlined below, as will the full integration of the cultural and human dimension of co-operation.

Specifically for indigenous peoples, the Commission will facilitate and support the government of Venezuela's obligations to ensure that indigenous peoples are consulted

through appropriate bodies, whenever consideration is given to development activities or legislative and administrative measures, which may affect them directly.

In order to implement this strategy, the EU has a range of instruments at its disposal, of which the proposed co-operation sectors outlined in detail here are only one facet. Trade relations with Venezuela in the near future will be governed by the new “GSP+” system, an incentive scheme designed to reward vulnerable countries (including those in the Andean region) with preferential access to the EU market. Through participation in this scheme, some 90% of Venezuelan products are permitted to enter the EU free of customs duties. In the longer term, it is envisaged that Venezuela’s accession to Mercosur and an Association Agreement with this bloc, which would include a Free Trade Area, will eventually replace the “GSP+” regime. Such an agreement could also include provisions to promote trade facilitation and customs co-operation.

As noted above, given the significant resources already at the disposal of the authorities in their fight against poverty and in the area of social policy (including in the areas of health, education and employment), the EC strategy is designed to complement these actions through exchange of best practice and training as well as efforts to strengthen the legal and administrative framework.

In the field of environmental policy, the EU will seek to integrate areas relating to the quality of the environment and the preservation of biodiversity into its other co-operation activities in the country. In particular, it will aim to assist the authorities in addressing challenges such as urban and industrial waste and deforestation.

The EC will also work to reinforce the partnership between the EU and Latin America in the field of the knowledge-based society, including in the area of information society, research and development, culture and education.

Taking into account the above features of the general EU response strategy, and the need to remain consistent with, and bring added value to the efforts of the Venezuelan government, the specific sectors identified for EC support in the 2006-2013 CSP have therefore been identified as (1) **support to the modernisation and decentralisation of the Venezuelan state and its institutions** (including through an increased participation in policy-making by civil society and local government), and (2) **assistance aimed at diversifying the country’s economy and providing equitable and sustainable economic growth**.

Given the need to concentrate efforts on the most immediate of the country’s development needs (modernisation of government, and an increase in social cohesion based on equitable economic growth), the environmental sector has not been identified as a focal area within the 2007-2013 CSP. Nevertheless, an increased protection of the environment will be fully taken into account and systematically integrated into all the co-operation activities outlined here.

In accordance with the European Parliament's resolution on AIDS¹⁷ which calls on the EC to consider prioritising HIV/AIDS and sexual and reproductive health in its Country Strategy Papers, the Government's policy agenda on these matters has been analysed as has the relative significance of these concerns in Venezuela. The Venezuelan Government reported having invested more than US\$ 28 million to fight HIV/AIDS in 2005. More than 100,000 Venezuelans are estimated by UNAIDS to be living with HIV/AIDS. In these circumstances, the EC propose to mainstream the fight against HIV/AIDS as cross-cutting issue in the programming process. Therefore, when relevant, it will be fully taken into account in the cooperation activities identified in the frame of the focal sectors.

The identification of sectors in this CSP follows consultations with both the Venezuelan authorities and non-state actors between October 2004 and December 2005, and culminating in a series of regional workshops held in April 2005 in Valencia, Maracaibo and Puerto Ordaz, and in a national workshop in July 2005 in Caracas. Attendees at these workshops included representatives of civil society, academia, the private sector and both local and national government representatives.

The sectors identified below also take into account the practical lessons learned when implementing existing co-operation projects, and in particular the need to ensure more effective and efficient public administration – including at a local level – and the authorities' ongoing interest in ensuring greater diversification of the country's economy.

5.2 Focal sectors and specific objectives for co-operation in the CSP

5.2.1 Support to the modernisation and decentralisation of the state (including greater involvement for civil society and assistance to the rule of law)

Justification of the intervention:

Venezuela's political difficulties of recent years have at times diverted attention from other long-term challenges, most notably the need to assist the government in efforts to modernize and reform the public administration, to decentralize decision-making and promote increased participation in policy formulation by local government and civil society. While the government has been making significant efforts to tackle the country's social problems, scope undoubtedly exists to enhance the effectiveness of many of these actions, in particular through the strengthening of local or regional bodies that have responsibility for their planning or delivery.

There is also a major need to better equip civil society to contribute and take part more fully in the design and implementation of policies related to socio-economic issues, human rights and democracy and the rights and the responsibility of the citizen. The EC has particular expertise in all of these areas. The participation of citizens in public planning (including the elaboration of projects in favour of local development) will require a strong change in attitudes.

¹⁷ P6_TA-PROV(2006)0526

Separately, the country's judicial system, which has been criticised for politicisation and inefficiency, could also constructively be assisted. There are, for example, major delays in the prosecution and conviction of offenders, as well as ongoing concerns over criminal activities and even extrajudicial killings being carried out by rogue elements in both the state and local police forces. Violent conditions also prevail in many of the country's prisons, hampering efforts to rehabilitate offenders.

Activities related to democracy and human rights carried out by civil society organisations will be mainly financed by the EIDHR budget line. The aspects related to public services and government efforts in this field may well be considered for support through the National Indicative Programme. All interventions in the social cohesion domain should take into account what is foreseen in the government agenda, specifically the need for a holistic approach.

The overall objective of this cooperation priority area is therefore to help the Venezuelan administration provide better, more efficient and more accountable public services, especially in the areas of social policy, the rule of law and legal and personal security.

Formulation of programmes in the sector (indicative):

Resources would primarily be allocated to support the process of decentralisation, to the improvement of public services and to the reform of the judiciary and legal order. This could include specific actions to strengthen the legal and administrative framework for decentralisation, and the development of a series of pilot schemes for capacity-building and the improvement of municipal services (including, for example, access to water supplies, education, and healthcare, as well as environmental management). General assistance to the public sector could include general administrative reform, support to tax administration, exchange of information and expertise on public expenditure management and training in the provision of essential economic and social statistics. Special emphasis could also be placed on the efforts to involve civil society in policy-making, including by minority groups, women and the young.

Possible action in the area of law and order could, for example, involve training and support for both the judiciary and law enforcement bodies, including the police and customs service, as well as the prison service.

5.2.2 Equitable and sustainable economic growth and diversification

Justification of the intervention:

Economic growth and job creation are essential factors for successful poverty reduction and the long-term development of Venezuela. While the country's economy is currently performing strongly, it remains highly dependant on the export of commodities, notably oil, gas and aluminium, with the oil sector accounting for 30% of GDP and 80% of total exports.

This area of intervention has two main objectives. Firstly, it aims to assist efforts to diversify the country's economy, in particular through an increase in the competitiveness of Venezuelan companies. (The EC has significant experience in the areas of improving business services, increasing access to financing and promoting innovation and trade with the EU). Secondly, the intervention will seek to support Venezuela's integration with regional and international markets including with the EU.

Formulation of programmes in the sector (indicative):

A country's competitiveness is linked to many different factors, and few have succeeded in maintaining high growth rates over the long term through dependence on a limited number of export products. The diversification of the Venezuelan economy, through an increase in the competitiveness and productivity of small and medium-sized enterprises is therefore one likely priority. As a first step, a trade-related needs assessment could usefully be undertaken in order to assess possible actions in this area. At this stage, it is envisaged that possible actions could include the provision of training and other assistance to SMEs, in order to help them achieve access to new markets (including the EU) and greater sales possibilities. Human capital is equally a key element to boosting growth and competitiveness and training, education and skills development could also be targeted at workers in this context. The environmental impact of the diversification of economic activities shall also be taken into account.

In order to support Venezuela's integration with regional and international markets, further assistance may also be directed at the legal framework with respect to foreign investment, and more generally to institutional, judicial and regulatory capacities in trade-related fields. Other co-operation activities could be aimed at assisting the country to participate more effectively in multilateral negotiations, especially in the context of its integration into Mercosur.

5.3 Coherence with other budget lines

Our interaction and co-operation with Venezuela will also be governed by a range of **thematic budget lines** and **initiatives** with a view to supplementing and complementing the focal sectors identified above. Interventions by the European Investment Bank may also be envisaged in the above sectors.

The RSP for 2007-2013 for Mercosur will focus on deepening Mercosur common markets and institutions, as well as raising mutual public awareness in the EU and Mercosur of the benefits of regional integration. As such, the areas identified are fully coherent with the focal sectors outlined in this CSP.

Finally, given Venezuela's acute vulnerability to a range of natural disasters, disaster risk reduction will be considered as an integral element of the design and implementation of projects and programmes in disaster-prone areas. It will be important to seek synergies and promote coordination with the DG ECHO and the DIPECHO Action Plan for the Andean region (which Venezuela is expected to remain involved in).

6. NATIONAL INDICATIVE PROGRAMME

6.1 Financial envelope

Under the Development Cooperation Instrument (DCI), an indicative allocation of 40 million has been earmarked in the period 2007-2013. The objectives identified in the co-operation strategy with Venezuela are the following:

- I Support to the modernisation and decentralisation of the state
- II Equitable and sustainable economic growth and diversification

PIN	2007	2008	2009	2010	2011	2012	2013
Sector I	20%		20%		10%		
Sector II		20%		15%		15%	

6.2 Indicative cooperation priorities

6.2.1 *Support to the modernisation and decentralisation of the state (DAC code – 150)*

General objective: To ensure greater social cohesion and assist government efforts to consolidate democracy, the rule of law and human rights in Venezuela

Target beneficiaries: National and local municipal authorities and civil society, including indigenous people and communities.

Specific objective 1: To accompany the government in its efforts to modernise and improve the quality and delivery of essential public services and to lend support to a process of decentralisation and greater local autonomy. Furthermore, to improve security and access to justice for citizens, thereby encouraging greater involvement in policy-making, especially at a local level.

Indicative expected results: Expected results for this objective would be a better delivery of social services and a more efficient public administration and a greater role for civil society in policy making. Further results could include greater security for citizens and a strengthening of the police forces.

Indicative indicators: Better delivery of social services and a more efficient public administration, number of policies more effectively delivered at a national and local level, results of such policy delivery, and number of civil society / local citizens' groups directly involved in this. Increased autonomy of the sub-national levels of government.

6.2.2 *Equitable and sustainable economic growth and diversification (DAC codes – 250 & 331)*

General objective: To contribute to efforts to ensure equitable and sustainable economic growth and a consequent reduction in poverty and unemployment.

Target beneficiaries: Public administration and private sector (SMEs and microenterprises)

Specific objective 1: To promote and develop the conditions for a sustainable increase in the competitiveness of private enterprise in Venezuela, particularly for SMEs and to encourage greater diversification in the country's exports. Activity in the area of SMEs will aim to promote the creation of employment and poverty alleviation through equitable and sustainable growth.

In order to better focus possible areas of intervention a trade needs assessment will likely be undertaken subject to the endorsement of the authorities in order to identify specific areas of intervention. Where relevant, environmental impact assessments may also be carried out at the individual project level.

Indicative expected results: At the macro level, these include improvement in the business environment through the strengthening of the legal framework, with respect to local and foreign investment, and assistance to the authorities and other actors in identifying and reflecting on development policies which will lead to equitable and sustainable growth and diversification. The environmental impact of the diversification of economic activity could also be studied (e.g. through environmental impact assessments). At the meso and micro-levels, further results could include the strengthening of institution and support networks for SMEs, the enhancement of marketing and management and exploring the needs for an availability of financial assistance for SMEs and micro-enterprises and other assistance (including training of workers and elements of environmental management)

Indicative indicators: Strengthened the SME sector and diversification of the country's economy, reduction in dependence on energy exports. Indicators could include the number of start-up SMEs and the quantity of their exports, including to Europe.

Specific objective 2: To support greater integration with regional and international markets, and in particular to increase and facilitate trade between the EU and Venezuela

Indicative expected results: These could include the enhancement of institutional, judicial and regulatory capacities in trade related fields, the provision of technical assistance in the area of trade facilitation, competition policy and in the area of foreign direct investment, the provision of assistance for participation in multilateral negotiations, especially in the context of Venezuela's integration into Mercosur and the effective implementation of existing and future regional legislation.

Indicative indicators: Indicators could include further integration by Venezuela into Mercosur and Venezuelan trade figures, chiefly as regards EU-Venezuela trade.

ANNEXES

Table of annexes

Annex 1	-	Map of Venezuela
Annex 2	-	Venezuela at a glance
Annex 3	-	Venezuela Data Profile (including social and economic indicators)
Annex 4	-	Country Environmental Profile
Annex 5	-	Principal sources of co-operation from EU Member States
Annex 6	-	Donors Matrix

Annex 1
Map of Venezuela



ANNEX 2

VENEZUELA AT A GLANCE

Flag:	
Country profile:	Bolivarian Republic of Venezuela
Area:	912,050 sq km
Population:	25,7 million (growth rate: 1.4%); birth rate: 18.9/1000; infant mortality rate: 22.2/1000; life expectancy: 74.3; density per sq mile: 72
Languages:	Spanish (official), numerous indigenous dialects
Administrative Capital:	Caracas, Largest cities: Maracaibo, Valencia, Barquisimeto
Ethnicity/race:	Spanish, Italian, Portuguese, Arab, German, African, indigenous people
Religion:	Roman Catholic 96%, Protestant 2%, other 2%
Head of state:	President: Hugo Chavez (1999 –re-elected 2006); note - the president is both the chief of state and head of government
Legislative branch:	unicameral National Assembly or Asamblea Nacional (167 seats; members elected by popular vote to serve five-year terms; three seats reserved for the indigenous peoples of Venezuela)
Literacy rate:	93%
Natural resources:	Petroleum, natural gas, iron ore, gold, bauxite, other minerals, hydropower, diamonds.
Unemployment:	15%.
Major trading partners:	U.S., EU, Colombia, Canada, Mexico, China, Brazil, Dominican Republic,

Sources: World Bank: Global Data Information System, UN Statistics Division – Common Database, Andean Community website
(all data 2004 unless specified)

ANNEX 3

VENEZUELA DATA PROFILE

1. Selected social indicators

1.1 Indicators related to the Millennium Development Goals

	1990	1994	1997	2000	2003
Goal 1: Eradicate extreme poverty and hunger					
<u>Percentage share of income or consumption held by poorest 20%</u>	..	..	3.0	..	..
<u>Population below \$1 a day (%)</u>	3.0	9.4	9.6	9.9	..
<u>Population below minimum level of dietary energy consumption (%)</u>	..	..	16.0	..	17.0
<u>Poverty gap ratio at \$1 a day (incidence x depth of poverty)</u>	0.9	2.9	2.9	3.5	..
<u>Poverty headcount, national (% of population)</u>	31.3	..	..	..	..
<u>Prevalence of underweight in children (under five years of age)</u>	7.7	4.5	5.1	4.4	..
Goal 2: Achieve universal primary education					
<u>Net primary enrollment ratio (% of relevant age group)</u>	88.1	..	85.9	92.4	90.8
<u>Primary completion rate, total (% of relevant age group)</u>	81.0	82.0	83.0	92.0	90.0
<u>Proportion of pupils starting grade 1 who reach grade 5</u>	86.0	..	90.8	89.5	..
<u>Youth literacy rate (% ages 15-24)</u>	..	..	..	97.2	..
Goal 3: Promote gender equality and empower women					
<u>Proportion of seats held by women in national parliament (%)</u>	10.0	..	6.0	12.0	10.0
<u>Ratio of girls to boys in primary and secondary education (%)</u>	105.0 103.6	..	..	105.1	103.8
<u>Ratio of young literate females to males (% ages 15-24)</u>	..	..	..	101.8	..
<u>Share of women employed in the nonagricultural sector (%)</u>	35.2	35.7	37.8	39.8	41.5
Goal 4: Reduce child mortality					
<u>Immunization, measles (% of children ages 12-23 months)</u>	61.0	94.0	68.0	84.0	82.0
<u>Infant mortality rate (per 1,000 live births)</u>	23.0	22.0	..	20.0	18.0
<u>Under 5 mortality rate (per 1,000)</u>	27.0	26.0	..	23.0	21.0
Goal 5: Improve maternal health					
<u>Births attended by skilled health staff (% of total)</u>	..	..	95.3	94.0	..
<u>Maternal mortality ratio (modeled estimate, per 100,000 live births)</u>	..	..	..	96.0	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
<u>Contraceptive prevalence rate (% of women ages 15-49)</u>	..	..	77.0	..	..
<u>Incidence of tuberculosis (per 100,000 people)</u>	43.2	42.7	42.4	42.0	41.7
<u>Number of children orphaned by HIV/AIDS</u>	..	..	..	..	..

<u>Prevalence of HIV, total (% of population aged 15-49)</u>	..	..	..	0.6	0.7
<u>Tuberculosis cases detected under DOTS (%)</u>	..	73.3	74.7	77.2	79.8
Goal 7: Ensure environmental sustainability					
<u>Access to an improved water source (% of population)</u>	..	..	..	..	83.0
<u>Access to improved sanitation (% of population)</u>	..	..	..	..	68.0
<u>Access to secure tenure (% of population)</u>	..	..	..	..	..
<u>CO2 emissions (metric tons per capita)</u>	5.8	7.0	6.7	6.5	..
<u>Forest area (% of total land area)</u>	58.6	..	..	56.1	..
<u>GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)</u>	2.6	2.4	2.8	2.4	2.5
<u>Nationally protected areas (% of total land area)</u>	..	..	..	..	63.8
Goal 8: Develop a global partnership for development					
<u>Aid per capita (current US\$)</u>	3.9	1.3	0.4	3.2	3.2
<u>Debt service (% of exports)</u>	..	..	..	..	..
<u>Fixed line and mobile phone subscribers (per 1,000 people)</u>	76.7	124.1	168.7	330.3	383.6
<u>Internet users (per 1,000 people)</u>	..	0.6	3.9	33.9	60.3
<u>Personal computers (per 1,000 people)</u>	10.3	23.4	34.8	45.5	60.9
<u>Unemployment, youth female (% of female labor force ages 15-24)</u>	17.9	17.0	26.6	28.3	..
<u>Unemployment, youth male (% of male labor force ages 15-24)</u>	20.0	15.1	16.4	22.3	..
<u>Unemployment, youth total (% of total labor force ages 15-24)</u>	19.4	15.6	19.8	24.3	..

Source: World Development Indicators database, April 2005 (Figures in italics refer to periods other than those specified)

1.2 Others

	1985	1990	1995	2000	2003
Human Development Index trends*	0,740	0,759	0,767	0,772	0,772 Venezuela ranked 75 in the total of 177 countries included in the HDR
Gender-related Development Index **	-	-	-	-	0,765 Venezuela ranked 58 in the total of 177 countries included in the HDR

Source: UN Human Development Report 2005

*The HDI – human development index – is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$).

** The GDI – gender-related development index – is a composite indicator that measures the average achievement of a population in the same dimensions as the HDI while adjusting for gender inequalities in the level of achievement in the three basic aspects of human development. It uses the same variables as the HDI, disaggregated by gender.

2. Selected economic, finance and trade indicators

2.1 Economic and finance indicators

	2000	2003
GNI, Atlas method (current US\$)	99.7 billion	89.0 billion
GNI per capita, Atlas method (current US\$)	4,100.0	3,470.0
GDP (current \$)	117.1 billion	83.4 billion
GDP growth (annual %)	3.7	-7.7
GDP implicit price deflator (annual % growth)	29.5	34.9
Inflation rate (%)*		31,7
Value added in agriculture (% of GDP)	4.2	4.5
Value added in industry (% of GDP)	40.5	41.1
Value added in services (% of GDP)	55.4	54.4
Foreign direct investment, net inflows in reporting country (current US\$)		
Present value of debt (current US\$)	38.7 billion	41.5 billion
Total debt service (% of exports of goods and services)		16.1
Short-term debt outstanding (current US\$)	4.1 billion	4.3 billion

Source: World Bank: World Development Indicators database, August 2005

*Source: IMF, delivered by DG Trade website

2.2 Trade indicators

	2000	2003	2004
Exports of goods and services (% of GDP)	28.4	30.6	35.7
Total exports (US\$ millions)		19,708	21,912
Oil		....	....
Steel		....	....
Manufactures		....	....
Imports of goods and services (% of GDP)	16.3	15.0	18.5
Total imports (US\$ millions)		7,578	12,573
Food		....	....
Fuel and energy		....	....
Capital goods		....	....
Trade in goods as a share of GDP (%)	39.6	38.6	..
High-technology exports (% of manufactured exports)	2.8	4.1	..
Rank of Venezuela as an EU's trade partner *			
Total			49
Imports from Venezuela			52
Exports to Venezuela			49

Source: World Bank: World Development Indicators database, August 2005;

* Source: EUROSTAT 2005

2.3 EU- Venezuela Trade indicators

2.3.1 European Union, trade with Venezuela (in Mio euro)

Year	Imports	Yearly % change	Share of total EU imports	Exports	Yearly % change	Share of total EU exports	Balance	Imports + Exports
2000	2 746		0.28	3 317		0.39	571	6 063
2001	2 941	7.1	0.30	3 756	13.2	0.42	815	6 696
2002	2 722	-7.4	0.29	3 123	-16.9	0.35	401	5 845
2003	1 898	-30.3	0.20	1 718	-45.0	0.20	-179	3 616
2004	2 097	10.5	0.20	2 298	33.7	0.24	201	4 395
3m 2004	503		0.21	471		0.21	-32	974
3m 2005	638	26.7	0.25	590	25.3	0.25	-48	1 228
Average annual growth		-6.5			-8.8			-7.7

Source: EUROSTAT 2005

2.3.2 Venezuela, trade with European Union (in Mio euro)

Year	Imports	Yearly % change	EU Share of total imports	Exports	Yearly % change	EU Share of total exports	Balance	Imports + Exports
2000	3 209		14.85	1 795		4.96	-1 413	5 004
2001	3 503	9.2	15.43	1 831	2.0	6.09	-1 672	5 334
2002	2 760	-21.2	19.69	2 038	11.3	7.23	-722	4 798
2003	1 906	-31.0	20.26	1 738	-14.7	6.31	-168	3 643
2004	2 419	26.9	19.75	1 911	10.0	5.93	-507	4 330
Average annual growth		-6.8			1.6			-3.6

Source: IMF

2.3.3 Venezuela's Trade balance with main partners (2004)

The major import partners			The major export partners			The major trade partners		
Partners	Mio euro	%	Partners	Mio euro	%	Partners	Mio euro	%
World	12 247	100.0	World	32 243	100.0	World	44 490	100.0
1 USA	4 076	33.3	1 USA	18 928	58.7	1 USA	23 004	51.7
2 EU	2 419	19.7	2 EU	1 911	5.9	2 EU	4 330	9.7
3 Colombia	705	5.8	3 Canada	815	2.5	3 Colombia	1 270	2.9
4 Brazil	615	5.0	4 Dominican Republi	785	2.4	4 Canada	1 160	2.6
5 Japan	437	3.6	5 Colombia	565	1.8	5 Mexico	911	2.0
6 China	433	3.5	6 Mexico	484	1.5	6 China	865	1.9
7 Mexico	428	3.5	7 China	431	1.3	7 Brazil	851	1.9
8 Canada	345	2.8	8 Trinidad Tobago	374	1.2	8 Dominican Republ	790	1.8
9 Panama	271	2.2	9 Ecuador	354	1.1	9 Japan	609	1.4
10 Chile	241	2.0	10 Cuba	316	1.0	10 Trinidad Tobago	538	1.2
11 Trinidad Tobago	164	1.3	11 Brazil	236	0.7	11 Panama	440	1.0
12 Peru	152	1.2	12 Bahamas	226	0.7	12 Ecuador	421	0.9
13 Argentina	142	1.2	13 Guatemala	195	0.6	13 Chile	371	0.8
14 Korea	109	0.9	14 Costa Rica	191	0.6	14 Peru	326	0.7
15 Bolivia	104	0.9	15 Peru	174	0.5	15 Cuba	322	0.7
16 New Zealand	92	0.8	16 Japan	173	0.5	16 Bahamas	226	0.5
17 Switzerland	70	0.6	17 Panama	169	0.5	17 Guatemala	214	0.5
18 Hong Kong	68	0.6	18 Nicaragua	142	0.4	18 Costa Rica	207	0.5
19 Ecuador	67	0.5	19 Chile	130	0.4	19 Argentina	149	0.3
20 Israel	42	0.3	20 El Salvador	108	0.3	20 Korea	148	0.3

Source: IMF

2.3.4 European Union, Imports from Venezuela by product grouping (Mio euro)

SITC Rev.3 Product Groups	2000	%	2002	%	2004	%	Share of total EU imports
TOTAL	2 746	100.0	2 722	100.0	2 097	100.0	0.20
Primary Products	2 294	83.5	2 281	83.8	1 585	75.6	0.51
<i>of which:</i>							
Agricultural prod.	155	5.6	170	6.3	183	8.7	0.23
Energy	1 664	60.6	1 679	61.7	1 124	53.6	0.62
Manuf. Products	444	16.2	436	16.0	483	23.0	0.07
<i>of which:</i>							
Machinery	45	1.6	40	1.5	29	1.4	0.01
Transport equipm	53	1.9	4	0.2	38	1.8	0.04
<i>of which:</i>							
Automotive prod.	2	0.1	1	0.0	2	0.1	0.00
Chemicals	166	6.1	109	4.0	72	3.4	0.08
Textiles and cloth.		0.0	1	0.0	2	0.1	0.00

Source: EUROSTAT 2005

**2.3.5 European Union, Exports to Venezuela by product grouping
(Mio euro)**

SITC Rev.3 Product Groups	2000	%	2002	%	2004	%	Share of total EU exports
TOTAL	3 317	100.0	3 123	100.0	2 298	100.0	0.24
Primary Products	494	14.9	452	14.5	388	16.9	0.36
<i>of which:</i>							
Agricultural prod.	415	12.5	356	11.4	305	13.3	0.52
Energy	43	1.3	61	2.0	47	2.0	0.17
Manuf. Products	2 709	81.7	2 594	83.1	1 788	77.8	0.22
<i>of which:</i>							
Machinery	1 219	36.7	966	30.9	659	28.7	0.24
Transport equipm	257	7.7	363	11.6	158	6.9	0.10
<i>of which:</i>							
Automotive prod.	107	3.2	235	7.5	72	3.1	0.07
Chemicals	459	13.8	515	16.5	507	22.0	0.33
Textiles and cloth.	93	2.8	75	2.4	52	2.3	0.15

Source: EUROSTAT 2005

ANNEX 4

(a) ENVIRONMENTAL PROFILE VENEZUELA (b) SUMMARISED VERSION OF VENEZUELA CONTENT, REGIONAL ENVIRONMENT PROFILE, ORGUT CONSULTANTS, FEBRUARY 2005¹⁸

1 STATE OF THE ENVIRONMENT

Venezuela probably has the most advanced environmental legislation in the Andean Community. However, the impact this has on the physical environment is not as one might expect and a number of problems remain to be solved in order to achieve sustainability. Nevertheless, the Government has genuine plans relating to the sustainable management of natural resources, sanitation, social and economic development, as well as the cleaning up of damaged environments. Those plans, the legal bodies and the institutional setup are a solid base for the implementation of a sustainable development process that will provide for social and economic growth and productive conservation of the natural resources.

2.1 MANAGEMENT OF NATURAL RESOURCES

2.1.1 Forestry

Venezuela has vast natural forest resources and a considerable potential for industrial forestry production. An important factor in the conservation of the natural forests is the considerable number of protected areas (246), covering a total area of 50, 634,561 ha. In some of these areas, the government can issue concessions for forest exploitation. However, during the period 1980 – 1992, most of the deforestation occurred outside these areas. The main immediate reasons for deforestation are unsustainable forestry exploitation, an increase in agricultural activity, shifting cultivation, illegal logging, illegal mining and the exploitation of oil and natural gas.

2.1.2 Biodiversity

Venezuela is one of the ten most bio-diverse countries in the world. Moreover, Venezuela presents 27 climatic zones, 650 types of natural vegetation, 15,000 species of superior plants and 38 geological units. In total, Venezuela has 137, 141 species counting both fauna and flora. In order to support the sustainable use of the natural resources in the country, the Ministry of Environment and Natural Resources has produced a “**National Strategy and Action Plan for Management and Conservation of the Biodiversity**”. This strategy is complemented with strategies targeting water, desertification and other environmental/natural resources sectors. Deforestation, mining, air and water pollution, illegal trade of fauna and flora, construction of various infrastructures, tourism and leisure activities, subsistence activities of indigenous communities, natural catastrophes and climatic change all contribute to biodiversity losses.

2.1.3 Water resources

Venezuela has important fresh water resources located in five main watersheds: Orinoco River, Maracaibo Lake, Caribbean Sea, Valencia Lake and Cuyuní River. The Orinoco is the second largest river basin in South America with a total area of about 990,000 Km² and with 2,240 km permitting navigation. The country has developed a solid infrastructure in order to utilize the water resources for hydropower production. The construction of a new big dam in the basin of the Caroní River is presently being discussed with the Inter American Development Bank. The main

¹⁸ A full version of the Regional Environment Profile is available at http://ec.europa.eu/comm/external_relations/andean/doc/env_rep_0205.pdf

threat for the water resources are deforestation in the upper part of the catchments; mining; petroleum exploitation; urban, industrial, household and solid wastes. Most of these residues are discarded directly into open water bodies, and thereby contributing to coastal pollution.

2.1.4 Soils

The main causes of soil losses are deforestation, over grassing, water erosion, and chemical deterioration. The agricultural total area (arable land) has decreased from 2,840,000 ha in 1980 to 2,640,000 in 1999. In percentage of the total area, the figures are 3.1 % in 1980 and 2.9% in 1999. Erosion and desertification; change of use; migration and lack of incentives are the main causes for the agricultural land reduction. Human activity accounts for much of the problems relating to agricultural soils. Deforestation and depletion of vegetative cover, unsustainable soil management and cropping practices produce erosion, salination and toxicity, which in turn reduce soil fertility and make plant growing impossible. The use of agricultural soils to support infrastructures and the lack of incentives for agricultural production has resulted in migration and in the concentration of land ownership, reducing opportunities for small and medium farming.

2.1.5 Coastal areas

Venezuela has 3,806 km of continental coast mainly characterized by high temperatures (higher than 28 °C). On the Atlantic seaboard, the Orinoco River Delta with flooded areas and muddy beaches dominates. The Caribbean coast presents two main features; the high coast with abrupt differences between land and sea and the low coast with muddy and sandy beaches. Marine life is richer in the Caribbean sea area where there is a high potential for ecotourism. The life and sustainability of the coastal and sea areas are threatened by the discharge of polluted water from inland and direct discharge of municipal, household, industrial and solid wastes from coastal cities and industries. Furthermore, the oil industry has contributed to an enormous pollution both in the water and land environments.

2.1.6 Mining

Gold, diamonds, coal, silicon, kaolin and lime, are the most important minerals exploited in the country. The main environmental problems in the mining sector are the use of toxic materials in the extraction processes and their release into open waters. The accumulation of toxic residues is an additional problem.

2.1.7 Petroleum

Oil is the most important resource of Venezuela. However, its exploitation has a direct effect on the environment. The exploration and perforation stages are associated with deforestation and production of toxic mud, which are discharged into pits subjected to infiltration. Likewise, the exploitation and separation stages are associated with high quantities of toxic water, which are deposited with little environmental consideration. Deforestation, water pollution, soil pollution, erosion and the loss of biodiversity are the main environmental problems associated with oil exploitation.

2.2 URBAN AND INDUSTRIAL ENVIRONMENT

2.2.1 Urban Water

Venezuela is the second most urbanized country in Latin America and the twelfth in the world. More than 80% of the population lives and works in towns or cities. Poverty and socioeconomic dynamics have a negative impact on the environment. Water pollution is a serious problem in all

towns and downstream up to the coastal areas. The country does not have a sufficient network of water treatment plants for municipal sewers and most of the industries do not possess water treatment plants. Thus, most of the wastewater goes directly to rivers, lakes and coast areas, thereby polluting them.

2.2.2 Air quality

The population concentration in large towns and cities results in a high number of vehicles circulating and polluting the air. Industries are also located in towns and cities and further contribute to air pollution. These two factors have a considerable impact on the greenhouse effect. Venezuela produced net emissions of CO₂ equivalent to 144,501,000 ton during 1996 and for the year 1990, the net production of methane was 3,170,000 ton. These figures are higher than the other countries of the Andean Community added together.

2.3.3 Refuse collection and disposal

The management of solid and hazardous wastes is one of the main environmental problems. The country generates about 18,000 ton of diverse solid wastes per day (4 to 6 million tons per year). The deficiency in the management of solid and hazardous wastes is a threat to the physical environment as it pollutes soils and water, but even more important is its influence in public health. In recent years the number of recycling centres has increased, recycling paper, glass and aluminium containers. This has generated an economic activity that can be increased in both quantity and quality incorporating other products such as hard plastics, other metals, organic residues and wood.

3. ENVIRONMENTAL POLICY AND INSTITUTIONAL FRAMEWORK

3.1 Legislation

Venezuela is in some way a pioneer in Latin America when it comes to environmental legislation. As early as 1976, the government and the parliament approved the environmental law (Ley Orgánica del Ambiente) and in the following year the Ministry of Environment and Natural Resources (Ministerio Del Ambiente y los Recursos Naturales Renovables) was created. Currently, the ministry is known as the Ministry of Environment and Natural Resources (Ministerio Del Medioambiente y los Recursos Naturales MARN).

The Constitution approved in 1999 introduced environmental rights and emphasises the importance of the environment as a transversal issue throughout the Constitution. The legal framework is presently under review in order to adapt it to the Constitution. New laws, regulations and environmental strategies are being issued, such as those on: "Fisheries and aquaculture", "Administration of Drinking Water Services" and "Solid Wastes".

3.2 International agreements

During the 1990s, Venezuela adopted the following international conventions on the environment: "The Rio Declaration" "Agenda 21" "The Framework of the UN on the Climatic Changes" "Biological Diversity Convention" All these are now form part of the national environmental legislation. Moreover, the country has recently signed the Kyoto Protocol.

ANNEX 5

(c)

(d) Principal sources of co-operation from EU Member States

(e)

FRANCE:

Scientific and university co-operation (420.000 €) through research and university exchange programmes; Technical co-operation (70.000 €) on sustainable development issues, the rule of law and decentralized co-operation with civil society, rural populations and governmental agencies; Environmental co-operation (500.000 €) focused on forestry management in the Canaima National Park; Cultural and audiovisual co-operation (150.000 €); Education and linguistic co-operation (110.000 €) and Regional co-operation (150.000 €) aimed at the Andean Community integration process.

GERMANY:

Microprojects (40.000-50.000 €) aimed at improving the standard of living of the poorest and marginalised sections of the population; Fight against Drugs (150.000 €); Activities to strengthen democratic governance and to advance citizens' information regarding democratic principles and human rights; Regional co-operation, including environmental protection, Academia scholarships (440.000 €) to improve human capital through the Humboldt Foundation and projects aimed at export promotion.

ITALY:

Assistance to education (equipment and materials for Universidad Simón Bolívar in Vargas) and SME / agricultural sector.

SPAIN:

In 2004, co-operation included a focus on basic needs (100.000 €); clean drinking water and healthcare (50.000 €); medical centre for young mothers (50.000 €); infrastructure (200.000 €); tourism and sustainable development (60.000 €); cultural co-operation (125.000 €).

UNITED KINGDOM:

Bilateral co-operation focuses on human rights and environmental protection issues (£60.000); Support to the fight against drugs and crime; Scholarships (10 per year), Andean Regional Conflict Prevention Fund (£500,000).

Annex 6

Donors Matrix

<i>Type</i>	<i>Agency</i>	<i>Programming Phase</i>	<i>Type of financing</i>		N° of projects	<i>Total Value</i>	Balance to pay (M US \$)1	Annual average (M US \$)1	Themes														
			Reimbursable	Donation					Decentralisation	Justice and Policing	Governance	Commerce and Finance	Education and Culture	Rural Development, Agriculture and Land	Durgs and Alternative Development	Energy, Mining and Hydrocarbons	Environment	Basic Hygiene	Health and Social Security	Transport	Urban Planning and Housing	Other Poverty related	

IFIs			
World Bank			
IBD		x	x
CAF	En ejecución	x	
IFAD			
Nordic DF			
Global Env, Facility	(included in UNDP)		

United Nations System			
UNDP	2003-2007	x	x
WHO/PAHO	2004-2005	x	2
UNICEF	2002-2007	x	11
UNHCR	2004	x	1
UNFPA		x	26

European Commission																							
EU Member States	Germany (GTZ)	In execution			10	1,5								x	x	x		x		x		x	
	Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Denmark	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Spain AECI	Bilateral/ Others			11	1,3								x	x	x				x			x
	France	In execution			6	2,0				x					x	x				x			
	Italia	In execution			2	8,3									x	x							
	Netherlands	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	UK	In execution			12	1,5					x				x					x			x
	Sweden	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Finland	In execution		x	10	0,32				x	x			x	x				x			x	

Other Bilateral	USA	In execution		x	7	5,0				x	x			x					x				X
	Japan	In execution	x	x	30	4,6				x				x	x	x				x	x		X
	Canada																						
	China																						
	South Korea																						
	Switzerland																						

