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**MID-TERM REVIEW
AND NATIONAL INDICATIVE
PROGRAMME**

2011 -2013

VENEZUELA

1. EXECUTIVE SUMMARY

Since the Country Strategy for Venezuela was written in 2006, the Venezuelan Government has consolidated the ‘Bolivarian Revolution’. The continuity of government is matched by a continuity of objectives, albeit in changed political, economic and social circumstances. Venezuelan society is polarised and many of the ongoing economic and political reforms (nationalisation, the creation of new forms of property) accentuate this trend. In addition, the international crisis and the fall in the price of crude oil render the situation more difficult.

The focal sectors defined in the NIP are (1) the modernisation of the State and (2) the diversification of the economy. These two sectors continue to provide the focus for our cooperation in the years 2011-2013. An indicative amount of €40 million was allocated for the period 2007-2013. Of this, €30 million was allocated for 2007-2010 and €10 million for 2011-2013.

At the time of this mid-term review some of the projects from the 2000-2006 strategy were just being closed, while the projects identified under the NIP 2007-2013 were only just beginning. This review thus reflects on previous implementation experience and on the relevance of the current strategy in the light of recent developments in the country, the EU, and in EU-Venezuela relations.

The mid-term review suggests a minor adjustment, increasing the amount of funds available to focal sector one (modernisation of the state) while decreasing, in equal measure, the funds allocated to focal sector two (diversification of the economy). The frequent, often drastic, changes in economic policy make it more difficult to identify feasible and useful projects in this domain, while capacity-building to strengthen the institutional fabric remains a firm priority. Reflecting the advance of programming, minor changes in the objectives and indicators have also been introduced.

Within the two selected sectors, topics of specific interest to both the EU and Venezuela have been highlighted, namely the fight against illegal drugs, the protection of the environment, climate change and renewable energy.

2. THE MID-TERM REVIEW

2.1. PRINCIPAL POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS IN VENEZUELA

2.1.1 Political situation

Since 2006, the **political situation** in Venezuela has been dominated by the consolidation of the ‘Bolivarian Revolution’. President Hugo Chávez’ government was given a new impetus after Venezuelan voters agreed to amend the constitution and remove term limits for some public office holders in a referendum on 15 February 2009. Once again, the results also revealed the geographical and ideological polarisation of the country, with strong support for

the opposition in the large cities and for Chavez in rural areas. **Venezuela's development policy maintains the same direction as at the time of the writing of the Country Strategy Paper.** The main references are the Constitution adopted in 1999, especially Chapter VI ('socio-economic system') and the first socialist plan 'Simón Bolívar National Project' (PPS 2007-2013), which identifies the main needs of the country as (i) a massive and accelerated process of social inclusion, (ii) environmental education, and (iii) health care and integral education. The Government also recently announced measures to reduce violence. The fast pace of policy and legislative reforms often limits the effect of government measures and, together with the high turnover of staff in government authorities, constrains the development of new cooperation projects and the implementation of existing ones.

Regarding the **country's external relations**, Venezuela has not changed the main objectives of its foreign policy since 2006. These are: to promote a 'multi-polar world'; to foster regional integration processes in Latin America, and to reaffirm the region's independence with respect to external actors, particularly the United States. To achieve these goals, Venezuela is conducting an active policy of 'oil diplomacy' and seeks to **diversify its trade and political relations** (in 2007 Venezuela was still selling 70 % of its crude to the US). (Annex 9)

Relationship with the EU and its Member States: since 2008, Venezuela has sought to sign framework cooperation agreements with almost all Member States of the European Union. Effective implementation of these agreements varies from country to country. Relations with the EU as such have not changed significantly since 2006.

2.1.2 Human rights situation and public safety

With respect to **human rights**, the 1999 Constitution guarantees inalienable, indivisible and independent human rights as agreed in the international treaties ratified by Venezuela. The separation of powers is in some cases affected by the political polarisation in the country. The independence of powers is often questioned by the opposition, which has denounced a trend towards a concentration of power in the hands of the President.

In late 2007, UN Special Reporters from the Human Rights Council expressed concern about the constitutional reform approved by the National Assembly on 3 November 2007, in particular that the new provisions concerning states of emergency hinder the full enjoyment of civil liberties by Venezuelan citizens¹.

Most recently, various Special Reporters have submitted requests for information from Venezuela on individual cases relating to issues such as the independence of judges and lawyers, the right to education and the situation of human rights defenders².

Regarding Venezuela's relationship with regional organisations on human rights, the Inter-American Commission on Human Rights (IACHR) in its report for the year 2008 stated that Venezuela should enhance its policy on the protection and promotion of human rights defenders, take the necessary measures to ensure the impartiality and independence of public

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<http://www.unhcr.ch/hurricane/hurricane.nsf/view01/3A9D80608052F4FCC12573A30073E377?opendocument>.

² http://ap.ohchr.org/documents/dpage_e.aspx?c=203&su=202.

authorities, promote tolerance and political pluralism and guarantee the security of citizens both in and out of prison custody. Likewise, the Commission asked that Venezuela complete the ratification of regional treaties on human rights, while reiterating its interest in visiting Venezuela to promote the observance and defence of human rights in the country.

The Venezuelan Foreign Ministry, through an official statement, categorically rejected the substance of this report, affirming that Venezuela had made significant progress on human rights, which had not been duly recognised by the regional body.

The PPE, ALDE, and UEN groups in the European Parliament adopted an emergency resolution expressing their concern about the weakening of democracy in Venezuela. The Venezuelan authorities rejected the resolution, alleging that it had the support of only 4 % of all members of the European Parliament.

Venezuela is one of the first countries in Latin America that has taken measures to protect **the rights and interests of women**, under special legislation. The National Assembly intends to approve a **Law on Gender Equality**, which would be major progress in this matter. Likewise, legislation to ensure children's rights is modern and progressive. Nevertheless, **the situation of children and adolescents** is still marked by strong intra-family violence, a high rate of teenage pregnancy, malnutrition and child trafficking. Since 2006, Venezuela has also made progress in the field of social and cultural rights. Investment in the social sector increased to 10.4 percent of GDP between 1998 and 2008. Primary school enrolment rates reached nearly 100 %, so that in 2005, Venezuela was declared a 'territory free of illiteracy' by UNESCO.

Regarding physical safety, Venezuela has an average of 10`114 violent deaths a year. The city of Caracas alone accounted for 21.72 % of the murders committed in the period 1999-2008. The government has declared the **fight against insecurity** a priority, and announced the imminent reform of the Organic Code of Criminal Procedure (OCCP) and the Law of the Supreme Court.

2.1.3. Economic and social situation

Inflation remains a major challenge for the Venezuelan economy. In the last five years, Venezuela's inflation rate rose from 19.2 % in 2004 to 30.9 % in 2008. In spite of this, the Venezuelan economy experienced 20 consecutive quarters of economic growth until 2008. The falling price of Venezuelan crude (by 70 % at the time of writing in April 2009) may now reverse this trend. Since 2006, the rate of foreign investment has declined significantly. In 2003, Venezuela implemented exchange controls (VEF 2.15/USD 1) and established the Commission of Foreign Exchange Administration (CADIVI) to control the allocation of dollars both to importers (through the lists of priority products), and to private individuals. **The strong dependency on the oil sector has lowered the non-oil sector's competitiveness and its ability to integrate into the global economy.** Since early 2009, and in response to the effects of the global crisis, the government has been seeking to reduce public spending (with the exception of the social programmes), crack down on tax evasion and reactivate the

productive apparatus through social production enterprises. Since 2006, new taxes have been introduced, the most recent being an increase in Value Added Tax (from 9 % to 12 %). Other taxes, such as the tax on financial transactions and bank debits, have been abolished. The 'revolutionary' process taking place in Venezuela creates a high level of uncertainty with regard to future rules in an ever changing legal landscape.

During 2009 the Venezuelan economy showed a contraction for the first time in almost 5.5 years, and thus technically entered into recession. According to the data issued by the Venezuelan Central Bank for the second quarter of 2009 the oil sector contracted by 4.2%, while the value of the Venezuelan oil exports fell by 50.3% in comparison with the same period of 2008. From January to July inflation reached 26.2% with a year on year of 32.0%. On January 8th, President Chavez announced a devaluation of the Bolivar along with the introduction of a dual exchange rate. The rate, previously fixed at 2, 15 BsF per 1 USD has been adapted to 2,60 for goods that are considered to be a priority (food, medical goods, capital goods, remittances). A new rate of 4, 60 BsF/USD has been created for all other goods and is referred to as "the petro dollar". The deterioration of the economy of Venezuela has been partially caused by the lack of financial resources and the world crisis, but also by the acceleration of the economic measures taken by the government which includes, nationalizations and expropriations that combined with legal uncertainty has produced less productive investments and more labour conflicts.

For instance, a **Law of Social Property** is on the agenda of the National Assembly, which proposes that the State promote collective ownership as the basis of the socialist economic system developed by the government. It is difficult to determine the extent to which this law would be implemented and affect private property. With regard to nationalisation, the Venezuelan Government has since 2006 been declaring that it is implementing a plan in 'strategic sectors' — without defining that concept. Up to April 2009, there had been nationalisation in the following areas: oil, electricity, communications, mining, steel, foodstuffs, cement, banking, ports and airports.

Social situation — **National statistics show a significant drop of the extreme poverty rate in the last few years (from 29.8 % in 2003 to 9.4 % in 2007 according to official statistics).** The number of retired people entitled to pension schemes has increased by 233 % in the last 10 years. Notable progress has been recorded in the health sector. In 2007, 95 % of the country's population had access to free medical coverage, while the proportion of doctors increased to 59 doctors per 100000 inhabitants. The 'Social Missions' have had a positive impact in areas such as food provision, medical care and literacy. Despite the Government's assurance that the missions will not suffer financial cuts, there are indications that the services they offer have been reduced. Due to high and increasing dependence on imports of essential items (food, medicine) the population has little recourse to national production once the foreign currency reserves no longer suffice to cover needs.

Business situation — **The European Union is Venezuela's second-largest trading partner** (after the United States), accounting for 9% of Venezuela's total trade with the world. During 2008, trade between Venezuela and the European Union was worth EUR 10 633 million (exports and imports). This is 12.81% higher than in 2007 (EUR 9.425 million). 79% of Venezuelan exports to the EU were fuels and fuel products. **Venezuelan exports are little diversified** and with low added value, being basically raw materials.

2.1.4. Environmental situation

One of the most serious problems regarding the environment is the lack of systematic and independent monitoring. Currently, the EC is looking to support studies and initiatives that could serve as a basis for such monitoring, but no institutionalised system of monitoring is in place for the moment. Today, as in 2006, the most significant environmental challenges derive from the existing problems: **pollution** and **deforestation** (a more comprehensive analysis can be found in Annex 6).

2.2. NEW OBJECTIVES AND POLITICAL COMMITMENT OF THE EC/EU

2.2.1. Relevance of the new EC/EU strategic objectives

European cooperation has been designed and implemented in line with both Venezuelan and European political objectives and commitments. EU policy on cooperation with Venezuela reflects the challenges set out in the Lima Declaration, such as: the eradication of poverty, inequality and exclusion, sustainable development, environment and climate change, trade and, to a limited extent, regional cooperation. Strengthening human rights and non-State actors is also supported, through thematic budget lines.

The Mid-term Review and the dialogue with the Government have taken into account the new priorities in the policies of the EU/EC:

- **Aid for Trade** — Since receiving aid is not a priority for the government, there is no national policy on how to use aid to enhance trade. The national plan provides for diversification of the economy principally to satisfy internal demand but with a provision to export surpluses. The EU strategy on aid for trade, adopted by the Council of Ministers in October 2007, favours support for partner countries' own efforts to strengthen production and trading capacity. The as yet uncommitted funds under focal sector two are considered sufficient to strengthen the capacity of national authorities to provide a more enabling environment for small and medium-sized enterprises.

- Drugs — The European Council adopted a strategy to combat drugs (2005-2012) in December 2004. Venezuela is an important transit country for drugs and has recently adopted a national plan which also addresses issues that are still peripheral to public debate in the country, such as drug abuse and antecedent crime. The fight against drugs is the specific theme of one project under focal sector 1 (Modernisation of the State). Under the AAP 2008, a project with the National Anti-Drug Office (ONA) is currently being drawn up, with the aim of preventing illegal drug use, improving airport security and developing controls as part of the fight against illegal drugs. Venezuela may also participate in a project on combating drugs under the Stability Instrument, where this problem is tackled in an international context (the ‘cocaine route’).
- Environment / Climate change — Venezuela drafted its first communication on climate change in 2005. A project on biodiversity is currently being devised (in focal sector 1) and any actions to be carried out under focal sector 2 will also favour the promotion of greater respect for the environment. At present, the Delegation is seeking to foster synergies between the political dialogue and new cooperation initiatives on this issue.
- AIDS, Tuberculosis and Malaria — Venezuela has a policy of distributing free anti-retrovirals benefiting many of those who are aware of their status. Testing facilities for HIV and anti-discrimination measures still provide a great challenge. Malaria is a significant concern in isolated areas of the country. Official figures on these and other diseases are not made widely available. The importance of these issues has been underlined in the Country Strategy Paper and the EC proposes to continue to include the fight against HIV / AIDS as a cross-cutting theme in programming.
- Renewable energy — despite abundant non-renewable energy, Venezuela is now making efforts to increase the production of energy from sustainable sources. Based on the Lima Declaration, cooperation and joint research efforts on eco-technologies can be intensified, for example by intensifying cooperation with the Ministry for Petroleum and Energy. This could include initiatives to assess the potential of using clean energy together with the Ministry; this activity could also form part of support for SMEs and cooperatives, included in sector 2.
- Migration: Migratory issues have gained a particular attention on the relations between the European Union and countries of Latin America and the Caribbean. The Lima Declaration in 2008 reiterated the intention of developing a structured and comprehensive EU-LAC dialogue on migratory subjects and of intensifying the cooperation in this matter. On 30 June 2009, this bi-regional EU/LAC Dialogue on Migration has been launched. It is a new instrument for the development and strengthening of the dialogue and cooperation between both regions on migration issues. The principal objectives of the Dialogue include the identification of common challenges and areas for mutual cooperation as well as building a stronger evidence base for EU-LAC migration in order to better understand its realities, based on the principle of shared responsibility, strengthening the commitment and willingness of both sides to discuss migration issues. In this framework, both regions will exchange views in three main areas: enhancing the positive synergies; better organising regular

migration; addressing irregular migration. Parallel to the EU-LAC dialogue, the EU finances projects in this area through the Thematic Programme of Cooperation with Third Countries in the areas of migration and asylum, created in the context of the financial perspectives 2007-2013. . For the period 2009 and 2010, an amount of 9,5 million euro will be reserved for projects in Latin America and Caribbean, (respectively 6,5 million available in a call for proposals to be published in July/August 2009 and 3 million reserved for a targeted project to be supported in 2010 through direct agreement).

The new EU/EC commitments are considered relevant in the actions to be included in both sectors of cooperation. Indeed, in Sector 1 (modernisation of the State), action against drugs and the preservation of the environment and biodiversity in connection with climatic change will be significant. In Sector 2 (economic diversification), particular attention will be given to support for SMEs and cooperatives, under 'aid for trade'. Initiatives dealing with renewable energy will be prioritised. These are of particular interest to the Venezuelan Government. Further initiatives to strengthen regional cooperation will need to await Venezuela's eventual accession to MERCOSUR.

2.2.2. Agenda on aid effectiveness

Venezuela is not a priority country for major international donors, whose presence is limited. The European Commission, as the largest donor in the country, is seeking to harmonise the objectives of its aid with the EU member countries, organising regular meetings to exchange information about the priority sectors and the implementation of projects and thus increasing the effectiveness of aid. Coordination with other agencies present is undertaken at sectoral level, where a risk of overlap exists. The Ministry of Planning is the counterpart to cooperation partners and ensures that new funding initiatives are in line with national priorities. Venezuela is not a signatory to the Paris Declaration and aid flows are not a major contributor to the national budget. Government efforts to harmonise donor efforts are therefore understandably limited.

2.2.3. Civil society organisations, local authorities and national parliaments

Civil society in Venezuela has a long history of dependency on the State, which, due to its oil revenues, can exert significant influence on the shape of the third sector. In recent years, this relationship has become more uneasy; even the term 'civil society' is frequently used by government officials as a synonym for 'opposition.' In particular after the coup attempt in 2002, there were indications that a small number of civil society organisations had acted in a politically partial manner. The exact role these organisations played has never been fully explored; instead there has been a gradually increasing, blanket suspicion against civil society activity in any field. Spaces for dialogue between government and civil society are diminishing. The Delegation maintains permanent contact with civil society through its own project initiatives (principally the EIDHR budget lines and the one on Capacity Building for Non-State Actors), participation in civil society events and analysis of publications. In bilateral projects such as DROGASTOP and BiodiVen, limited participation of non-State

actors has been agreed with government; this is certainly positive, but it will be a challenge to ensure that this participation adequately capitalises on the strengths of the NSA involved. Where government does still invite NSAs that are not affiliated with the Bolivarian Revolution to participate, it is clear that this occurs on the Government's terms. The opportunities that EC cooperation offers for encounters and dialogue between Government and civil society are important but it is not likely that they will trigger a reform in the Government's position on civil society. Contact with local authorities has been limited, due to the low level of bilateral cooperation, intense electoral activity, and changes in the functioning of local authorities. With the beginning of the first project under the CSP, the CARCAVEN project, more frequent contacts with municipal authorities that participate in the project are expected.

Apart from a controversial proposal to develop a new law on international cooperation, in discussion since 2006, the National Assembly is not involved in discussions on the ODA that Venezuela receives from other countries.

The country-based support scheme under the European Instrument for Democracy and Human Rights represents an important tool for supporting civil society activities on protection and promotion of human rights.

2.3. RESULTS, PERFORMANCE AND LESSONS LEARNED

2.3.1 Country performance

In its ten years of existence, the government project to foster a 'Bolivarian Revolution' has profoundly changed Venezuelan institutions and society. Although Venezuelan governments, on the back of oil income, had rarely been averse to state intervention and nationalisation, the ongoing consolidation of '21st century socialism' has led to an unprecedented concentration of economic and political resources in the hands of the state. The struggle to turn the state apparatus into an overt political protagonist continues to divide public opinion in Venezuela and often hampers institutional, economic and social stability. Development assistance plays a relatively minor role in shaping these dynamics, not least because of Venezuela's earnings from oil. Official development assistance granted to Venezuela accounts for less than 0.1 % of the national budget, and donors have played, and will probably continue to play, a marginal role in national political debates. Taking these facts into account, the 'budgetary support' and 'sectoral support' mechanisms to implement aid have not been applied in Venezuela and it is unlikely that they will be applied in the future.

2.3.2. Implementation of the first phase of the NIP 2007-2013

It is too early to make an accurate assessment of the NIP 2007-2013 projects. The CARCAVEN project (total: €16.3 million, EC: €8 million, approach: strengthening the mapping and cadastre system), the first to be signed in the past five years, is only just beginning. A second project, DROGASTOP (total: €6.3 million, EC €3.3 million, approach: reducing consumption and trafficking of illicit drugs) awaits signature by the Venezuelan

authorities. Several other projects are at the planning stage now. The significant delay experienced in the planning of new projects is largely due to frequent staff and policy changes in partner institutions, which may interrupt and, in some cases, end dialogue on new projects. In spite of this challenge, the dialogue with the national authorities has remained frank and constructive, with openness to developing new ideas on both sides. For example, in response to the acknowledged difficulty of identifying activities in focal sector two (diversification of the economy), mainly due to the fast changing parameters in the productive sector, the Venezuelan Government endorsed the idea of developing a project on strengthening small entrepreneurs by setting up 'economic incubators' and has proposed to continue discussion on cooperating more closely in the field of developing alternative sources of energy.

The performance under the previous country strategy (2001–2006) suggests that the outcomes and impacts of EC cooperation will be mixed. EC funds then supported a successful initiative to strengthen disaster prevention and preparedness. Other projects encountered serious problems, often because their design was too complex, involving a wide range of institutional actors who had little capacity to coordinate amongst themselves and were ill-prepared to face up to political pressures. Efforts to minimise such effects in new projects are described in greater detail below.

2.3.3. Lessons learned

Past cooperation efforts have yielded positive results in various sectors. The PREDERES project provided more than 100 000 people with an infrastructure that protects against the flooding that cost several thousand lives in 1999. The project was also successful in creating community-based early warning systems, helping to construct and reconstruct working relationships between local authorities and communities. The project is still being heralded as a model, not least due to its integrated approach, whereby communities were closely associated not only with the works that were carried out but also with the maintenance and auxiliary activities necessary to maintain the benefit. Two years after the end of the project, the committees continue to function, albeit at a less active level. According to the final project report, the aim of disseminating this model to other communities facing similar risks nearby has not been achieved, mainly due to inter-agency rivalry.

The final evaluation of the PlanDeSur project found evidence of strengthened planning capacity, more efficient registry systems and better management of human resources in the municipalities that took part in the project up to 2006. The report highlights that there was great variation between the performance of municipalities, attributing this to the greater political will found in some but not in others. Project implementation was restricted due to political conflicts and thus the gains made were difficult to consolidate and not disseminated. In spite of similar difficulties, PROJUVENDES managed to broaden capacity for and deepen the quality of vocational training offered to young people and was judged to have achieved a good impact in those communities where it was operating. Several of the centres are still running today with the staff and equipment procured with EC funds well maintained; they continue to be an attractive training option. Also in this case, the original idea that the centres

would function as a model for others did not come to fruition since the institutions involved changed their priorities and responsibilities during the implementation of the project.

The main lessons to be learned from our past and present cooperation are:

- **Keep projects simple**, avoiding situations where multiple institutions take responsibility for drafting and implementing them.

Background: Frequent staff and policy changes in national institutions hamper the continued dialogue that is necessary to plan, decide and implement bilateral cooperation projects (examples: PlanDeSur, Projuvendes, DESMIRS). The uncertain and often highly politicised working environment of government counterparts makes it difficult for government entities to coordinate amongst themselves or with third parties, such as the EC.

- **Focus on a common agenda with a clearly identifiable European value added.**

Background: Several initiatives for new projects have faltered due to ideological differences that were difficult or impossible to reconcile. It is therefore necessary to limit cooperation activities to topics where a shared vision is assured. Given that Venezuela has significant resources of its own, it would also not be justified to invest an overly high proportion of cooperation funds in the purchase of equipment or in construction activities. The focus should generally be on sharing European know-how. In many cases, this will limit the size of the projects to be adopted.

- **Accept the limited reach of EC cooperation.**

Background: Apart from the obvious limitations of EC funds in comparison to national funds, there are certain topics, among them many linked to poverty alleviation, where the government invests only its own resources and will not welcome outside contributions or policy advice. The weak, often highly politicised structure of institutions also limits the implementation capacity of beneficiaries (Monitoring Report 2009, CARCAVEN).

- **The levels and forms of counterpart funding need to be assessed more carefully on a case by case basis.**

Background: Counterpart funding has proven a necessary project element to ensure government commitment and ownership but is subject to some of the difficulties described above that go with widespread institutional uncertainty. Thus, although a counterpart funding commitment is entered into with the signature of the Financing Agreement, its fulfilment usually requires sustained pressure from the beneficiary institution to maintain this commitment over several budget cycles. In practice, the capacity of an institution to assert such pressure varies widely and may well change over time.

- **Reinforce ownership through decentralisation.**

Background: In the past, several beneficiaries have come to feel alienated from the projects designed to support them as a result of implementation structures that marginalised their control of activities and finances. New implementation modalities will give beneficiaries greater control and responsibility for the management of project activities. In order for national counterparts to fully benefit from this, the Commission services will need to ensure that counterpart institutions have continuous support and back-up so as to fully comply with standards of prudent financial management.

- **Aim for greater flexibility in accommodating change.**

Background: The main response strategy to the institutional uncertainty that has long prevailed in Venezuelan governments is and should remain the modernisation of state institutions so as to foster greater stability. However, experience has shown that the process of planning for a project already requires a level of certainty and stability that many of our potential counterparts do not possess. Instruments that would allow for flexible, short-term capacity-building measures may provide a viable response to this dilemma.

2.4. QUALITY IMPROVEMENTS

EC cooperation in Venezuela has a role in strengthening administrative capacity as long as it can prevent cooperation activities from being subjected to undue politicisation. **In the MTR, resources allocated to sector 1 (Support for the Modernisation of the State) will be expanded, because it was found that there are higher expectations and opportunities for cooperation with the Government in this field.** There are few donors in Venezuela, and the existing ones focus on areas such as health, education and humanitarian aid. The Commission has well-established experience in Venezuela in the field of modernisation of the State, an area that can encompass different activities of cooperation — an important factor, given the flexibility needed — so that programmes launched in Venezuela can be implemented successfully. Budgetary support is not foreseen, since Venezuela mainly requires technical assistance and technology transfer rather than resources alone. During the process of democratic scrutiny the European Parliament previously stressed the importance of cooperation programmes contributing to achieving the Millennium Development Goals. The Venezuelan Government is investing in MDG-related sectors and has increased social sector spending to 5 % of GDP. A detailed review of Venezuela's MDG-related performance can be found **in Annex 8**. The ultimate goal of the EC contribution is to fight poverty and meet the Millennium Development Goals.

The EP's concerns that the majority of funds benefit only state institutions will be addressed during the second planning period, favouring small and medium-sized enterprises, cooperatives and local communities.

Cross-cutting themes will be integrated more systematically, from the identification phase to general implementation of the projects. The synergies between bilateral cooperation and cooperation under the thematic programmes have to be increased. In this regard, it is particularly important that synergies are consolidated and opportunities for LRRD sought, and that coordination of the planned projects with the programmes of the Humanitarian Aid DG including its disaster preparedness programme, DIPECHO, is strengthened.

2.5 CONSULTATIONS

This topic is covered in **Annex 5**.

2.6. CONCLUSIONS

There is no need to modify the main sectors of cooperation established in the CSP (except for semantic changes in the titles which have been requested by Venezuelan authorities).

The relevance of the two focal sectors is reaffirmed, underlining in particular the relevance of institutional strengthening and the modernisation of the State (sector 1): cooperation in this field should have an impact on institutions that are neither 'very close' nor 'very distant' from the political centre. The need for diversification of the economy (sector 2) is perhaps even more relevant now than it was in 2006 when the Country Strategy Paper was written.

The amounts allocated to each focal sector have been redistributed, since greater demand for institutional capacity building has been confirmed; for this reason the percentage of aid to sector 1 has been increased from 50 to 75 %. In sector 2, given the transformation of the economic model taking place in Venezuela, with a greater role for the public sector, it is more difficult to have common approaches between the EU, the Government and the private sector, and it has therefore been decided to reduce the percentage of aid. These conclusions have been shared with both the Member States represented in Caracas and the Venezuelan Government. The results are outlined below:

3. NATIONAL INDICATIVE PROGRAMME (NIP) 2011-2013

This National Indicative Programme 2011-2013 was drafted on the basis of the CSP 2007-2013, and proposes minor changes so as to take into account the priorities of the plan entitled ‘Simón Bolívar National Project’ and the new policies and commitments of the EC/EU regarding international cooperation.

3.1. Financial envelope

The Development Cooperation Instrument (DCI) allocates an indicative €40 million to Venezuela for the period 2007-2013. The objectives identified in the Memorandum of Understanding signed with the Government of Venezuela are the following:

I Support for the modernisation of the State

II Support for the diversification of the economy

The amounts allocated to the two focal sectors have been redistributed, since greater demand of cooperation to support institutions has been confirmed; for this reason the percentage of aid to this sector has been increased from 50 to 75 %.

Sector	Total 2007–13
1. Modernization of the State	€30 000 000
2. Diversification of the economy	€10 000 000

All actions funded by the EC will take account of cross-cutting issues including human rights, gender equality, democracy, good governance, the rights of children, the rights of indigenous people, conflict prevention and the protection of the environment.

3.2 Indicative cooperation priorities

3.2.1 Support for the modernisation of the State (DAC code — 150)

General objective:

Support the process of modernisation and contribute to enhancing the quality of public services. Furthermore, improve citizens' security and promote the participation of local administrations, of all sectors of society and of non-state actors in public policymaking.

So far, EC support has focused, on the one hand, on reforming the system of land registry (cadastre), cartography and local planning capacity (start of the project: end December 2008), and on the other hand, on the fight against illicit drugs (project to be signed). In the coming years, and in the context of this general objective, particular importance will be attached to strengthening institutions that contribute to the preservation of biodiversity, the protection of the environment (including climatic change and the use of renewable energy). Activities in this area should complement work undertaken in other EU programmes such as the 7th Framework Programme (FP7), ERASMUS Mundus and Alpha. A further aim is to improve the protection of children's rights at all levels of Venezuelan society — including the implementation of the 2007 recommendations of the UN Committee on the rights of the child.³ Insecurity is a priority concern for the majority of Venezuelans and if the current police reforms offer opportunities for cooperation, these will be seized.

Specific objectives:

- Strengthen the capacity of public authorities to plan and deliver quality public services in a transparent and accountable manner
- Strengthen the capacity of national institutions to act as effective guardians of the rule of law and provide security for the citizens
- Reinforce links between scientific research and public policy, for instance in the fields of biodiversity, energy efficiency, and alternative energy
- Foster respect for human rights in Venezuela, in particular those of children and adolescents.

Expected results (indicative list):

- A modernised land registry system and digitalised cartographic information exist and contribute to more informed territorial planning at all levels of government.
- The biodiversity of the country is better understood, documented and preserved. Its sustainable use is encouraged.
- Increased environmental awareness on the part of state actors, academic institutions and citizens.
- A national plan for the use of alternative energy exists and informs public policy.
- Children are less affected by social disparities and, in particular, those in difficult circumstances have recourse to an adequate protective environment in accordance

³ See <http://www2.ohchr.org/english/bodies/crc/docs/co/CRC.C.VEN.CO.2.pdf>.

with the Convention on the Rights of the Child and the Millennium Development Goals.

- The state authorities have an improved capacity to monitor and reduce the illicit drug trade and a greater understanding of drug consumption in Venezuelan society, allowing for more targeted reduction strategies.
- A more service-oriented, disciplined police force.

Beneficiaries:

Local, municipal and national administrations, non-state actors and children, taking into account cross-cutting issues such as gender, children's rights, indigenous peoples and environmental protection. In view of the impact of the Colombia crisis on neighbouring countries, the victims of the conflict who find themselves in Venezuela should be included as beneficiaries of support actions where possible and appropriate.

Indicators:

- Efficiency, quality and accessibility of public services at local, regional and national level
- Number of research projects and databases in the field of biodiversity and its conservation, for example the establishment of five databases (butterflies, beetles, birds, GIS and equipment), or the formulation of ten new research projects on biodiversity per year.
- The availability of information about the environment (in particular biodiversity) in the general population will, for instance, be evidenced by the completion of three annual events to facilitate debate on biodiversity between civil society, scientific community, private sector and the state, or the number of consultations/visits to the databases.
- Availability of empirical data for planning at local, regional and national levels, for example, 153 municipalities will be geo-referenced, 142 capitals of municipalities will have cartographic mosaics available at the scale of 1: 1000, 40 pilot municipalities will have started to implement the new registry system, with 40.000 buildings registered electronically. At the beginning of the project none of these tools are available.
- Number and effectiveness of measures adopted to respond to the needs of specific groups (such as children and adolescents). For example, percentage of national budget invested on child-related issues such as education, health, etc.; retention rates beyond primary school; the number of courts where protection protocols are being applied. The meaningful use of these and other indicators will require a limited amount of studies (foreseen in project). The baseline data is available.
- Reduction in seizures of illegal drug shipments arriving via Venezuela in the EU. For example the amount of cocaine seized at Maiquetía airport increases from 1,788.6 Kg in 2009 to 6000 Kg in 2013. Information is available from ONA annual statistics.

Baseline data for the above and other indicators is often difficult to obtain and, where possible, it needs to be collected as part of project activities. Due to the limited amounts of

funds invested it would not be realistic to expect a notable improvement in the above indicators at national level directly attributable to EC funding. Adequate sub-samples would need to be identified where possible.

Risks and Assumptions

- There is a risk that an advancing process of deinstitutionalisation may further reduce the capacity of national institutions to adequately assume implementation responsibilities.
- A further risk is that the fast pace of policy and personnel change may not allow sufficient continuity to implement medium and long-term measures.
- It is assumed that the Government will remain open to receiving international cooperation.
- It is assumed that the security situation will continue to allow cooperation efforts to take place in all or most parts of the country.
- There is a risk that political campaigning will extend well beyond electoral periods and hamper project implementation.

3.2.2 Support for the diversification of the economy (DAC codes 250 and 331)

General objective:

Contribute to ensuring equitable and sustainable economic growth with a reduction in poverty and unemployment.

So far, efforts have been made to identify projects in the fields of eco-tourism and value chain development involving small producers in marginalised areas of the country. Unfortunately, the projects did not come to fruition, for reasons linked to the profound changes that affect the country's economic sector. The restructuring toward a socialist economy has brought significant, sometimes abrupt changes in the strategies of our potential government partners, making it difficult to comply with the planning framework for bilateral cooperation projects. Despite these difficulties, diversifying the productive sector remains an important priority for Venezuela. From now on, EC cooperation will seek to support initiatives that improve productive capacity and the employment situation by supporting SMEs and/or cooperatives. Special attention will be given to initiatives that promote innovation and technology transfer, in particular on renewable energy and encourage greater diversification and sustainability of the economy. In this context, we will seek to strengthen the links with European markets, research results and innovation will be sought in this context.

Specific objectives:

- Promote and develop the conditions for private capital taking up investment opportunities, strengthening the competitiveness of small and medium-sized enterprises/cooperatives in particular;
- Encourage diversification in the country's exports;
- Support greater integration into the regional and international markets and, more specifically, increase and simplify trade between the EU and Venezuela;
- Advance environmentally sustainable production methods.

Expected results (Indicative):

- Enhanced institutional, judicial and regulatory capacities in trade related fields;
- Increased participation in multilateral negotiations, especially in the context of Venezuela's integration into Mercosur and the effective implementation of existing and future regional legislation;
- Strengthened institutions and networks that provide support to SMEs/cooperatives;
- Strengthened marketing and management of SMEs/cooperatives;
- Increased technology transfer and know-how among and to the private sector;
- Improved trade links with the EU.

Beneficiaries:

Public administration, private sector (SMEs and cooperatives).

Impact Indicators (indicative):

- Number of new laws and regulations adopted in preparation of or as a result of Venezuela joining Mercosur
- Lower dependence on oil exports and imports of consumer goods; for example export revenue from oil falls below 90% of all export revenue in 2013.
- Growth rates in the non-oil sector;
- Number of new initiatives to support SMEs/cooperatives, for example, the setup of a technological park in Cua, State of Miranda, providing advice to local industries.
- Number of SMEs/cooperatives that start or expand activities.
- Broadening of the range of productive activities prevalent in the Venezuelan economy;
- Increase in the country's exports to Europe and Mercosur countries, among other destinations;
- Increase in skilled employment in the non-oil sector.

Baseline data are more easily available in the economic sector; the challenge will be to have access to sufficiently aggregated data to measure the impact of the proposed, mostly locally specific, actions.

Risks and Assumptions

- It is assumed that the government will seek to provide an enabling environment to SMEs but there is a risk that the macro-economic environment will discourage private investment.
- It is assumed that the fixed exchange rate system will be maintained, at least in the medium term

(see also section 3.2.1.).

Commitment schedules for the NIP I and NIP II are set out in Annex 3

Annexes


1. **Map of Venezuela**
2. **Country at a glance**
3. **Commitment schedules NIP I and II**
4. **Donor matrix**
5. **MTR consultation process**
6. **Country Environmental Profile**
7. **Country Migration Profile**
8. **MDG indicators**
9. **Venezuela's foreign policy**
10. **Summary country cooperation strategy Venezuela 2007-2013**
11. **Legal base to mid-term review**

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)

The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

Annex 3

Summary Table of focal/non focal areas in the financial breakdown

El PIN original preveía 50 % (€20 Millones) de la dotación financiera para el objetivo I y 50 % (€20 Millones) para el objetivo II. La Revisión de Medio Término, en base de las lecciones aprendidas, prevé modificaciones menores, incluyendo un cambio en los porcentajes adjudicando un 75 % de los recursos al sector 1 y un 25 % al sector 2. La programación indicativa para la continuación del PIN 2007 – 2013 es:

Sector	Total 2007 – 13
1. Modernisation of the State	€30.000.000
2. Diversification of the Economy	€10.000.000

Annex 4

Donor Matrix

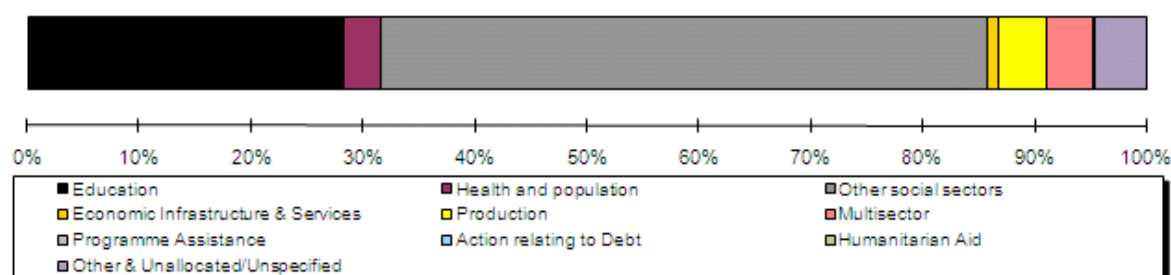
Venezuela

Receipts	2005	2006	2007
Net ODA (USD million)	49	57	71
Bilateral share (gross ODA)	44%	59%	64%
Net ODA / GNI	0.0%	0.0%	0.0%
Net Private flows (USD million)	4 079	7 707	4 803

For reference	2005	2006	2007
Population (million)	26.6	27.0	27.5
GNI per capita (Atlas USD)	4 950	6 120	7 320

Top Ten Donors of gross ODA (2006-07 average) (USD m)	
1 EC	17
2 Spain	13
3 United States	10
4 France	6
5 Germany	6
6 Japan	3
7 Montreal Protocol	2
8 UNFPA	1
9 UNTA	1
10 Canada	1

Bilateral ODA by Sector (2006-07)



Sources: OECD, World Bank. www.oecd.org/dac/stats

Annex 5

CONSULTATIONS WITH THE BENEFICIARY COUNTRY, WITH THE NON-STATE ACTORS, WITH LOCAL AUTHORITIES AND THE NATIONAL PARLIAMENT, COORDINATION WITH THE MEMBER STATES.

On 12 March 2009, the Delegation of the European Commission in Venezuela extended an invitation to the NGOs to make their contributions and comments on the strategy of bilateral cooperation EU-Venezuela.

The consultation of the Medium-Term Paper was published on the website of the Delegation and sent via e-mail to 170 Non-State Actors (NSAs) with which the EU maintains permanent contact. The EC offered to organise a meeting on the subject in the first days of April, but there was not enough interest. Even with the extension of the consultation until the end of April and a reminder email sent to 300 contacts, the result did not change. Three responses from non-state actors were received. All related to questions on the direct financing of the NSA, without actually commenting on the bilateral cooperation.

It is noteworthy to emphasise that the activities under the CSP 2007-13 are just beginning to be implemented, so that there was still not much opportunity for NSA to know them and much less participate in the activities. It is also important to take into account that the relations between the national government and many NSAs are going through difficult times. Therefore, it is possible that some NSA prefer not to make any comment, in order not to extend the existing conflicts between them and the government.

The changes proposed in the mid-term review have been discussed with other EU donors during the regular meetings of cooperation. There are few donors in Venezuela (see Annex 5). The most relevant to our cooperation (UNICEF, UNDP, and Canada) were consulted during bilateral meetings. The National Assembly was invited to make comments through the governing body of our bilateral cooperation, the Ministry of Popular Power for Planning and Development. We still have no answer. The Government of Venezuela sent us a letter dated May 14, in which it accepted the terms of the National Indicative Programme as figure in the document of Mid-term Review.

Meetings of cooperation with the Member States have been periodic and regular: The most important donors are Spain, Italy and the United Kingdom. The exchange of information and the aid coordination are a regular task in the Delegation.

Annex 6

Country Environmental Profile

Venezuela is among the ten countries with the highest biodiversity on the planet and the sixth of America. Furthermore it is placed among the most developed countries in the region in terms of environmental law. The most relevant environmental challenges derive from the existing problems, pollution and deforestation. A discharge of untreated or scarcely treated domestic wastewater is also an important source of pollution and degradation of soils, as is the largely uncontrolled use of pesticides. On the other hand, according to the national inventory of greenhouse effect gases by 1999, emissions per capita were 1.3 tons of CO₂. This is a number below the one observed in developed countries, similar to other developing countries in Latin America, and coinciding with the world average value. Moreover, total CO₂ emissions represented 0.48 % of global emissions of the planet, which indicates that, despite being one of the major producers and exporters of oil, Venezuela generates relatively low CO₂ emissions. This was due to the significant use that the country makes of the water resources as an energy source and the extensive use of natural gas, instead of fuel oil, both for power generation and for industrial and domestic uses.

Of a total of 88.2 million hectares, in 2000 Venezuela had 56.1 % covered by forests (against 29.6% in the rest of the world). The change of forest cover for the decade 1990-2000 was estimated at 218 000 hectares of annual deforestation, which is a rate of 0.4 % (compared with a rate of 0.2 % worldwide). The protected area of Venezuela to conserve biodiversity in relation to the country area is 42.1 % (2006). The lack of knowledge about the current situation is a major limitation to their conservation. Although Venezuela has a large amount of information stored in the system of museums, herbaria and collections (Bisbal & Sanchez, 2001), these institutions have important functional limitations such as skill personnel shortages, infrastructure, and insufficient equipment and registration systems. Some of these deficiencies are intended to be settled through an assistance project financed by the EC in support of the Study Unit of the Biodiversity of the Venezuelan Institute of Scientific Research (IVIC), which is at an advanced stage of preparation. It is also worth noting the significant contribution that regional projects such as EUroCLIMA could represent in terms of searching for solutions to environmental problems.

In 2005, Venezuela submitted its First National Communication on **Climate Change** as part of its obligations under the UN Convention on Climate Change (UNFCCC). The communication foresees a series of actions, such as a programme of soil and water conservation, technical tables of water in each municipality and communal council, the fight against desertification and the National Action Plan of the Convention on Biodiversity, as well as a National Plan on Climate Change. Based on this and other commitments, the national government has promoted several initiatives. At the institutional level, the creation of the General Directorate of Renewable Energies in the Ministry of the Popular Power for Energy and Oil and the establishment of a registry of information on renewable energy can be underlined. In 2006, the government launched the Mission Energy Revolution, seeking a fairer distribution of the energy potential through: a. replacement of incandescent bulbs for saving bulbs (2006-2008) b. replacement of obsolete infrastructure of gas, national gasification, manufacture and installation of solar panels, wind power generation facility, creation of energy efficiency standards (2009-2010), and c. restoration of inefficient plants

and the replacement of those who use diesel for natural gas (2011-2012). To this end, the government has signed international agreements with several countries.

Other major initiatives include the **Mission Tree** under which, according to official figures, an area of 18.322 hectares and over 15 million plants have been planted to date. 2.000 Community and educational nurseries were founded and almost 2700 community and educational projects established. Despite this and other initiatives (elimination of fishing trawling, programme of replacement of gasoline by gas), it needs to be emphasised that substantial economic projects were also stimulated, which are facing substantial criticism for the important damage that they would cause (e.g. the gas pipeline project that would link Venezuela with Argentina). However, a comprehensive summary of the environmental policy in Venezuela will not be feasible before having more verifiable information in time.

Annex 7

Country Migration Profile

Migration country profile: Venezuela

Venezuela has historically been a country of immigration rather than emigration. In the last contacts that the Commission had with the Government of Venezuela, the Venezuelan National Statistics Office did not have data on Venezuelan emigration. According to the National Migration Office, it is very difficult to know about departures from the territory, since the proportion of the population of Venezuela that benefits from dual nationality (Spanish, Portuguese or Italian) is significant, and they leave the country without Venezuelan authorities realising it. According to the IOM, qualified young people who leave the country do so primarily for reasons of physical insecurity, and go mainly to Canada and Australia. The global statistics obtained indicate a migration flow below 1 per thousand per year in the period 2000-2008 (minimum 0.04 per thousand in 2004 and a maximum of 1.28 per thousand in 2007). **The rate of net migration between the European Union and Venezuela:** 1.46 migrant (s) / 1 000 inhabitants (2008 est.). This variable includes figures corresponding to the difference between the number of people that enter and leave the country during the year by each 1000 inhabitants (based on the population measuring in the middle of the year). An excess of people entering the country is known as net immigration (e.g., 3.56 migrants/1000 inhabitants), an excess of people leaving the country is known as net emigration (e.g., -9.26 migrants/1000 inhabitants). The net rate of migration indicates the contribution of the migration to the total level of demographic changes.

Venezuela has made of the fight against the Directive of Return a bastion to defend Latin American interests and rejects this Directive with publications that insult Europeans, calling them 'xenophobic and racist.' The main reasons for its opposition to the Directive of Return is the non reciprocity, knowing and considering itself as host country of Europeans after the Second World War. Rather than having a direct interest in the topic, Venezuelan policy has been to try to defend with this 'hard' position the interests of the Latin American countries and raise its voice of protest against this Directive and its implications for several countries of Latin America.

According to the *legislation of the Bolivarian Republic of Venezuela*, migration policy is responsibility of the Ministry of Popular Power for Internal Relations and Justice, in coordination with the Ministries of Popular Power for External Relations, Defence, Labour and Social Security.

EC — Migration Issues on Latin America

- On 30 June 2009, a bi-regional EU/LAC Dialogue on Migration has been launched. It is a new instrument for the development and strengthening of the dialogue and cooperation between both regions on migration issues. The principal objectives of the Dialogue include the identification of common challenges and areas for mutual cooperation as well as building a stronger evidence base for EU-LAC migration in order to better understand its realities, based on the principle of shared responsibility,

strengthening the commitment and willingness of both sides to discuss migration issues.

- In this framework, both regions will exchange views in three main areas — link between migration and development; regular migration and irregular migration — within which they will touch upon various subjects, such as root causes of migration and its mutual benefits for countries of origin and destination; migration and the issue of human rights, including protection of migrants in accordance with international obligations; the fight against all form of discrimination, racism and xenophobia; legislative and administrative measures applicable to migrants in irregular situation as well as issues related to return on a dignified basis and voluntary return. In addition, both regions will also discuss measures to combat trafficking in human beings and smuggling of migrants and the prevention of document fraud.
- So far, the Thematic Programme for cooperation with Third countries in the fields of Migration and Asylum, which succeeded the AENEAS programme, has supported actions related to migration in Latin America and Caribbean. In addition, for the period 2009 and 2010, an amount of 9.5 million euro will in principle be reserved for projects in Latin America and Caribbean, (respectively 6.5 million available in a call for proposals to be published in July/August 2009 and 3 million reserved for projects to be supported in 2010 through direct agreement).
- However, the resources of this Thematic Programme, and in particular the resources which can be dedicated to the LAC region, are and will remain rather limited. This being said, given that now the Latin American and Caribbean countries have identified migration as one of their top priorities in their relations with the EU, this priority should be duly reflected in the country and regional strategy papers as well as in the programmed sectors of intervention for the geographical EC instrument as well as, possibly, for other thematic programmes. Indeed, the thematic programme on migration and asylum should in principle only intervene in complementarity with the geographical instruments. In this sense, a bigger effort, not only from the European Commission and the EU Member States, but also from the Latin American and Caribbean authorities, is necessary.

Annex 8

Key Indicators	1990 b	2006	2007	2008	2010e	2015t
1.- Proportion of population below 1\$ day in PPP (1)	n/a	6.1	7.9⁴	n/a	-	12.5
2.- Prevalence of underweight children (2)	n/a	n/a	4.2	n/a	-	-
3.- Under 5 child mortality (2)	25.8	14.2	13.7	n/a	-	-
4.- HIV prevalence rate of women aged 15-24	n/a	n/a	n/a	n/a	-	-
5.- Proportion of births attended by skilled health personnel (2)	n/a	95	n/a	n/a	-	-
6.- Proportion of 1 year old children immunised against measles: (2)	n/a				-	-
6.1.- Measles-mumps-rubella		64.6	n/a	n/a	-	-
6.2.- Polio		73				
6.3.- BCG		83.2				
7.- Net enrolment ratio in primary school (3)	40	60.6	n/a	n/a	-	-
8.- Ratio of girls to boys in primary and secondary education (3)	87.5	91.9	93.6	n/a	-	-
9.- Primary school completion rate	n/a	n/a	n/a	n/a	-	-
10.- Proportion of population with sustainable access to an improved water source (4)	68	91	92	n/a	-	-
11.- Fixed lines and mobile telephone per 100 inhabitants (5)	n/a					
11.1.- Fixed lines		n/a	20	23	--	-
11.2.- Mobiles			90	98		
12.- Formal cost required for business start up	n/a	n/a	n/a	n/a	-	-
13.- Time required for business start up	n/a	n/a	n/a	n/a	-	-
14.- GDP per capita (in USD) (6)		6.400	7.200	12.800	-	-
15.- Access of rural population to an all season road	n/a	n/a	n/a	n/a	-	-
16.- Household electrification rate (7)	n/a	87.7	94	n/a	-	-

Statistic Indicators: [Millennium Development Goals](#)

1990b = baseline for MDGs
2010e = intermediate target / estimate
2015t = MDG target

Sources: 1.- Instituto Nacional de Estadística (INE)

⁴ The figures correctly reflect the official figures provided but do not provide an adequate measure of poverty in the country due to the fixed exchange rate assigning an artificially low value to the Dollar. Inflation is high but not reflected in the official exchange rate, hence a Dollar exchanged at the official rate in 2007 buys less than half of what it would have bought in 2003 (when the fixed exchange rate was first introduced). The measure is therefore of limited value in the Venezuelan context.

- 2.- Ministerio del Poder Popular para la Salud (MPPPS)
- 3.- Ministerio del Poder Popular para la Educación (MPPPE)
- 4.- Ministerio del Poder Popular para el Ambiente (MPPPA)
- 5.- Comisión Nacional de Telecomunicaciones (CONATEL)
- 6.- Banco Central de Venezuela (BCV)
- 7.- Ministerio del Poder Popular para Energía y Petróleo (MPPPEP)

Annex 9

Venezuela's foreign policy

Venezuela promotes regional integration and independence from Washington through the following schemes of political dialogue:

UNASUR: joint projects that privilege the south-south cooperation such as the South-American Defense Council, the Bank of South, etc.

MERCOSUR: Venezuela is currently waiting for the ratification of the Brazilian Senate and the Paraguayan Congress to become a full member of MERCOSUR.

ALBA (Bolivarian Alternative for the Americas): Venezuela promoted the creation of this new entity of regional integration with Cuba, Bolivia, Nicaragua, Honduras and Dominica.

PETROCARIBE: Venezuela created a strategic alliance with Caribbean neighbours to supply Venezuelan oil to preferential prices and preferential payment terms to poorer countries. As a complement to the promotion of regional integration, Venezuela seeks to diversify its trade and political relations around the world and has established bilateral ties mainly to:

CUBA: Fidel Castro and Hugo Chávez have consolidated a close personal relationship based on ideological similarities. This has allowed the development of a multidimensional interdependent relationship since year 2000 through the Integral Agreement of Cooperation, which also under the Government of Raúl Castro, continues to permit the exchange of Cuban doctors and teachers for Venezuelan oil.

CHINA: High level bilateral visits, trade based on the Chinese investment in Venezuela (food, technology and telecommunications, a joint investment fund of up to 12000 Million dollars) in exchange of Venezuelan oil.

BRAZIL: between Brazil and Venezuela exist a 'strategic alliance', which translates into a multitude of agreements in the field of energy, economic area, military and defence, signed in the quarterly meetings among both Presidents.

IRAN, RUSSIA, SOUTH AFRICA: Venezuela seeks allies outside the influence area of the United States, and even to promote the political influence of developing countries worldwide. These relations are reflected in the high-level visits and bilateral trade agreements.

Annex 10

SUMMARY COUNTRY COOPERATION STRATEGY VENEZUELA 2007-2013

Venezuela is the seventh largest country in Latin America. In 2006 its estimated population was 25.7 million inhabitants. With coast in the Caribbean and the Atlantic and four differentiated geographic regions, Venezuela is considered one of the countries with greater ecological diversity. Despite being one of the most important economies in the region, income distribution is very unequal.

Protests in some social and productive sectors have been generated, as a reaction to the structural changes introduced by President Chávez. In August 2004 a revocatory referendum was held for the President, which resulted in a 59% approval rating for his management. After the referendum, the Government has continued to attach high priority to a number of popular social programmes called *Missions*, financed with revenues generated by energy exports. President Chávez was re-elected on December 3, 2006 for a further period of six years.

One of the main challenges facing the country is the urgent reform and modernisation of public administration. It is hoped that through decentralisation, greater citizen participation and support of civil society, State institutions can become more efficient and responsible.

The most striking aspect of the Venezuelan economy is its dependence on the energy sector, developed and efficient when compared with other sectors. It represents about 30% of GDP and 80% of exports, which makes the economy vulnerable to fluctuations in oil prices. Therefore, one of the main objectives of government policy is to diversify the economy and the export base in the country, while striving to obtain the maximum benefit from natural resources.

Relations and cooperation aid from the European Commission will focus on supporting government efforts to modernise the public sector and help in achieving diversification and sustainable and equitable economic growth.

Under the Development Cooperation Instrument (DCI), an indicative amount of €40 million has been assigned to Venezuela for the period 2007-2013. These resources can be complemented with projects and programmes financed under the regional programs for Latin America, or under several thematic programmes and other cooperation instruments of the European Commission.

Annex 11

LEGAL BASE TO MID-TERM REVIEW

1.1.1. LEGAL BASE

According to Article 177 of the Treaty Establishing the European Community, cooperation policy in the Community shall promote the sustainable economic and social development of developing countries, the harmonious and gradual integration of these countries into the global economy and the fight against poverty. The Community policy in this area should contribute to the general objective of developing and consolidating democracy and the State of Law, as well as respect for human rights and fundamental freedoms.

On the basis of Article 179 thereof, a new Development Cooperation Instrument (DCI) was adopted in December 2006. Venezuela is eligible to participate in programmes of cooperation financed by the DCI [Regulation of the European Parliament and Council (EC) No 1905/2006 of 18 December 2006 that establishes a financing instrument for development cooperation.]

The EU-LA strategy for the period 2007 – 2013 is part of the Joint Declaration on the development policy of the European Union ‘**European Consensus**’, adopted by European Parliament, the Council of Ministers, Member States and the European Commission in December 2005. In December 2005 the European Commission adopted a Communication on a renewed strategy for strengthening the strategic association between the EU and Latin America. The Vienna Declaration, signed by the Heads of State and Government of the European Union, Latin America and the Caribbean on May 12, 2006, reiterates the commitment to extend and deepen the EU-LAC cooperation in all fields with a spirit of mutual respect, equality and solidarity.

The Country Strategy Paper for Venezuela provides a NIP of €40 Million for the period of 2007 to 2013. The Mid-term review has confirmed the relevance of the proposed areas and the cooperation activities to which priority is given for the years 2011-2013.

1.1.2. THE COUNTRY STRATEGY PAPER (CSP) 2007-2013 AND NIP

The Country Strategy Paper for Venezuela covers the period 2007-2013. The Executive Summary is attached as Annex 1. The priorities of bilateral cooperation established in the CSP, with an indicative amount of €40 Million for bilateral cooperation are:

- **Support to the modernisation and decentralisation of the State (including greater involvement of civil society)**
- **Diversification and equitable and sustainable economic growth.**

In the context of the NIP (period 2007-2010) activities of the project CARCAVEN are just beginning (total: €16.3 Million, EC: €8 Million approach: strengthening the system for mapping and cadastre). A second project, DROGASTOP (total: €6.3 Million, EC €3.3 Million, approach: reducing consumption and trafficking of illicit drugs) is proposed for the signature of Venezuelan authorities. It is foreseen that within the Annual Program 2009, a project on Biodiversity may be signed for an amount of €7.8 million (EC €4.8 Million).

1.1.3. EC- VENEZUELA COOPERATION THROUGH THE THEMATIC FINANCIAL LINES

As a complement to the funds established within the framework of bilateral cooperation, the Commission finances activities under the thematic budgetary lines (for instance projects proposed by NGOs, cooperation aimed at non-state actors, decentralised cooperation and cooperation within the framework of the European Initiative for Democracy and Human Rights (EIDHR)). Since 2006, our contribution to these lines has been by the order of €6.5 Million.