A. General comments

1. We would like to commend the OVE team for its extensive, well-organized, and well-written document, particularly in light of the challenge posed by the limited availability of current information within the Bank for these evaluation processes.

2. The recommendations are timely and pertinent for the dialogue with country authorities and will serve as good input for preparation of the new country strategy for 2009-2013, which will be consistent with the development plan of the current administration of President Chávez (Simon Bolívar National Project for the Economic and Social Development of the Nation, 2007-2013). The CPE's recommendations are already reflected, in part, in our 2009 business plan for Venezuela, both in terms of "what" must be done in the country (give priority to operations in productive sectors and infrastructure, maximizing the social impact) and "how" it should be done (through flexible instruments, technical cooperation, improved evaluability, etc.).

B. Comments on the recommendations

3. Recommendation 1: Technical cooperation: Increase technical-cooperation activities and studies, with particular emphasis on the evaluation of alternative ways of addressing social problems and on the promotion of mechanisms to ensure the effectiveness of public spending: Given Venezuela’s uniqueness and the Bank’s deficit of knowledge on the country, consider the possibility of creating forums for dialogue that allow for technical analyses and pilot tests of alternative methodologies, particularly methodologies for social missions, with a view to identifying best practices and potentially influencing the best future use of resources for these initiatives. Similarly, develop avenues to help the country optimize the effectiveness of public spending. In the last two years, up to seven operations (between miniMIF and Japanese and Social Inclusion Funds) aimed at supporting microenterprises and cooperatives, providing care to persons with motor disabilities, and actions related to promoting social leadership among young people through technology and training were agreed on with the Ministry of Planning and Development, of which five have already been approved.

4. Recommendation 2: Develop an active niche strategy in the Bank’s areas of technical expertise: Actively cultivate a relationship with technical executing agencies within the country’s public administration, civil society, and private sector. In this way, position the Bank as a multilateral partner valued by the...
country that is suited to carrying out innovative and highly complex and technical initiatives requiring ongoing support and independence from short-term budget decisions. This recommendation has been applied since 2004. The electricity sector is one such area in which we have had three successful operations (Carhuachi, Tocoma, and institutional strengthening of CADAPE). We are also quite far along in formulating a request for US$200 million for institutional strengthening of Corporación Eléctrica Nacional (CORPOELEC), an entity made up of the 14 largest electric power companies in the country. A request is also under way for US$800 million in additional financing for the Tocoma project. In the area of social welfare, in 2007 a second loan for US$150 million was approved for the Youth Orchestras of Venezuela. This recommendation will also be taken into account in preparing the next country strategy (2009-2013).

5. **Recommendation 3:** Increase the evaluability of the program and operations, seeking to strengthen and utilize national management systems: Given the difficulties of establishing programmatic relationships with the country, the Bank should create avenues for dialogue that are geared toward gaining a better understanding of national monitoring and evaluation systems, so that they can serve as a basis for results-based management and integrated programming of the Bank’s future financial and nonfinancial operations in the country. On the one hand, the Bank has promoted PRODEV technical cooperation, which recently began to be executed. On the other hand, it should be noted that 90% of our portfolio in execution uses country management systems and is being executed satisfactorily. One important nuance in the OVE recommendation (5.14) is that the pursuit of technical cooperation niches or studies for global or programmatic evaluations requires having partners with institutional continuity, such as EDELCA or FESNOJIV. Without this, we would repeat the mistake of preparing operations or TCs that would then be canceled. In the Bank's future operations with Venezuela, particular emphasis will be placed on this issue.

6. **Recommendation 4:** Unleash the potential of the Bank’s new organizational structure and instruments in order to adapt them to the needs of the country: Maximize the applicability of tools available under the new organizational structure and lending framework, seeking to increase the flexibility of the products offered by the Bank. For example, the challenges presented by the need for legislative approval of each loan could be mitigated by the Bank’s offering more flexible arrangements, including global investment operations with funds allocated to multiyear execution of works to be selected based on pre-established criteria. Additionally, to implement tools such as programmatic schemes or conditional credit lines for investment projects (CCLIPs), the Bank will need to interact and become more familiar with national procurement, monitoring, and evaluation systems and strengthen its Country Office in Venezuela. The Country Office has given several
presentations on the Bank's lending instruments to technical specialists at the Ministry of Planning and Development, Ministry of Economy and Finance, and Ministry of Energy and Oil, and to officials from executing units. It is hoped that in the future the country will opt to request Bank operations using more flexible lending instruments (SWAps, CCLIP, PDL, etc.).

7. **Recommendation 5: Generate activities in the infrastructure and productive sectors, emphasizing optimization of social impacts:** The Bank has highly relevant experience in balancing the dual objectives of financial returns and social impact. The Bank should explore mechanisms for transferring this know-how to the Venezuelan productive sector, which is facing growing requirements for investment and measurement of social impacts. The Bank could also emphasize the search for alternative mechanisms for generating social welfare investments, such as through cooperative forms of business management, particularly in areas related to local infrastructure development. The Bank has carried out activities in these sectors, including a seminar on Logistics and Transport with Latin American and European presenters. The event generated much interest among government officials and the private sector, and several initiatives were proposed to promote trade and savings in the transport of goods. The Bank, through President Moreno (by video) and the Acting Manager of the MIF, actively participated in a seminar on inclusive businesses organized by the private sector. This recommendation will continue to be taken into account in all Bank operations in Venezuela.