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Enabling the rural poor  
to overcome poverty

## **Inter-institutional cooperation framework agreement with Banco de Desarrollo Económico y Social de Venezuela**

Executive Board — Eighty-ninth Session  
Rome, 12-14 December 2006

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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## **Recommendation for approval**

The Executive Board is invited to approve the recommendation regarding an inter-institutional cooperation framework agreement with Banco de Desarrollo Económico y Social de Venezuela, as contained in paragraph 2.



## **Inter-institutional cooperation framework agreement with Banco de Desarrollo Económico y Social de Venezuela**

1. The Executive Board is invited to note that IFAD intends to enter into an inter-institutional cooperation framework agreement with Banco de Desarrollo Económico y Social de Venezuela (BANDES).
2. In accordance with article 8, section 2, of the Agreement Establishing IFAD, the Board is requested to authorize the President of IFAD to negotiate and finalize a framework agreement with BANDES to undertake collaboration as described in the annex. The text of the agreement as negotiated and concluded would be submitted to the Board for its information at a subsequent session.
3. Relevant information on BANDES and the purpose of the agreement is provided in the annex.

## **Banco de Desarrollo Económico y Social de Venezuela (BANDES)**

### **Establishment**

BANDES was established by Decree-Law No. 1274 of 10 April 2001 as successor to the Venezuelan Investment Fund and is an autonomous institute attached to the Ministry of Finance. It acts as financial agent of the State to ensure the financing of projects geared towards economic deconcentration, stimulating private investment in depressed areas and supporting specific projects for regional development.

### **Structure**

The management structure of BANDES is as follows: (i) the General Assembly, which consists of the Ministers for Planning, Finance, Production and Commerce, Energy and Mines, and the President of BANDES; (ii) the Executive Board, which consists of the President of BANDES and five directors and their alternates appointed by the President of the Republic; (iii) the President of BANDES; and (iv) the general manager and five vice-presidents (credit, international cooperation and financing, administration of funds, finance, and administration).

### **Mission, strategic objectives and responsibilities**

The mission of BANDES is to promote the sustainable socio-economic development of the country through technical and financial support. Its strategic objectives are to finance balanced development of the various regions and support the participation of private capital in high-priority investments within the Government's endogenous development model. BANDES is also responsible for: (i) international cooperation and financing programmes with developing countries; (ii) providing financing for Caribbean countries, in the context of oil purchases from the Bolivarian Republic of Venezuela under the San José Agreement; and (iii) relations with international organizations such as IFAD, the Caribbean Development Bank and the Organization of the Petroleum Exporting Countries (OPEC).

### **Main functions**

The main functions of BANDES include: (i) finance and support regional development and medium- to long-term investments; (ii) finance both public- and private-sector infrastructure initiatives and projects involving technological innovation, transfer and development; (iii) administer financial resources of public-sector entities engaged in economic decentralization and deconcentration; (iv) provide technical and financial support for the expansion, diversification, modernization and competitiveness of social infrastructure and productive structure; (v) act as trustee; (vi) administer resources from multilateral organisms, bilateral programmes and any other international cooperation programmes; (vii) develop international cooperation programmes of a commercial, technical and financial nature, as allocated by the Government under its external affairs policy.

### **Autonomous funds**

In pursuit of its mandate, BANDES is allowed to use its endowment resources to create autonomous funds with specific objectives. These funds do not have legal status and are administered by BANDES.

### **Objectives of BANDES–IFAD cooperation**

Through the cooperation agreement, BANDES and IFAD will work together in the promotion, identification, formulation and financing of programmes, projects and activities to combat rural poverty and promote rural development in Latin America and the Caribbean.

For this purpose, BANDES will allocate up to US\$15 million per year from its Autonomous Fund for International Cooperation (FACI) to cofinance projects developed by IFAD in the Latin American and Caribbean region. The respective lending terms and conditions of each FACI and IFAD loan will apply, and the financing agreements needed for cofinanced

operations under this cooperation agreement will be signed with borrowing countries. BANDES and IFAD will also collaborate closely in the mobilization of financial resources from other organizations at the national, regional and international level for these operations.

The main activities covered by the agreement will include: (i) identification of and support for the design and formulation of rural poverty reduction strategies at the regional, subregional and country level, and of rural poverty reduction and rural development programmes, projects and activities; (ii) formulation, approval and implementation of a workplan and budget; (iii) financing of programmes, projects and activities in accordance with the annual workplan; and (iv) follow-up on the implementation of approved programmes, projects and activities.

The office of the BANDES Vice-President for International Cooperation and Financing and the Latin America and the Caribbean Division of IFAD will be responsible for the execution of and compliance with the cooperation agreement and the implementation of annual workplans. The respective operational and staff costs will be borne by each institution, while costs related to working meetings, workshops, conferences, etc., will be approved in accordance with the internal procedures of each of the parties. Each programme, project or activity developed within the framework of the cooperation agreement will be submitted for approval by the appropriate internal authorities and governing bodies of each institution.

The administration and supervision mechanisms of cofinanced operations will be agreed upon, taking into account the strengths and comparative advantages of each institution.