INTER-AMERICAN DEVELOPMENT BANK INTER-AMERICAN INVESTMENT CORPORATION

ANNUAL MEETING OF THE BOARDS OF GOVERNORS

PANAMA CITY, PANAMA

AB-2939
CII/AB-1358
17 March 2013
Original: Spanish

Statement by the Temporary Alternate Governor for Venezuela

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1. The Bolivarian Republic of Venezuela is in mourning following the death in body of the maximum leader and driver of the Bolivarian revolution, President Hugo Rafael Chávez Frías. The Venezuelan people stand firm in their convictions for change and affirm, every day, their independence, and peace, social progress, and a participatory democracy of the people.

2. We are here in Panama at the Fifty-fourth Annual Meeting of the Board of Governors as a founding and contributing member country of the IDB, a participant in the historic process that led to the creation of this institution, and a day-to-day actor in ensuring the commitment of the IDB to the development of countries in Latin America and the Caribbean.

3. We are a nation committed to working hand in hand with our fellow countries in Latin America and the Caribbean, as illustrated, for example, by the efforts made in the framework of the ALBA and PETROCARIBE. We have done our best to further the integration of Latin America, in forums such as UNASUR, MERCOSUR, ALBA, and CELAC, and we have taken decisive action to build a new regional financial architecture in South America.

4. We recognize that the Inter-American Development Bank, in the framework of the region's financial institutions, plays an important role in supporting the development of the region's countries, through cooperation and financing for infrastructure, institutional strengthening, social programs, and more. Accordingly, based on its performance, the IDB has assumed a position of influence in the region of Latin America and the Caribbean through its strategies, instruments, operational policies, and the loans and knowledge it generates. However, its ties to institutions in the traditional-dominant global financial system have introduced strategic and policy guidelines that are not its own and do not square with the Agreement Establishing the Bank.

5. Such is the case with the Macroeconomic Sustainability Assessments (MSAs), which, in the framework of the agreement on the Ninth General Capital Increase, concluded at the Annual Meeting of the Board of Governors held in Cancún, Mexico, in March 2010, included a safeguard to ensure that financing would not be extended to borrowing member countries in unsustainable macroeconomic situations.

6. Since the Board of Executive Directors began discussing this item, by mandate of the Governors, in April 2010, the Bolivarian Republic of Venezuela’s delegation to the Bank’s Board of Executive Directors has expressed its categorical rejection of the implementation of this clause, noting the hardship that this safeguard would create for the borrowing member countries, for the Bank, and for the region as a whole.

7. At the 21 May 2010 meeting of the Board of Executive Directors, the Bolivarian Republic of Venezuela reiterated its position against this macroeconomic clause. It did not agree with the incorporation of this safeguard into the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank, and it requested that our position be sent to the Governors together with the Report on the Capital Increase.

8. My fellow Governors, we must warn, as we have done on several occasions in the Board of Executive Directors of the IDB, through our representatives, that the declaration of unsustainable macroeconomic conditions violates the charter of the IDB. First, it violates it because the purpose of the IDB is to accelerate the process of economic and social development of the regional developing member countries, individually and collectively. And second, it violates it because the Bank, in making loans, is limited only to analyzing the borrowing member countries’ ability to pay to meet the obligations imposed by the loan. Any other condition is a violation of the charter. Moreover, this safeguard generates inequities between the borrowing member countries, inasmuch as it is a mechanism for limiting Bank exposure that has already been planned and discussed with some countries, in order to increase its exposure with other countries or companies.

9. The findings of the Macroeconomic Sustainability Assessments, issued by the Chief Economist in June 2012, identified three countries in the region as having "unsustainable macroeconomic conditions," one of which was the Bolivarian Republic of Venezuela. With recourse to this finding, the IDB’s Management proceeded to modify its programming with Venezuela and limit the approval of new loans for our country. Indeed, the Bank has allocated zero dollars to programming with Venezuela for 2013.

10. We see glaring deficiencies in the report, which finds Venezuela to be in an unsustainable macroeconomic condition. These include weak quantitative and qualitative support and the absence of a proper dialogue with the Bolivarian Republic of Venezuela’s delegation to the IDB and with the economic authorities of our country. For the IDB, this results in high levels of technical reputational risk.

11. For its part, the Bank’s Office of Evaluation and Oversight (OVE), in fulfillment of the Governors’ mandate, issued its mid-term evaluation of this clause. Its conclusions show that the field of economics does not have the resources to make short-term predictions on the macroeconomic sustainability of a country. Evidently, then, the rationale for this safeguard is not scientific or technical in nature but rather politically motivated. OVE also makes clear the highly discretionary power of the Chief Economist

in rating a country and the lack of bodies for the review or appeal of such ratings, resulting in a lack of transparency and governance problems.

12. In short, the Government of the Bolivarian Republic of Venezuela does not accept the violation of the IDB charter represented by the macroeconomic clause. Supported by the OVE report, which we endorse, we call on the Governors to state their positions on the existence and value of this clause, in order to restore the integrity of the institution’s charter.