



# Weekly Report

Year 6, Number 28  
Week I, August 2010

*Fiscal performance in 2009:  
Everything changes so everything can  
stay the same*

*“Alter! When the Hills do...”  
E. Dickinson (1830-1886) US poetess*

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The Planning and Finance Ministry recently published the figures for the Restricted Public Sector and Central Government for 2009. Based on these figures, **Ecoanalítica** was able to estimate fiscal performance in 2009 for the Restricted Public Sector, where there were two points of note. In the first place, in 2009, the Restricted Public Sector closed with a high deficit, equivalent to 8.2 points of GDP, a big difference from the 2.6 points of GDP posted in 2008. Secondly, public spending by the State registered a slight reduction equivalent to 1 point of GDP compared to 2008, whereas revenues shrank by 6.5 points of GDP. The Restricted Public Sector figures ratify our thesis that the opacity of Venezuela's public finances has increased significantly in recent years.

## **The importance of the Restricted Public Sector**

The Planning and Finance Ministry has been reluctant to reveal Restricted Public Sector figures, although it is more flexible with data for central government, which is only a part of the Restricted Public Sector. However it is the Restricted Public Sector that allows us to have a complete picture of the government's fiscal performance in recent years. Apart from central government, the Restricted Public Sector covers PDVSA, non-financial



state-owned companies, IVSS (social security agency), and FOGADE (bank deposits guarantee fund).

Given this concept of Restricted Public Sector, it should include the financial performance of resources in the National Development Fund (FONDEN), which should have been included in the figures since 2006. However, it is our opinion that the figures corresponding to these years hide the resources spent via this fund.

**Drop in oil prices and fiscal contraction: We still haven't learned**

In Venezuela, fiscal policy has played a decisive role in transmitting oil shocks to the rest of the economy, acting like a sound box for propagating these shocks rather than as an instrument for containing or limiting the distorting effects derived from the Venezuelan economy's vulnerability to external events. This is nothing new, and, in 2009, we were faced with this situation yet again.

The public finances' scant capacity for reacting to these shocks, as well as the sources of financing used to cover the fiscal gaps that have occurred over the past 40 years (1970-2010), has made the Venezuelan economy one of the most outstanding cases of economies experiencing chronic fiscal difficulties in Latin America, a situation that has prevented the sustainable recovery of economic growth in a stable, low-inflation environment.

**Revenues also felt the pinch**

Fiscal revenues also experienced a reduction, although greater. Whereas tax revenues (mainly via SENIAT) rose one point of GDP, non-tax revenues (in particular oil revenues) fell by 7.4 points of GDP. In fact, PDVSA's operating surplus shrank by 9.4 points of GDP. Like a movie rerun or a kind of *déjà vu*, over the period 2006-2009, the drop in revenues was higher than the drop in spending, because, while spending fell by nearly 6 points of GDP, revenues shrank by 12.7 of GDP.

**A bigger State that is expensive to maintain**

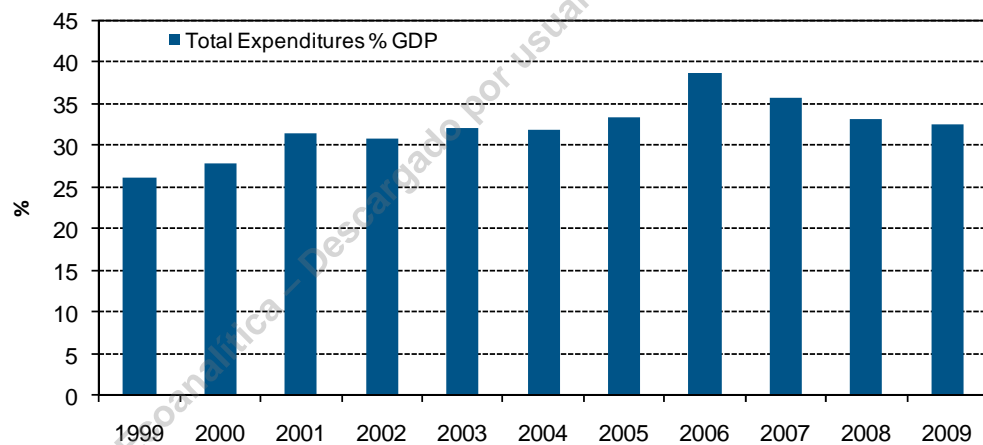
Over the past ten years, overall spending by the State has increased significantly. At *Ecoanalítica* we were interested in analyzing the evolution of the Restricted Public Sector since 1999, this administration's first year in office. Between 1999 and 2009, overall spending by the State went from 26.1 points of GDP to 33 points of GDP. In other words, it experienced an increase of 6.9 percentage points. Over the same period, revenues fell by 1.9 points of GDP. Admittedly, 2009 is not the best year for comparison purposes, given the drop in oil prices, however, what we wished to put into perspective was that, while the size of the State has grown, after ten years with Chávez in power, revenues have stagnated and dependence on fiscal revenues from oil is greater.



### And what about the regions?

Another item that has risen considerably is transfers to the public sector, in other words, transfers to state governments, mayoralities, and autonomous institutes. In 1999, this item was equivalent to 8.9% of GDP and had reached 13% by 2009. This dynamic became more pronounced from 2006 onwards. In 2006, the increase was due mainly to the political change that occurred when the majority of state governments and mayoralities passed into the hands of pro-government parties. In 2007, the reason for the increase was the holding of the referendum on the constitutional reform. From then on, it was maintained until it experienced a drop of 1.3 points of GDP in 2009 compared to 2008.

### Total Expenditures/GDP



Sources: MPF y Ecoanalítica

### The boom is petering out

On the revenues side, the situation is more complicated, in the sense that, while the Restricted Public Sector figures show the general behavior of the State, many items are given in “net” figures, which allows the Planning and Finance Ministry to present only partial information. Another problem has to do with determining the effect of the oil boom. Between 1999 and 2006, total revenues of the Restricted Public Sector rose by 10.6 points of GDP, from 26.8% in 1999 to 37.4% in 2006. However, between 2006 and 2009, the shrinkage in revenues in GDP terms was 12.5 points.

### Oil, always oil

An item-by-item review of revenues reveals that the expansion in spending was explained by the performance of the oil industry. PDVSA’s so-called operating surplus went from 11.2%, of GDP in 1999 to 16.3% in 2006. In 1999, oil revenues represented 42% of the total and, in 2006, they rose to

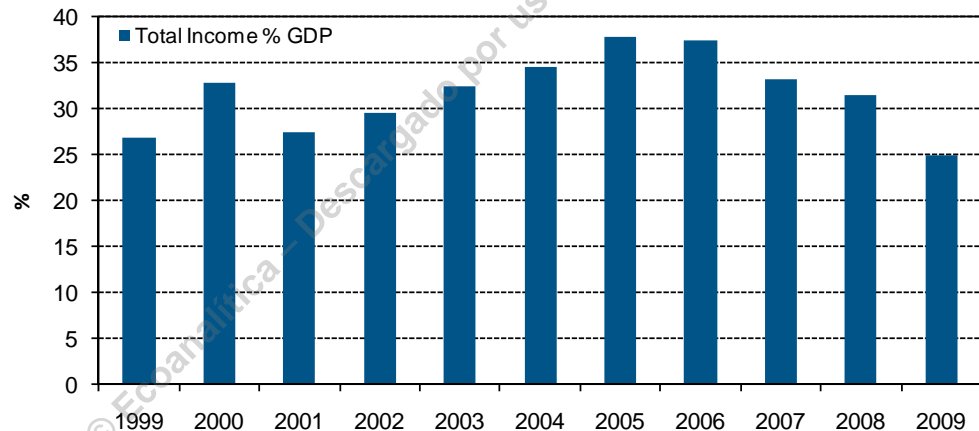


44%. In 2009, PDVSA's financial surplus was 4.4% of GDP, a drop of 11.9 points of GDP from its peak in 2006 and equivalent to 18% of total revenues. Despite the fact that oil revenues accounted for a smaller share of the overall revenues pie, this occurred in a context of a sharp drop in those revenues. In other words, the government lost the opportunity to carry out an in-depth reform of public finances that would have allowed it to reduce our dependence on such volatile revenues as oil revenues.

### SENIAT did not fare too badly

In fact, tax revenues (SENIAT) during the period 1999-2009 rose by just under one point. Now, it is not negative that the share of tax revenues in total revenues has improved. In 1999, this share was 43%, whereas in 2009 it came to 50%.

**Total Income% GDP**



Sources: MPF y Ecoanalítica

### The problem of transparency

At **Ecoanalítica** we are of the opinion that, today, the Executive does not have fiscal problems that warrant an in-depth adjustment. However, because of the lack of transparency and the scant information available, the majority of our clients and economic agents in general might call this analysis into question. The Restricted Public Sector continues in this direction and hides some traps. Our reason for saying this has to do with the way the Finance Ministry presents the figures, following the guidelines of the International Monetary Fund (IMF). According to the IMF manuals, PDVSA (the country's main state-owned company) and state-owned financial companies should present net financial results, in other words, the net profit for the financial year.

So if we take 2009, for example, we will see that PDVSA's operating surplus is equivalent to 4.4 points of GDP. In other words, this figure covers





part of government spending incurred in by PDVSA and not included in total spending, besides including PDVSA's transfers to FONDEN. This is something we had already observed since 2006. The same happened, although to a lesser extent, with the non-financial state-owned companies. In *Ecoanalítica's* opinion, the surplus does not include amounts paid in royalties (5.1% of GDP), income tax (1.9% of GDP), and dividends (0.6% of GDP), which represent 173% of this surplus.

RESTRICTED PUBLIC SECTOR (% of GDP)	2006	2007	2008	2009
<b>Consolidated Public Sector</b>				
<b>Total Revenue</b>	<b>37.39</b>	<b>33.05</b>	<b>31.38</b>	<b>24.87</b>
<b>Tax Income</b>	<b>12.16</b>	<b>12.80</b>	<b>11.44</b>	<b>12.37</b>
<b>Non Tax Income</b>	<b>25.23</b>	<b>20.25</b>	<b>19.93</b>	<b>12.50</b>
Surplus on PDVSA's Operations	16.27	15.30	13.78	4.45
Surplus on EPNF Operations	0.48	0.02	0.17	0.29
Interests	0.09	0.29	0.39	3.98
Profit, Dividends and Commissions	4.17	1.67	2.41	0.85
Other income	4.22	2.98	3.18	2.92
<b>Total Expenditure</b>	<b>38.94</b>	<b>35.89</b>	<b>34.01</b>	<b>33.02</b>
<b>Current expenditure</b>	<b>24.05</b>	<b>22.41</b>	<b>22.74</b>	<b>21.89</b>
<b>Capital Expenditure</b>	<b>14.10</b>	<b>13.08</b>	<b>10.42</b>	<b>10.43</b>
<b>Extra-Budget Expenditure</b>	<b>0.48</b>	<b>0.11</b>	<b>0.04</b>	<b>0.07</b>
<b>Total Result</b>	<b>-1.55</b>	<b>-2.84</b>	<b>-2.63</b>	<b>-8.15</b>

Sources: MPF and Ecoanalítica

### The structural problem persists

Of course, while the IMF's methodology underestimates spending, it also underestimates revenues, which means that, in any case, the deficit or surplus is the same. Despite the current oil bonanza, the overall results of the public sector as a whole in recent years have worsened. Initially, the public sector showed an improvement, going from a deficit of 4.6 points of GDP in 2001 to a deficit of 1.5 points in 2002 and closing in balance in 2003 (0.2%). It continued to improve in 2004, closing with a surplus of 2.5 points of GDP, which increased to 4.1% of GDP in 2005. But then in 2006 that surplus was replaced with a deficit (-1.6%), which deepened to 2.8% of GDP in 2007. Despite the spectacular increase in oil prices, in 2008, the deficit reached 2.6% of GDP and then more than tripled in 2009 (-8.2%).





## Economic Tips

**National Assembly fine-tunes Stock Market Bill.** The chairman of the National Assembly's Finance Committee, Deputy Ricardo Sanguino, commented that they will be making adjustments to the bill that was passed following its first debate and that the creation of the Public Stock Exchange will be included, the purpose of which will be to trade securities issued by government agencies and state-owned companies. According to Deputy Sanguino, the ban on stockbrokerage firms acquiring these securities will be maintained.

**Central Bank could modify Stock Market Bill.** According to official sources, the Central Bank could bring pressure to bear to allow stockbrokerage firms to purchase bolivar-denominated debt bonds, owing to the fact that the placement of domestic debt will be stepped up in the coming weeks.

**Number of employers continues to shrink.** In the past ten years, the number of employers in the private sector has gone down by 22.9%, according to information from the National Statistics Institute (INE). In June 2000, there were 463,945 employers, whereas in June 2010 they came to 357,478. Generation of informal jobs has also been affected. According to INE data, in June 2000 there were 351,350 informal employers, whereas at the close of the first semester of 2010, this number had dropped to 254,114, a reduction of 27.7%.

**The public sector has gained ground in job generation.** Even though the private sector continues to be the biggest generator of jobs in the economy, the public sector has gained in relevance thanks to the policy of state takeovers, going from employing 15.5% of the employed population in June 2000 to 18.9% in June this year.

**Trade with Colombia down 63.5%:** According to INE figures, trade with Colombia in April was US\$166.3 million, down 63.5% from April 2009, when it came to US\$455.4 million. Imports from Colombia, which came to US\$417.9 million in 2009, fell to only US\$149.9 million in April 2010, three months before the Venezuelan President broke off diplomatic relations with Colombia, yet again. The reduction in imports in the first four months of the year is even greater (72.5%), going from US\$2.023 billion in 2009 to US\$556.2 million this year. Venezuela's exports to Colombia also suffered, with a drop of 35% in the first four months of the year, from US\$112.8 million to US\$73.3 million.





**Amendment to the Special Economic Allocations Act:** The National Assembly published an amendment to the Special Economic Allocations Act in the *Gaceta Oficial's* Extraordinary Edition No. 5,991. Whereas before, 25% of oil royalties were required to be distributed as follows: state governments (42%), mayoralties (28%), and communal councils (30%), thanks to the amendment, this 25% will be transferred to the Inter-territorial Clearance Fund. Subsequently, the Secretariat of the Federal Council of Government will undertake to distribute the funds applying a relative development index, the purpose being to solve the nation's territorial imbalances. The distribution of funds from additional credits will remain unchanged: 50% for states and municipalities and 50% for communal councils.

**Inflation in July.** During the month of July, the NCPI recorded an increase of 1.4% over the previous month, while the CPI Caracas Metropolitan Area (CMA) increased 1.6%. With this variation of cumulative domestic inflation rate during the first seven months of the year is 18%, almost five percentage points higher than the accumulated inflation over the same period of 2009. For its part, year-on-year variation of the NCPI stood at 30.5%, 0.8 percentage points below the previous month's variation. Additionally, the core of the NCPI showed a variation of 1.8% over the previous month, after having increased by 2.1% during the month of June.

**It recorded lesser scarcity and more diversity.** The AMC shortage indicator fell from 12.3% in June to 9.5% in July, its lowest level since December 2006. The diversity of products also grew; its index reached 153.8 points in July, substantially higher than the average for the first half of the year, 135.2, but below the index in July 2009, when it reached 170.5 points.

**Sitme figures.** To date, US\$1,043 million have been negotiated through the new Integrated System for Foreign Currency Transactions (Sitme), averaging US\$26.7 million a day, with an implicit exchange rate of VEF 5.3/US\$.

**Interest rate.** The lending rate for the fifth week of July was at 16.98%, down by 217 base points compared to the previous week. Time deposits and savings rates were at 14.5 and 12.6%, respectively. This reflects a 68 base point drop for time deposits while savings remains steady.

**International reserves.** International reserves dropped by 1.6% going from US\$28.68 billion during the fourth week in July to US\$28.22 billion during the fifth week in July. Compared to the same period last year, international reserves dropped by 9.3%.

**Monetary liquidity.** Monetary liquidity for the fourth week in July was up by 0.4% compared to the previous week settling at VEF 252.68 billion, accumulating and increase of 7.2% year-to-date and up by 17.4% compared to the same period last year.



## Oil Tips

**Pdvsa revealed its “audited” 2009 administration numbers.** A couple of weeks ago, at *Ecoanalítica* we analyzed Pdvsa’s Memory and Accounts (submitted to the AN) as of the end of 2009. In that study we highlighted the fact that said numbers had not been audited. Even after the first semester of 2010, the numbers had not been released, so comments about the country’s first company were made. The moment came last Tuesday (Though 7 months late), and Pdvsa presented its audited numbers.

**Pdvsa 2009 Administration Report: Revenues down.** The company reported a contracted income, reaching US\$74.99 billion in 2009, compared to the US\$126.36 billion of 2008. It is worth saying that crude oil prices in 2009 were 32.3% lower than in 2008, not to mention the effects of the world crisis and the production and refining problems present in the industry throughout the year. Pdvsa’s net profit in 2009 was US\$4.39 billion, compared to the previous year’s US\$9.41 billion, a 53.3% contraction.

**Pdvsa 2009 Administration Report: Accounts payable.** Venezuela’s first company’s 2009 accounts payable were reported at US\$7.02 billion, a 7.1% reduction compared to the previous year’s US\$7.56 billion.

**Pdvsa 2009 Administration Report: “Pending” accounts.** Pdvsa is currently facing multimillionaire international arbitration processes and pending payments due to Venezuela’s company nationalization policy. There are currently 11 active claims against Venezuela before the World Bank’s International Center for Settlement of Investment Disputes (ICSID), involving over US\$43.5 billion in compensation requests. Out of that total, US\$40 billion correspond to cases filed by the American companies Exxon Mobil and Conoco Phillips, introduced in 2007.

**Pdvsa 2009 Administration Report: Payroll exceeded 90,000 workers.** According to the state company’s operational balance as of December 31 of 2009, 91,949 people integrate Pdvsa’s fixed payroll. Hired payrolls reached 10,801 people last year.

**Pdvsa 2009 Administration Report: Fonden contribution crumbles.** Since 2005 Pdvsa has been obligated to sell to the BCV the necessary foreign currency income to meet its local currency obligations, while the rest can be held by Pdvsa to meet obligations and investments in foreign currency. Between 2005 and 2008, Pdvsa had submitted an average of US\$5.62 billion per year; as of the end of 2009, according to Pdvsa’s operational and financial balance, this contribution was contracted by 89.3%



compared to its annual average, and a 95.2% drop compared to the previous year when it reached US\$12.38 billion.

**2010, a new paradigm.** The president of Pdvsa, Rafael Ramirez, mentioned the change being promoted by the country's first company as part of his message while presenting the its 2009 operative balance. Ramirez said *"... Pdvsa and its affiliate companies are promoting and developing new forms of social property, in order to expand the State's participation in the economy, and to incorporate the People's Power into operational activities. We are also working in reviewing our legal, labor and commercial frameworks, in order to align our property modes with the State's hegemony, with its production affairs, based on our workers' and the society's participating and protagonist role."*

**Pdvsa's social contribution so far this year.** In presenting advanced numbers about Pdvsa's 2010 administration, its president, Rafael Ramirez, said that as of July, the state company's social contribution had reached US\$5.26 billion.

**BP to leave Venezuela.** The oil company BP is following its plans to sell assets in Vietnam, Colombia and Venezuela to face a US\$30 billion bill due to the worst crude oil spill in the history of the United States. The Russian oil corporation TNK-BP (in which BP has a 50% participation), said they were considering buying BP's assets in Venezuela. A future visit of BP's new president, Bob Dudley, to Moscow next week to meet TNK-BP executives activates the hypothesis that this is yet another step forward in the purchasing process.

**Refinancing problems are worrying.** Even though last week's tension between Colombia and Venezuela made Pdvsa prepare for a contingency and shut down hydrocarbon deliveries to the US, the oil company is currently dealing with operative failures that compromise its productive process. So far this year, (and in 2009), the units that prepare gasoline in three of Pdvsa's refineries (El Palito, Cardon and Amuay) have been shut down due to technical failures or maintenance procedures, keeping the company from releasing approximately 124,000 b/d.

**International oil baskets.** At the close of the New York market last Thursday, August 05, the WTI was at US\$82.0/bl, showing a 4.7% increase compared to the US\$78.4/bl of the previous Thursday. The Brent increased by 6.8% to reach US\$83.5/bl, compared to US\$78.2/bl of Thursday, July 29.

**Local oil basket price.** The Venezuelan oil basket price increased last week, to close at US\$69.2/bl on Friday July 30, up by US\$0.8 from the US\$68.4/bl registered the previous week. Meanwhile, the basket's annual average decreased to US\$69.8/bl.





## Business Sector Tips

**Venezuelan Government to freeze any bank that presents the slightest symptom of crisis.** President Chavez ordered Sudeban to immediately freeze and audit of any bank showing the slightest sign of crisis. He also mentioned the possibility to forbid bankers to become shareholders at media companies, following Ecuador's example.

**Public banking system bought CVG bills of exchange.** BCV was the intermediary between the public banking system and the CVG, which issued 20 letters of exchange to increase its resources and take care of pending obligations. Jose Melendez, secretary of finance of the Sutiss union said Sidor obtained a loan of about VEF 2 billion through the Central Bank of Venezuela to pay due amounts with contracting companies. The iron and steel company authorities promised to honor the debts maintained with contracting companies, and the latter promised to pay their staff benefits.

**Telefonica awaits repatriation of dividends.** The Spanish telecommunications company Telefonica insisted in repatriating approximately US\$1.8 billion in dividends from its affiliate company in Venezuela, after stating last week that their expectations to recover those funds decreased since the beginning of 2010. *"We trust the Government to recognize Telefonica's effort,"* said the president of the Venezuelan branch, Juan Antonio Abellan, to Reuters, stating that the repatriation of dividends was *"a good message for the market, if Venezuela wants to receive other foreign investments."*

**Biceabastos: food based on consumption.** The State-owned grocery store network Biceabastos will sell its products based on each consumer's needs, said Richard Canan, minister of Trade. The public clerk indicated that part of communal councils' labor has been to "identify" each community's possible buyers as well as their nutritional requirements, and a census is already being done by the National Institute of Nutrition.

**Producers wait for coffee price adjustment.** Coffee producers indicated the need for the Administration to review this product's prices as soon as possible, before the next harvesting process begins at the end of September. They said the production cost of one quintal of coffee was VEF 1,340, and the regulated price is VEF 585. They consider the price should be set according to production costs and taking into account



a profit margin, and hope this adjustment to be applied before the harvest, since they require resources to invest in recollection.

**CVG to import aluminum.** As a consequence of energy cutbacks at Venalum and Alcasa, and in order to improve the affected production of both public and private transforming sectors, the minister of Basic Industries and Mining, Jose Khan, said he had been holding meetings with business and productive sectors to import the semi-elaborated materials needed to transform and that *“once the energy problem is overcome, we will not need to import. This is a contextual policy that was consulted with both the private and public sectors and that has been accepted by workers themselves who know they will have the raw materials to work with so they can keep their jobs.”*

**Intense draught affected agricultural production.** A draught that lasted 10 to 18 months seriously affected the agricultural and livestock breeding sectors' production goals, with a 30% loss in the last cycle. The most affected by the weather were vegetable, plantain, and palm crops, as well as meat and milk production. The president of the Livestock Breeders and Farmers Confederation of Venezuela (Confagan) said the sector's production cost reported an average 50% increase in the first half of 2010, so he once again invited the Administration to create a basic basket of supplies for primary production.

**New national suppliers' network.** Corporacion Venezolana de Guayana (CVG) and Pdvsa's procurement units held a meeting to consolidate a national suppliers' network looking to eradicate the import of supplies.

## World Crisis Tips

**US GDP grew by 2.4%.** US GDP grew by 2.4% in a q/q seasonally adjusted annual rate (SAAR) during the second quarter of 2010, which compared to the second quarter of 2009 represents a 3.2% growth (y/y). This result was slightly below consensus expectations, and more importantly, it represents less than half the average growth rate observed after post-war recessions.

**Only foreign trade deteriorated the US growth.** Out of the main components of the GDP, only foreign trade had a negative effect over the US growth rate, since while exports grew a significant 10.4% (SAAR), imports grew by 27.8% (SAAR). All other components kept growing: residential investment (27.8%), business fixed investment



(17%), Government spending (4.4%), domestic demand (4.1%), personal consumption (1.6%), final sales (1.3%) and inventories (1.1%), all SAAR rates.

**US Industrial production loses momentum.** The US manufacturing sector keeps losing momentum while still expanding, since the index is maintained over 50 points. The ISM composite index fell to 55.2 points in July, down from 56.2 in June and 59.7 in May. Despite that, this growth deceleration was expected, and even exceeded Consensus expectations (54.0). Reviewing the index's components we can observe the industry began to accumulate inventories again in July, since the index for inventories went from 45.8 points to 50.2 points; supplier deliveries, prices paid and payrolls all improved slightly but remained below May levels; while new orders and production continued to decrease.

**US consumer sentiment falls sharply.** The University of Michigan's consumer sentiment index closed at 67.8 points in July, 10.8% less than in June when it reached 76 points, with which it stands only 2.7% over its level in July 2009. This indicator has had an 89% correlation with the y/y change in real consumer spending. The current economic conditions index fell from 85.6 points in June to 76.5 in July, its lowest level since November 2009, while the expectations index fell from 69.8 to 62.3 points.

**IMF gives ground on Yuan exchange.** Thanks to efforts made by the Chinese monetary authority by partially releasing the Yuan exchange rate against the USD, the Yuan went from 6.83 CNY/US\$ during the 23 months before its release on June 19, to 6.X CNY/US\$ last Thursday August 5, an 0.9% appreciation. The International Monetary Fund had stated before the exchange policy modification that the Yuan was substantially overrated, and even though they still think it should be appreciated by 5% to 27%, depending on the evaluation method used, they agree that there has been progress in this issue, since China's current account surplus has decreased considerably thanks to the Government efforts to boost domestic demand, which is also positive for the growth of the global economy.

**Greece on track, but the problem remains.** Greece has made some progress in improving its finances and adopting the reforms imposed by the European Union and the IMF that allowed it to obtain the €110 billion rescue plan agreed in May. This week, the EU and the IMF will evaluate whether Greece had made enough efforts to receive the second installment of €9 billion for the financial rescue. The Greek government's objective is to reduce its fiscal deficit from 13.6% of the GDP as of the end of 2009 to 8.1% by the end of 2010. To achieve this, drastic spending cutbacks have been applied, as well as a radical reform to its pension system, and value added tax increases, among other measures that have elevated the country's social dissatisfaction.



## Political Tips

**Reform of the Central Planning Committee via socialism:** The Act Creating the Central Planning Committee has already been published in *Gaceta Oficial* (No. 5,990). This committee will be in charge of structuring public entities so that they comply with the Economic and Social Development Plan of the Nation 2007-2013, commonly called the First Socialist Plan of the Nation. All plans and budgets of state-owned companies will be revised to adapt them to the achievement of socialist objectives.

**The amendment includes punitive measures.** The amendment to the Act Creating the Central Planning Committee includes penalties of fines of between 100 and 500 tax units for individuals or companies that refuse to reveal information requested by the committee. In addition, the committee will have the power to control and coordination ministries, services, and autonomous institutes, companies, foundations, associations, and non-commercial partnerships belonging to the State, so that they act in accordance with the guidelines and plans of the nation.

**Governor and Mayor Offices choked.** With the retention of most of the Constitutional Budget Allocation and the elimination of Fides and the LAEE, the National Administration has choked Governor and Mayor Offices, said Henrique Salas Feo, Governor of Carabobo. He also mentioned the chaotic port situation and the shutdown of the productive apparatus. Salas Feo explained that, in the case of the Puerto Cabello port *“there are 48 vessels anchored filled with food containers being unloaded at a slower rate than when ports were handled by Governor Offices, resulting in the accumulation of vessels, the increase of costs and the decomposing of food.”*

**Socialist party challenges opposition to a discussion about capitalism.** Aristobulo Isturiz, chief of the Bolívar 200 campaign, challenged the opposition to a serious debate about capitalism and socialism called *“Which of these models corresponds to Venezuela?”* The minister of education stated this kind of debate needs to take place. *“The opposition stands by capital interests and not workers’ interests.”*

**National Assembly proposed to set private hospital costs.** In a discussion held at the National Assembly about the draft to Regulate Public and Private Health institutions, they are proposing to set private hospital costs and medical fees based on Tax Units (TU), thus *“avoiding”* the outdate caused by inflation, etc. Also, the Ministry of Health will be able to *“freeze operations or take over a private institution to*



*administer temporarily, totally or partially, whenever the health service appears to be severely affected.”*

**Campaign focused on citizen safety.** The Venezuelan opposition announced its electoral campaign would be focused on the crime rate corrupting the country, after highlighting Caracas' homicide numbers in July of 2010, which reached 469 victims, that is an average of 15 murders per day in the capital city. Benjamin Ezaine, representative for the MUD, admitted the crime rate was now “the main focus” of his campaign for the election of September 26 that will renew all seats in the unicameral National Assembly.

**Request to verify the presence of FARC in Venezuela formalized.** The OAS Secretary General, Jose Miguel Insulza, received a letter from the Government of Colombia formalizing their request to create an international commission to verify the alleged presence of FARC and ELN members in Venezuela. He also urged Caracas to cooperate in fight against terrorism in accordance with its international obligations. Insulza submitted a letter to be sent to the Venezuelan Government indicating Bogotá submitted a formal request and asking Caracas to issue a statement in that regard.

**Venezuela accused of Unasur failure.** The Colombian Government blamed Venezuela of the Unasur chancellor summit failure. This time they didn't reach any agreements, leaving the task of finding a solution to the bilateral crisis in the hands of the presidents of member countries. The Government of Colombia denied the accusations of the Venezuelan President, Hugo Chavez, who stated his colleague, Alvaro Uribe, was preparing an “aggression” against his country.

**Electoral Schedule: “Full steam ahead.”** Tibusay Lucena, president of CNE, announced the scheduled established for the upcoming parliamentary election of September 26 was being met “to perfection.” She also said the corresponding normative was on the institution's website. The CNE, along with the National Telephone Company of Venezuela (Cantv) carried out an audit to the electoral result transmission system, and the result was positive, thus guaranteeing more efficiency and swiftness in the electoral results.

**Working schedules back to normal in public administration.** The National Administration decided to dismount the measure taken due to the national electric emergency in which a special working schedule was established for public administration offices from 8:00 am to 1:00 pm. Presidential order No 7,175 (dated January 12) was extended until July 30. Vice president Elias Jaua said “starting next Monday we will begin to work on a normal working schedule, that is, the corresponding eight hours.”



**“They won’t stop us.”** The possible political disqualification of Maria Corina Machado, candidate to the National Assembly, was rejected. In response, she said “legally and democratically they can’t and won’t stop us, and they won’t do it either with their slanders and threats.” She also said: “Why are you afraid of seeing us sitting in the National Assembly? The Government is petrified of counting votes and keeps trying all kinds of desperate actions.” She also rejected treason accusations against her.

**Mezherane linked to irregular groups.** The President of Venezuela said the entrepreneur Nelson Mezherane maintained connections with irregular groups, stating that, while the raid was taking place at one of his offices, several photographs and documents with information about the Colombian United Self-defense forces (AUC) were found. Chavez said that, even though “no one is being accused” for the murder case of Attorney General Danilo Anderson, *“those who had him killed are involved with the Venezuelan bourgeoisie, and this is very suspicious.”*

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**ECONOMIC OVERVIEW**

