



Weekly Report

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*Macroeconomic stabilization
funds, more than a petty cash:
The Norway Case*

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Over the last two decades, different studies have identified a negative correlation between economic growth and dependence on revenues from natural resources. Riches in natural resources were perceived as a blessing which allowed poor countries to advance to an accelerated industrialization process that was only viable thanks to their natural riches. However, the opposite has been observed in several countries, thus giving rise to the term "natural resource curse"¹.

Notwithstanding, more recently, several studies have questioned the existence of such curse. It has been argued that the curse is due not to the abundance of natural resources per se, but rather to weak institutions and failure to promote policies that favor economic growth.

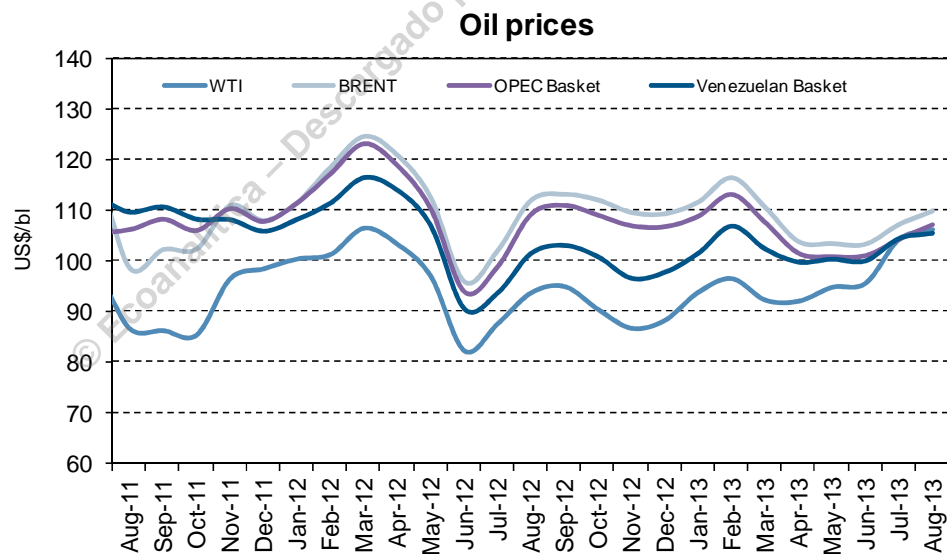
The Venezuelan experience as oil producing country hasn't been completely negative. Between 1935 and 1975, Venezuela, in the context

¹ The resources curse refers to the paradox that countries with an abundance of natural resources tend to have less economic growth than countries without these natural resources.



of a relatively stable oil market, was one of the most successful countries in the world, i.e. low inflation rates, exchange rate stability, expansion of education, consolidation of democracy. This situation did not persisted over time and in the late seventies, a process of economic stagnation, which is translated into an accelerated increase of poverty and involution of many of progress indicators, began.

Nowadays, the country is more dependent than never on oil prices, representing oil exports 94.5% of total exports, even in a context of a declining oil production. As a consequence, the Venezuelan economy is fully exposed to the volatility of oil prices and, therefore, vulnerable to a drop in oil prices. Many countries have established, or have considered establishing, oil funds. These funds have different rules and names but the same purpose, i.e. helping governments to deal with problems created by high oil revenues.



Sources: MENPET and Ecoanalítica

These funds are usually designed to tackle problems created by volatility and uncertainties of oil revenues (stabilization funds) or to save part of those revenues for future generations (savings funds), or both. Volatility of prices and, therefore, of revenues and uncertainties in terms of production are aspects that justify the creation of savings and stabilization funds, which could contribute to properly manage fiscal policy and promote certain strategic sectors and activities for the economic development of a country.



Venezuela is well acquainted with funds...

Throughout its history as an oil country, Venezuela has resorted several times to the use of funds with various purposes. The first of those funds, the Investment Fund of Venezuela (FIV), was created as a savings and investment fund in 1975². Apart from some restrictions, the fund was free to use its capital, provided decisions were approved by 60% of the general assembly. This experience shows how an investment fund managed discretionally managed by the President and parallel to the general budget, may adopt political criteria that aren't consistent with the promotion of productive investments. This fund was then transformed into Banded in 2001.

In late-1998, the Investment Fund for Macroeconomic Stabilization (FIEM) was created. This Fund was modified five times, until replaced with the Macroeconomic Stabilization Fund (FEM) in 2003. Those modifications will imply less savings and greater discretionary withdrawals.

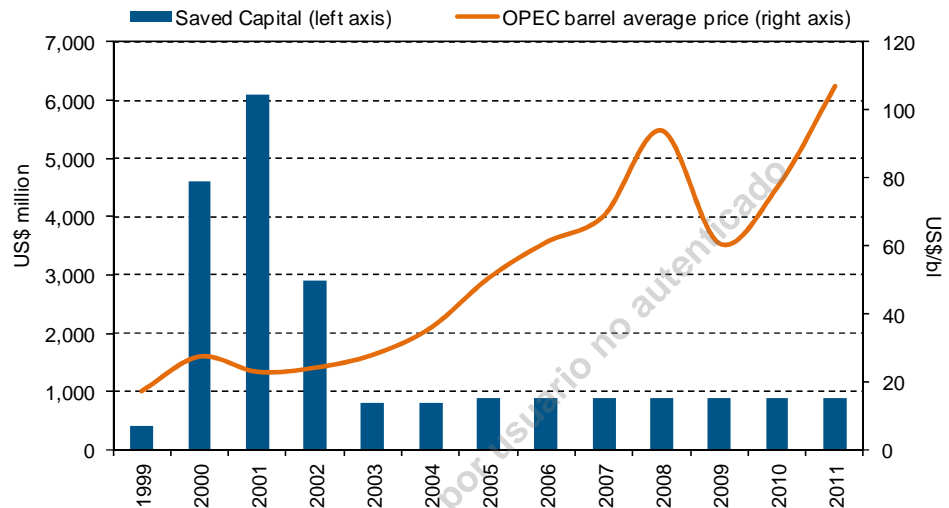
The authors of the book "*El petróleo como instrumento de progreso*,"³ analyzed moneys saved by FIEM/FEM. For 2001, more than US\$6.0 billion had been saved in a scenario of low oil prices. Then the fund was emptied and no money was deposited since 2003. At present, the Fund only has US\$3 million. This means, that savings were made when it wasn't necessary and the money was spent when savings were necessary, i.e. the Fund didn't fulfilled its stabilization purpose.

² In that year Venezuela lived an abundance that was the result of the oil embargo in 1973-74 and the subsequent restriction of supply by OPEC member countries.

³ Authors Pedro Luis Rodríguez Sosa and Luis Robert Rodríguez Pardo. IESA (2012).



Price per Barrel and Saved Capital in IEM/FEM



Fuentes: IESA, Menpet y Ecoanalítica

Both funds not only failed, but exacerbated the lack of transparency in the management of oil resources. That is, revenues are huge; however, institutions in the country are weak and encourage discretionary management of these revenues.

And other experiences?

In spite of Venezuela's failed experience, there are other successful cases including Alaska, Norway and even one in the region, Chile. Trying to tackle the problem of the Dutch disease⁴, the countries mentioned before have introduced the following adjustments in terms of economic policies:

1. Creation of instruments to neutralize the effect of the mass inflow of foreign currency.
2. Regime of fiscal stability.
3. Lifting of trade barriers.
4. Investment of and incentives for local capitals.

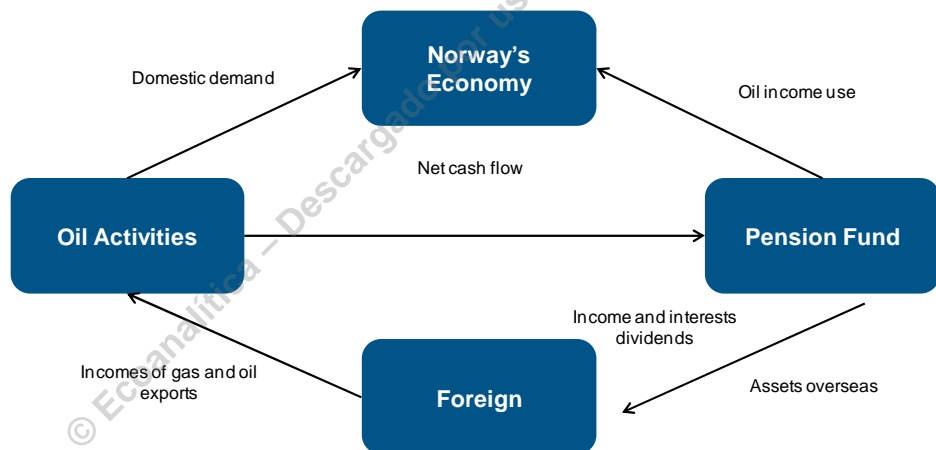
⁴ Dutch disease is the process by which an economy receives a flash flood of financial resources from a natural resource, which causes excessive expansion in the generation of goods and services at the expense of tradable goods sectors, the overvaluation of the currency and the currency conversion in local currency at a rate exceeding the absorptive capacity of the actual production system.



5. Clear rules to curb corruption. In this regard, an important element is the existence of strong institutions which impose credible penalties.

Below, we will delve into the Norwegian case. The Oil Fund was created in 1998 as a fiscal policy tool to support the long-term administration of oil revenues. The name of the Fund was changed to Pension Fund (Global) in 2006 as part of a broader reform of the pension system, which highlighted the Fund's role as provider for the Government of the savings required to face the growing expenses in public pensions in the coming years. The Fund hasn't been designed to make pension expenses.

Intersectoral Relations from the Savings and Stabilization Fund



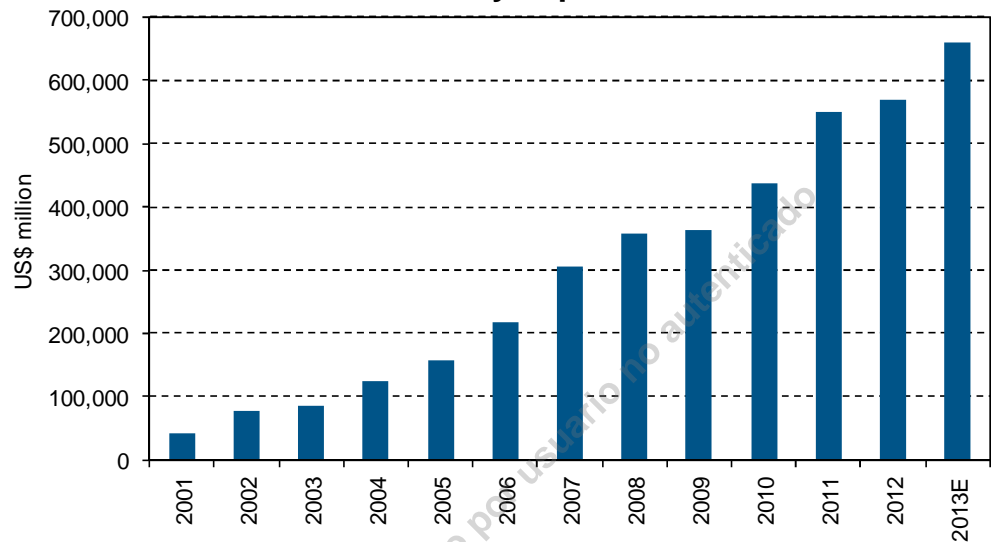
Sources: Banrep and Ecoanalítica

The Fund is included in the Budget; as such, it operates as a tool that strengthens the budget process and supplements the already existent institutions. The Fund only invest in financial assets abroad, thus guaranteeing risk diversification and good financial returns and allowing the non-oil economy to be protected. Likewise, there is a high degree of transparency and dissemination of information, which results in public support for the proper management of oil revenues and mitigates risks of bad governance.





Norway Capital Fund



Fuentes: Bank of Norway and Ecoanalítica

The Fund can be seen as a fiscal management tool which guarantees transparency of oil revenues. The fiscal rule assures a prudent and progressive introduction of oil revenues so that Norway's economy can have a balanced development. Currently, the fund is administered by the Central Bank of Norway and has a capital of about US\$660.53 billion, equivalent to 113.7% of the Gross Domestic Product (GDP).

In conclusion, we can point out that the international experiences have shown that a governance structure, in which the responsible people, criteria and fiscal rules are clearly determined, increases transparency and accountability and promotes an efficient administration of funds. We at **Ecoanalítica** believe that this window of opportunity on the oil market cannot be wasted; it's time to go beyond the mere capture of rent and recognize the potential to leverage the development of the non-oil sector, using oil investment as development vehicle.





Economic Tips

Unemployment rate at 8.0%. According to numbers released by the National Statistics Institute (INE), unemployment rate increased 0.1 percentage points (pp) in August, compared to the same period in 2012, when unemployment rate closed at 7.9%. This means that in the eighth month of the year, 1,133,674 people didn't have a job.

Inactivity rate decreases. According to inactivity rate figures published by INE, shows that decreased 1.7 pp compared to July 2012, to settle at 34.5%. Within this, men inactivity decreased 0.8 pp, and stood at 20.5%. By the other hand, women inactivity, decreased 2pp compared to the same period in 2012, and stood at 49.9%.

Informality rate at 41.2%. According to INE's figures, at end-August, 5,342,390 people were employed at the informal sector (41.2% of working population), decreasing 1.1 pp compared to the same period in 2012. For its part, formal sector employed 58.8% of working population, increasing 1.1 pp compared to same period last year, but fell 0.6 pp from the previous month.

Legal limit for holding foreign currency under revision. The chairman of the Permanent Committee on Finance and Economic Development of the National Assembly (AN), Ricardo Sanguino, stated that the AN and the Central Bank of Venezuela (BCV) are analyzing an adjustment of the legal limit of US\$10,000 which exporting firms are allowed to bring to the country and offer them on the exchange market. Sanguino added that the Law against Exchange Crimes has imposed restrictions on importers or individuals entering the country with more than US\$10,000 in cash.

Foreign currency savings for the State. The new mechanism, which will be the third official exchange market in Venezuela, will allow the State to lower expending in foreign currency, because part of the demand will be covered by this system, which could manage between US\$25 million or US\$30 million per day, according to estimates by the president of the Broker Firms' Association of Venezuela, Ricardo IV Montilla, who added that the existence of such a market would stimulate foreign investment in Venezuela, mainly from the oil sector.

US\$20.0 billion in agreements with China. During the first official visit of President Nicolás Maduro to China, with the aim of ratifying the strategic relation between both nations, the Chinese government promised to invest more than US\$20.0 billion in the



Venezuelan oil and social sectors. According to the agreement, a new project was established in Junín 10 Block in the Orinoco to produce 220.0 thousand of barrels/day (kb/d) with an investment of U\$S14.0 billion.

Liquid reserve urgently needed. The BCV is aware of the serious situation of Venezuela's liquid reserves; therefore, the Bank appears to be analyzing the possibility of using the gold bars that are still deposited abroad, which in end-June had a market value of US\$2.6 billion, as collateral for a loan for a similar amount. If this operation is completed, the BCV would have the enough level of liquid reserves to disburse the foreign currency required to alleviate shortages during the few months before December 8 elections.

Exchange reform could be late. Datanálisis' Luis Vicente León stated that the expected exchange reforms to streamline the foreign currency allocation process will take longer than expected, from two to six months, due to *“technical and political problems that are preventing the administration from making the necessary decisions.”*

Four lines of action. President Nicolás Maduro established four lines of actions for the Superior Body for the Defense of the Economy. These lines are intended to fight against the *“economic war of the bourgeoisie,”* and include: supplementary imports and production, improvement of transportation of goods and inputs strengthening of commercialization with the public and private sectors, and assistance for families through the expansion of Mercal network.

China-Venezuela special planning committee. President Nicolás Maduro proposed directors of Chinese oil firms and financial institutions, the creation of a special planning committee that would be entrusted with outlining a strategic development plan between Venezuela and China for the next 10 years. *“We'll see how at the end of this decade, the planned, friendly and fair effort will have allowed us to materialized the dream of diversification and economic development,”* Maduro added.

Maduro is trying to improve the import system. President Nicolás Maduro announced the creation of a new port, airport and customs system to improve import procedures. Maduro highlighted that the new system will be based on the procedure streamlining and oversight, aiming at putting an end to corruption in the current import system.

Sicad is back. Armando León, director of the BCV, pointed out that all procedures are being tuned up for a new Sicad's auction. León stated that this auction will be earmarked for imports of goods and services of strategic sectors (mainly the



production and manufacturing areas) and added that they “*expect all procedures are developed soon so that urgent needs of those sectors can be met*”

FONDEN’s resources are dropping uncontrolled. Resources in foreign and local currency in the National Development Fund (FONDEN) have dropped by 40.6% over the last year, amounting to US\$7.6 billion in August (at the official exchange rate of VEB 6.30 per US\$). Taking into account the parallel funds established by the Economic and Social Development Bank, and deposits in the financial system, the National Treasury Office, Banco del Tesoro, the Miranda Fund and PDVSA’s accounts, a total of US\$38.4 billion is available, which, according to **Ecoanalítica**, accounts for a drop of 25.7% since August 2012.

No negotiations with the IMF. The Minister of Finance, Nelson Merentes, dismissed rumors that the Venezuelan administration has met with the International Monetary Fund (IMF). Merentes explained that Venezuela has more than US\$50.0 billion to deal with all matters related to the economy, including debt; therefore, talking with the IMF hasn’t been necessary.

Interest rates. The lending rate for the third week of September was at 16.4%, down by 0.4 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves increased by 1.0%, going from US\$22.09 billion during the second week of September to US\$22.33 billion during the third week of September. Compared to the same period last year, international reserves have decreased by 9,6%.

Central government expenditure. On Friday August 16th according to figures from the ONT primary spending was VEB 18.59 billion, which means an increase of 253.1% when compared to the previous week when it was VEB 5.27 billion; when compared to the same period last year we observe an increase of 251.8%. So far this year the cumulative primary expenditure in real terms (measured in 2007 prices) is VEB 71.17 billion, with a variation (y/y) of -14.1%.

Monetary liquidity. Monetary liquidity (M2) increased 1.1% in the second week of September compared to the previous week, settling at VEB 919.56 billion. The M2 has increased 64.0% in relation with the same period last year.





Oil Tips

Further borrowing for PDVSA. A new loan of US\$5.0 billion was agreed between Pdvsa and China through the Development Bank, to bring into fruition the agreement of Trench C of the Chinese Fund. With this borrowing, loans from China to Venezuela amount now up to US\$36.0 billion.

Exports to China will increase. After receiving a new loan through the Chinese fund, shipments to China are expected to continue to grow so as loans can be repaid. In 2007, the Chinese-Venezuelan Fund was established with a capital of US\$4.0 billion, and between 2007 and 2012, exports to China went from 95 (kb/d) up to 321 kb/d. However, according to the OPEC, Venezuelan oil production has declined from 2.96 million barrels daily (mb/d) to 2.80 mb/d

One million just for China. Rafael Ramírez, president of Pdvsa, assured that Venezuela's and China's economies complement each other almost perfectly, because "*Venezuela has the oil that China needs for its development.*" Ramírez added that by 2013, shipments to China are expected to increase to more than 1 mb/d. Furthermore, China is currently the main international creditor of Venezuela.

Sowing oil, still from scratch. Over the past 15 years, both Venezuela's share on the global oil market and oil production has dropped. The Oil Sowing Plan 2005-2012 expected to increase oil production by 86% to 5.83 million barrels daily (mb/d). However, the plan was postponed in such a way that the period to attaining these goals is now 2012-2018. Meanwhile, from 1998-2013, Venezuela's share in OPEC's total production went from 11.3% to 8.6%.

What if...the country would have maintained the same oil production level as 1998, oil revenues would have grown by US\$111.0 billion. Furthermore, if goals of the Oil Sowing Plan 2005-2012 would have been attained, given the increase of oil prices over recent years, oil revenues would have increased by US\$311.0 billion.

Far from plans. According to the Oil Sowing Plan 2012-2018, oil production for 2012 should be 3.13 mb; however, only 2.91 mb/d were lifted. In 2013, daily production was expected to reach 3.46 mb/d, but current production hardly amounts to 2.75 mb/d. This can be partly attributed to the fact that production at the Orinoco Oil Belt is just at 20 kb/d instead of the 189 kb/d expected.



Notwithstanding, we still borrow. PDVSA financing with Petrocaribe amounts to US\$20.0 billion, accounting for 53.0% of Venezuela's shipments to countries benefited from this initiative. Meanwhile, the remaining 47.0% had been paid largely with products, goods and services. In 2012, only 78.0% of Venezuela's oil exports were collected, far below the 90.0% collected in 2008.

Oil workers also demand. The oil workers' union FUTPV made a proposal of Oil Collective Contract for 2012-2015. In the proposal, workers ask for a wage increase of 80.0% and a 35.0% increase in the electronic food card, and the construction of 56 thousand homes for oil workers.

Abreu e Lima (refinery) is Brazilian. Abreu e Lima refinery in the outskirts of Recife, which was opened by Brazil's former president Luiz Inácio Lula Da Silva and the late President Hugo Chávez as a symbol of cooperation between both nations, will finally belong to Brazil's state-owned oil firm Petrobras. Since 2005, when the project was launched, PDVSA hasn't provided the guarantees required to obtain financing that would allow the Venezuelan oil firm to have a 40.0% stake in the project that estimates a production of 230 kb/d.

More imports. PDVSA would have presented an offer to acquire 300.000 barrels of catalytic naphtha used to produce gasoline for motor vehicles and also as dilutant for the extra heavy oil that Venezuela produces for export. Since the explosion in Amuay refinery, fuel imports have substantially increased.

International oil baskets. At closing time on September 20th in the New York Stock Exchange, the price of the WTI was US\$106.9/bl, down by 1.6% when compared to the reported the previous week. The Brent decreased by 2.8% to reach US\$109.9/bl, compared to the previous week's US\$113.0/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$103.2/bl on Friday September 20th, a 2.9% decrease compared to the US\$107.0/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.9/bl.





Business Sector Tips

Business report obstacles. Businessmen related to the production and commercialization of personal care and household products and containers reported to Superior Body of the Economy some of the problems they are facing to raise production. At a meeting, directors of companies repeated that delays in the allotment of foreign currency by Cadivi and in the issuance of Non-Production Certificates (CNP) and prices backlogs are the main barriers they are facing.

No sacks. Plants of the state-owned cement Fábrica Nacional de Cemento have run out of sacks to package production, Luis Chaparro, General Secretary of the Planta Pertigalete Union, Anzoátegui state, said. The union leader stated that they lack parts to keep the plant going and that the supply of spare parts and inputs is insufficient. Plant at Pertigalete, the country's largest, is operating at 75% of its total capacity, processing about 4.5 tons of cement per day.

Transporters ask for price increase in freight. The administration will evaluate the request for price increase in freights proposed by the Association of Small Owners and Drivers of Load Containers of Puerto Cabello. At a meeting held with authorities of Bolipuertos and CASA president, Manuel Barroso, authorities accepted to evaluate the increase proposal presented by the Association and review the current price schedule to make the reasonable adjustments.

Imports keep growing. Imports of food, beverage and tobacco grew 37.3% in January-April 2013, with regard to the same period in 2012: from US\$823 million to US\$1.13 billion, as per foreign trade figures released by INE. Since 2005, imports have grown 132.0% in nominal terms. This year, private companies reached 68.0% and have accumulated US\$10.3 billion. The other US\$4.7 billion, which account for 31.0% of total operations, correspond to the public sector.

Christmas without toys. According to Cipriana Ramos, president of Fedecámaras-Vargas, no toys and Christmas products will be imported this year. *"At this date, it's impossible to negotiate with suppliers. Products sold this year will be those that arrived late last year."* Ramos added that operations are minimum because foreign currency are in the hands of the administration y hasn't been delivered for imports to be activated.





Cadivi met with representatives of the toy sector. Cadivi's authorities met with representatives of the Venezuelan Chamber of Toys, Sports and Recreation to guarantee operations of these sectors for the rest of the year. According to a press release of Cadivi, these sectors have been authorized foreign currency for more than US\$18.85 billion until last September 2nd. The press release underscores Cadivi's willingness to support the toy sector activities for the rest of the year.

The administration cuts back 27.5% of its food purchases. A presidential decree authorized the 11th Exceptional Plan for Basic Food Supply. According to this plan, 3.6 million of tons of food, equivalent to VEB 29.39 billion, will be bought. Although resources invested for these purchases are similar to those earmarked in the last year's plan (VEB 30.03 billion), the volume of food acquired dropped 27.5%.

Maracaibo is the most expensive city of Venezuela. According to INE's data, the average cost of the food basket in August was VEB 2,915, registering an increase of 58.8% over the last twelve months. However, in some cities, this value has been exceeded by far. Maracaibo is the most expensive city of the country and there the food basket cost VEB 3,480 last month. In fact, it's precisely in Maracaibo where basic food prices have registered the highest increases over the past year, accumulating an increase of 69.0%.

Sidor paralyzed for six days now. Operations at Sidor have been paralyzed for six days now due to the labor protest that started more than one week ago with a progressive reduction of production until definite shutdown past Thursday, September 19th. Workers' demand hasn't been satisfied. Workers asked that the executive committee of the Iron and Steel Workers' Union signs a document with the company and the CVG agreeing to respect clause 8 of the collective contract, which provides for that payment of Christmas bonus will be calculated based on the fraction of days of rest.

World Economy Tips

Obama is concern about delinquency. U.S. President Barack Obama urged the U.S. Congress to authorize an increase in the country's borrowing limit, because otherwise, the American nation will not be able to honor its debt commitments. The U.S. administration will run out of money at the end of September, unless the



Congress passes a new expending law, and the country won't be able to honor its commitments at middle-October if the borrowing limit isn't increased.

FED keeps the pace. The U.S. Federal Reserve (FED) informed that it will keep, for now, its pace of bond purchases of U\$85.0 billion per month, which came as a surprise for financial markets which were expectant that the opposite would occur. FED decided not to cut back its assets purchase due to tensions in the economy resulting from the tight fiscal policy and higher mortgage rates, something that investors had anticipated in bond and share prices.

FED releases new projections. Fed has revised its quarterly projections due to a change in the U.S. panorama. Therefore, GDP growth estimates in 2013 dropped to 2.0%-2.3%, from 3.3%-3.6% forecast in June, whereas GDP growth estimates for 2014 dropped to 2.9%-3.1% from 3.0%-3.5%.

Let's wait for 2015. Twelve of the 17 Fed's advisors forecast that the first official rise of rates will happen in 2015. This forecast remains in spite of the projections that unemployment may potentially reach sometime next year the 6.5% threshold, at which a rate increase will be considered. Fed, in an attempt to ease markets' jitters for a deceleration in its bond purchases, reiterated that rates won't be increased, at least until unemployment drops to 6.5% and while inflation rate doesn't exceed 2.5%.

EUR 242.0 billion for broadband. Vice- Minister of Information and Industry of China, Shang Bing, explained that his country has plans to invest EUR 242.0 billion to improve its broadband infrastructure by 2020, with the aim of being able to provide online access to almost its entire population. This investment could benefit global producers of network equipment such as Ericsson and Alcatel-Lucent, as well as local actors like Huawei Technologies and ZTE Corp.

The European Central Bank (ECB) ready to move. The European Central bank is ready to increase liquidity on the credit market through the granting of a further long-term loan, if necessary, as informed by a member of the ECB Government Council, Erkki Liikanen. Markets have already started to speculate about the possibilities that another operation may take place similarly as those that the ECB carried out to flood banks with more than EUR 1.0 billion in cheap three-year loans in late-2011 and early-2012.

Ireland has to adapt. Joerg Asmussen, member of the ECB administration council, explained that Ireland should not make the austerity measures included in its yearly budget more flexible next month, but adapt to a goal of EUR 3.1 billion in spending cuts and tax increases. Ireland has attained several of its goals after its financial bail-out, which has encourage ministers of the Government to implement a more modest



fiscal adjustment than agreed upon with the European Union (EU) lenders, the IMF and the ECB for next year.

Increased confidence in the European Union. Consumers' confidence in the euro zone increased up to a two-year high in September, whereas the indicator throughout the EU exceeded its long-term average for the first time since 2011, as informed by the European Commission. Consumers' confidence increased to -14.9 points in September, from -15.6 points in August.

Saccomanni warns. Italy's Minister of Economy, Fabrizio Saccomanni, threatened with resigning if the fragile coalition government doesn't obey the spending limits based on the EU deficit in favor of tax cuts. Minister Saccomanni's leaving, who is not allied with any political party, would be a hard blow for Italy's credibility among financial markets, which could be counterproductive and especially at a moment when they are fighting to come out from recession.

Argentina's economy grows 8.3%. Argentina's GDP grew 8.3% in 2Q2013 in comparison to the same period in 2012, as informed by the National Institute for Statistics and Census (INDEC). As compared to 1Q2013, Argentina's economy grew 2.6% in 2Q2013. The Argentinean administration estimates that growth for 2013 will reach 4.4% (a number higher than private forecasts), whereas that for 2014, a 6.2% growth is estimated.

Political Tips

Modern and advantageous relations. President Nicolás Maduro assured that Venezuela and China have "*modern*" and "*advantageous*" relations for both countries and said that a total of 27 agreements were signed with the Asian country after his arrival in Beijing. Maduro offered this statement at a meeting with the Prime Minister of China, Li Keqiang, at the Great People's Palace in Beijing.

The U.S. isn't an obstacle. President Nicolás Maduro denied that the possibility of suspending or delaying the trip to the People's Republic of China hasn't ever been considered. The Venezuelan President explained this due to the U.S. refusal to authorize the Venezuelan presidential airplane to flight over Puerto Rico, which is U.S. jurisdiction. "*I have ordered to design another route, regardless of its being longer; but the U.S. isn't going to prevent me from going to China. Denying a Head of*



State the authorization to fly over a country they have colonized is a serious fault,” Maduro added.

The U.S. denies having prohibited flyover. The U.S. administration attributed the inconveniences for the flyover authorization to the rush with which the Venezuelan administration followed the procedure to obtain permission for the presidential airplane to fly over Puerto Rico. *“The Venezuelan administration requested a diplomatic authorization for the presidential airplane to enter the U.S. airspace just one day in advance. Diplomatic flights authorizations have to be requested three days in advance,”* the U.S. administration assured.

The PSUV party is ahead. It doesn't appear that it will be necessary for an opposition deputy to go to the other side for the Enabling Law, which President Maduro hasn't still requested, to be passed by the AN. The law would be passed because parliamentary immunity of Deputy María Aranguren would be removed, which would give the government party another vote, because Deputy Carlos Flores (member of the PSUV) would be Aranguren's substitute.

A desperate government. The National Coordinator of Primero Justicia Party, Julio Borges, revealed the *“Operación Lupa”*, showing that President Maduro is desperate by polls reflecting a drop in his approval rates as a result of his total failure to resolve the country's problems. *“They are so desperate that in recent days, Maduro was saying that the administration had to open 30-40 works per day and we all know that for years, this government has done nothing but recycling promises,”* Borges explained.

Contacts with U.S. office are denied. The former Minister of Finance, Rafael Isea, denied the information published by *The New Herald* assuring that Isea was in the U.S. under DEA's jurisdiction. *“If I would have spoken with DEA officials, there would be an official confirmation. Has anybody seen such confirmation? Absolutely it doesn't exist, because it never happened!”* Isea said.

Iris Varela's statements after two days of silence. The People's Minister for Penitentiary Services, Iris Varela, appeared Thursday, September 19th in Sabaneta Jain and spoke to the media on the events that left 16 prisoners dead, including three *“pranes”* (chieftains) and a number of injured people, after a prison riot at the Cárcel Nacional de Maracaibo, in Sabaneta, which lasted more than 17 hours. This is the second riot in less than a month. Varela assure that the riot happened because some *“criminals”* didn't want to undergo the inspection corresponding to that day.

Borges: “Bringing another US\$5.0 billion from China isn't a triumph.” Deputy Julio Borges from Primero Justicia Party said that far from being an economic



success, the new debt contracted by Nicolás Maduro during his trip to China represents nothing but more debt for the Venezuelan citizens. Borges stated that China is becoming “owner of Venezuela”. *“How can it be possible that with an oil barrel at more than US\$100, you have to ask loans from China! The economic crisis is so deep that every Venezuelan family owes VEB 300 billion to China and now that debt is higher,”* Borges added.

Legislatives Tips

Anticorruption reform stopped. Deputies from the PSUV party are stopping the reform of the Law against Corruption on the pretext that the draft law collides with the Organic Law of the Comptroller’s Office and the National System for Fiscal Control. They also assure that the reform will be delegated to President Nicolás Maduro once the Enabling Law is passed. The proposals presented by the Democratic Unity Panel (MUD) include: classifying nepotism as a crime and establishing the obligation for people’s power entities to render accounts every six months.

Putting an end to the foreign currency quota scam. According to the chairman of the Committee on Finance and Economic Development of the AN, Ricardo Sanguino, with the reform of the Law against Exchange Crimes, the sale of foreign exchange quotas allocated by Cadivi would end. Furthermore, crimes related to family remittances will be punished with more severe penalties, which would be increased from 3-6 years in prison to 6-12 years.

Molero to Brazil... Former People’s Minister for Defense, Diego Molero, was designated Ambassador to Brazil, in spite of the request by Deputy Abelardo Díaz to suspend the appointment while the Attorney General’s Office doesn’t decide on accusations against the former Minister in Mario Silva’s audio recording.

And Maduro to China. The AN authorized President Nicolás Maduro to travel to the People’s Republic of China for five days to “strengthen strategic relations” during the second meeting of the High-Level Mixed Committee.

Appointment of CNE Board should be put on agenda. The NGO Súmate asked the An deputies to include in the agenda the appointment and swearing in of the three main directors of the National Election Council (CNE) and their replacements,



as well as the 10 justices of the Supreme Tribunal of Justice (TSJ) and the Comptroller General.

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ECONOMIC OVERVIEW

