



Weekly Report

Year 9, Number 40
Week III, October 2013

*The political economy of
budgetary policy*

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It is frequently said that the Venezuelan budget is characterized by its high politization level. This politization is one of the main causes of corruption and the frequent delays in the approval and execution of the budget. It is said that the politization of the budget process is due to the budget allocations destined to benefit only some electoral groups in a specific region.

**What's said
about the
budget?**

In Venezuela, throughout the years comments have been made about the National budget through the media. These comments suggest that the budget is driven by politics and is discretionary. For example, in its last annual budget report (2012), Transparencia Venezuela says that the Administration directly manages 75.0% of the budget plus the parallel funds and special contributions; in their study of the budget they also say that the trend to reduce resource allocations to mayoralties and governorships remains, by underestimating the domestic income.



In recent years, evidence has emerged of a marked deterioration in public services at the sub-national level, due to a lack of funds, despite the market increase in total public spending, which went from 27.6% of GDP in 1999 to approximately 42.5% of GDP in 2012 according to Ecoanalítica. These data question the effectiveness of the distribution of oil resources through the budget mechanism, according to what the Constitution establishes, and leads to question whether the budget discretionary assignment by the Administration, and the predominance of the ruling party in the National Assembly (NA), are affecting these results.

Through the budget law reforms we can see how the budget has become more centralized in the hands of the Administration, leading to the assumption that there is an open window for it to be discretionary.

The budgetary gap

Therefore, this report based on a study done by Ma. Andrea Manuzzato and Isabella Avila¹, will try to establish a relation between what has been actually transferred to the entities, and the assignments that would correspond to them according to the Constitution and the Budget Laws, measured through an indicator made up by a gap, that will collect the budget deficit or surplus in each state.

The main variable in this analysis is what we call the gap. The gap is the result from the difference between the transfers made by the CG to the governorships, and what should actually correspond to them according to our estimates, in agreement with the Venezuelan Laws regarding Constitutional Budget Allocation sub-nationally.

How does the subnational budget works?

According to the instructions published by the National Budget Office (Oficina Nacional de Presupuesto - Onapre), there are three kinds of public income: capital income, current or ordinary income, and income from capital sources. To calculate the Constitutional Budget Allocation only the current income presented at the end of each fiscal year will be considered, which are all the incomes originating from taxes, non-tax incomes, and transfers to finance current expenses.

The Constitutional Budget Allocation is the main sub-national source of income, according to article 167 number 4 of the Bolivarian Constitution of Venezuela, which states that a balance no greater than 20.0% of the

¹ "Influence of political competition in the allocation of resources to sub-national level and its impact on the decision of the voters", thesis for the degree in Economics from the Universidad Católica Andrés Bello (UCAB)



ordinary income that is calculated annually by the Treasury, will be distributed between States and Municipalities.

Thus, the Constitutional Budget Allocation distributes 30.0% of the ordinary income destined to the Federal entities in equal amounts, among the 23 States and the Capital District, and the remaining 70.0% is distributed according to the proportion of population of each State with respect to the total population.

Then we have the changes made to the budget. These are changes to the credits assigned to programs, projects, and works, during the fiscal year, for the different entities.

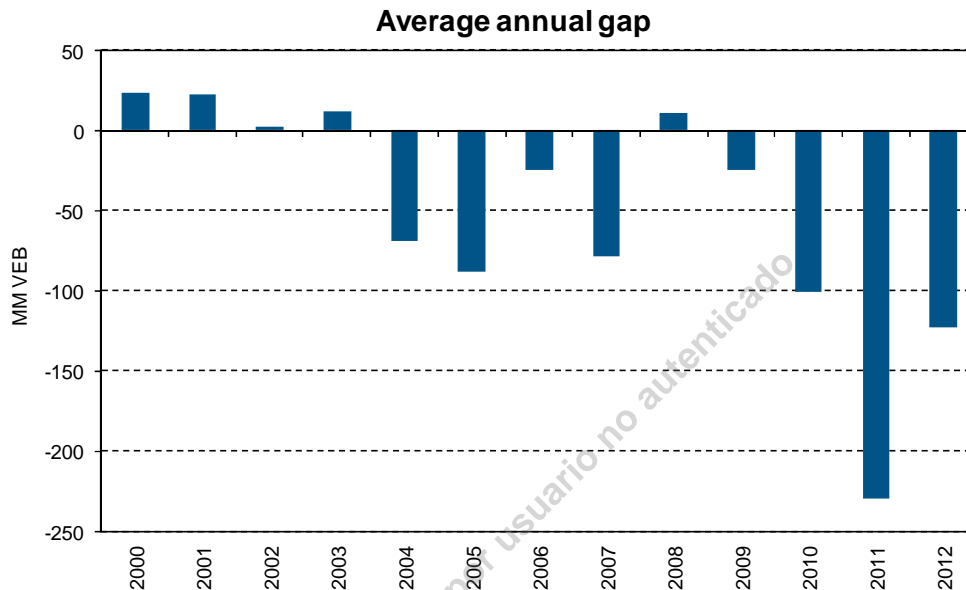
Changes can occur due to several events:

- a. Under or over estimating the credits assigned originally in the Budget Law and the General Allocation.
- b. Incorporation of new projects or Centralized Actions.
- c. Readjustment of expenses agreed by the President of the Republic, due to unexpected situations.
- d. Change in the targets or volumes of work in the programs developed by the entity.
- e. Unexpected expenses.

The performance of the gap

Through estimates made from the ordinary income and what was effectively allotted to each State, the average gap was estimated for the governorships of the 24 states for the last twelve years, and the behavior has been negative, that is, the governorships were assigned, through the Constitutional Budget Allocation, less than what really corresponds to them according to the laws. The average gap from 2000 to 2012 has a deficit of VEB54.1 million.





Sources: Onapre, UCAB and Ecoanalítica

Analyzing the average gap year to year, the following has been established: from 2000 to 2003, the gap was positive, that is, in the first four years of the study, the States, through the Constitutional Allocation, were given more resources than what has been established by the law. Although 2003 was the year of the national strike, the positive gap may be reflecting the fiscal stimulus by the Central Government to avoid a recession. In fact, the average spending of 2003 was 35.52% higher than the previous year.

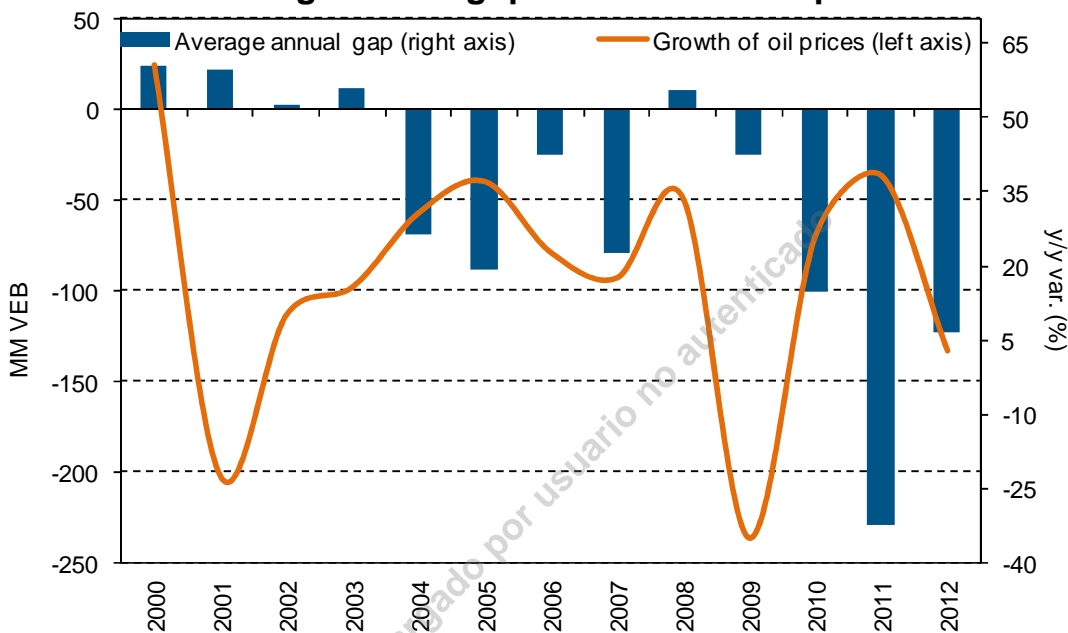
In 2008, a curious economic event occurred: despite the global economic crisis due to the financial bubble, Venezuela had months of high oil prices, reaching a historic peak in July, 2008 of US\$117/bl, which appears to have led to a positive gap.

In 2009-2012, the gap became negative once again. We must consider that after the crisis of 2009, when high oil prices were expected, there was rather a reduction in their prices, and the oil price target established in the budget of that year wasn't met, since the average estimated price for 2009 was US\$60.0/bl, ending the year at US\$57.7/bl; 3.3% less than expected. This made the budget adjustment for all the states fall that year, thus reducing the resources that were originally allotted to them.





Average annual gap vs. Growth of oil prices



Sources: Onapre, Menpet, UCAB and Ecoanalítica

Although 2011 and 2012 are years when public spending increased and money was injected in the economy, this was not reflected in the resources destined for the governorships, and the gap for those years was negative.

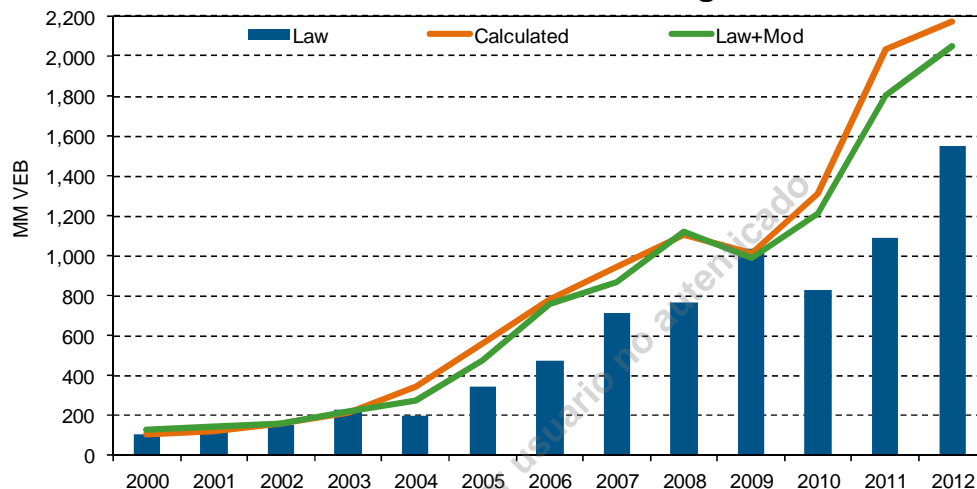
The deficit in the Constitutional Budget Allocation

In general, the gap is formed by two main components: The constitutional allocation and its modifications. Analyzing the Constitutional Budget Allocation year to year, regarding the allocation that originally corresponded to each governorship (considering the allocation plus the modifications) with that that would have corresponded to them according to the calculations, which consider the strict implementation of the laws as a function of the real ordinary income obtained by the National Treasury, we have the following graph, showing the difference between the three levels. These results lead to infer that there are inconsistencies in the Constitutional Allocation for the governorships. The difference between the line of the calculated allocation and the line of the allocation approved by the law plus its modification is what has been defined as the gap.





Budget allocation by law vs. Budget allocation with modifications vs. Calculated budget allocation



Sources: Onapre, Ecoanalítica

We can see that between 2000 and 2012 the allocation has increased, since the price of oil has increased considerably, from an average US\$25.9/bl in 2000 to an average of US\$103.4/bl, in 2012 an increase of 298.0% in 12 years and therefore an increase in the nation's ordinary income.

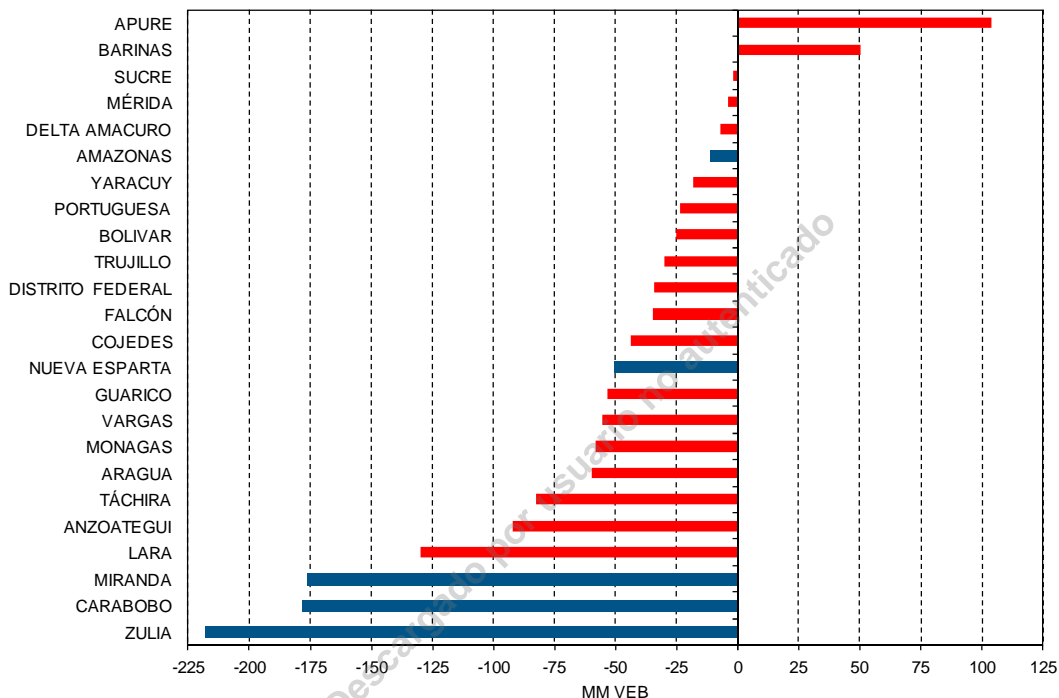
The average allocation by state

Given The data gathered since 2000, shows both the average of the gap per state, and the political identification of the state governments throughout the period analyzed. The graph identifies the chavista states in red, and the opposition states in blue.





Average gap by State



Sources: Onapre, CNE, UCAB and Ecoanalítica

Although it is true that most States had on average a negative gap, there are two states that are the exception: Apure and Barinas, with governors that are pro government, while the three states with the largest gap deficits have had on average more opposition governors.

Finally, the above suggests that there are real inconsistencies in our country's Budget at the sub-national level, meaning that in the last years the Central Government has accumulated greater control over it, leading to discretionality, and where governors that are not aligned politically with the government have been more affected than those who are. This indicates that the country's institutions are highly politicized which doesn't provide transparency and makes the CG respond more to political interests than to collective interest for social benefits.





Economic Tips

The budget has been presented. Nelson Merentes, Finance Minister, presented before the Secretariat of the National Assembly (NA) the draft Budget Law for Fiscal Year 2014. Merentes stressed that the legal instrument, which states the income and expenditures of the country, is characterized by a high social investment component.

A better 2013. According to the last "Global economic outlook" of the International Monetary Fund (IMF), the Venezuelan economy will grow 1.0% this year, 0.9 percent points (pp) over the forecast of its April report, while in 2014 the economy will grow 17.0%. Although the Outlook is improving, inflation and unemployment will continue being, according to the IMF, the main problems of the national economy, 46.0% and 92.0% respectively this year, and 38.0% and 10.3% for 2014.

But the risks are latent. The IMF stated that the increasing "imbalances" in the Venezuelan economy, with high inflation, greater shortages and a higher differential in the exchange rate (the parallel compared to the official), make the present situation "unsustainable" unless "corrections are made" (readjustments in economic policies), among them moderating the excessive public spending.

Nothing cheaper than the dollar. Jorge Giordani, Minister of Planning, said that "the cheapest merchandise" in the Venezuelan market is the dollar, which can be "*bought cheap and sold expensive*". Regarding the impact of a possible devaluation on the people's purchasing power, Giordani said that "*the people understand these things*", but there are mechanisms to avoid the impact on the price of goods and services, like crossed subsidies.

Depreciation: the solution, not the problem. According to the latest weekly report of the World Bank (WB), Latin America could partially absorb the impact of the slowdown of the emerging economies using a flexible exchange rate as a strategy, something that isn't possible in Venezuela which has exchange rate controls. "*Venezuela is a special case, since it has serious macroeconomic issues, a long lasting significant fiscal maladjustment, a large monetary expansion, and high inflation*", said the WB report.

Sicad 3.0 about to die? President Nicolás Maduro announced that the auctions of the Complementary Foreign Currency Administration System (Sistema Complementario de Administración de Divisas - Sicad) will resume, for US\$100 million per week, up to a total disbursement of US\$900 million in cash or securities,



up to the end of the year, although he didn't clarify where the resources will come from. **Ecoanalítica** believes that Sicad won't continue operating in 2014, given the low inventory of bonds and liquid international reserves in the country.

US\$1.02 billion per week. According to the new Vice-president of the Economic area, Rafael Ramírez, the supply of currency of the official sector will be US\$1.02 billion per week, US\$100 million through Sicad and US\$920 million through Cadivi. Also, through the Government's import of foods with different funds in currency and bonds, the weekly supply of currency will be US\$1.45 billion in total

More dollars through Cadivi. Cadivi said that between January and September, US\$33.14 billion (around US\$3.92 billion per month) were liquidated, an increase of 45.1% compared to the amount liquidated during the same period in 2012, said Rafael Ramírez, Vice president of the economic area. According to figures given by Ramírez, if the same pace continues, Cadivi could liquidate around US\$44.0 billion this year, supported by transfers from Petróleos de Venezuela (Pdvsa) to the Central Banks of Venezuela (BCV) and the National Development Fund (Fondo de Desarrollo Nacional - Fonden) close to US\$47.0 billion.

But the difference isn't noticeable. According to a survey by the Venezuelan American Chamber of Commerce and Industry (Cámara Venezolano Americana de Comercio e Industria - Venamcham), the "little liquidation" of currency, price controls, and labor laws are the main issues that the country's companies face. According to the study, up to 74,6% of those consulted reported a reduction in the liquidation of currency compared to 2012, 20.6 % maintained their situation compared to the previous year, and only 4.8% of those surveyed reported an improvement in the payment of dollars.

And trust in the doldrums. The Consumer Trust Index, measured by Datanálisis dropped 7.0% in the last twelve months, going from 50.0% in September, 2012 to 43% in September, 2013. According to José Antonio Gil Yépes, director of the survey company, high inflation is one of the factors that explain the drop in the trust that consumers have on the economy, and this trend is expected to continue if there isn't a change of approach in government policies.

Interest rates. The lending rate for the first week of October was at 14,5%, down by 1.3 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 decreased by 3.8%, going from US\$22.54 billion during the first week of October to US\$21.69 billion during the



second week of October. Compared to the same period last year, international reserves have decreased by 12.9%.

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 0.9% in the first week of October compared to the previous week, settling at VEB 956.13 billion. The M2 has increased 64.5% in relation with the same period last year.

Oil Tips

Gasoline consumption increases 7.3%. The domestic liquid fuel market will close 2013 with a significant growth in demand –up to a level considered “high” by Pdvsa which translates into operational and financial problems, according to statistics of the state owned company. To date, gasoline demand in the country is 323 thousand barrels per day (kb/d), as informed by the Minister of Oil and Mines and President of Pdvsa, Rafael Ramírez. This gasoline consumption means a 7.3% increase compared to the end of 2012, when the country’s gasoline demand was 301.0 kb/d, according to Pdvsa data.

Diesel demand increased 11.5%. Also, diesel and gasoil demand increased 11.5% in 2013, going from 216 thousand barrels in 2012 to 241 kb/d this year. The consumption of other by-products like Jet A1 and Liquefied Petroleum Gas is 19.0 kb/d and 12 kb/d, respectively. Also, to comply with distribution, Pdvsa makes sure that its branch, the National Transportation Company, has a fleet of 2,333 trucks.

Venezuelan crude oil not falling anymore. The price of the Venezuelan oil basket isn’t experiencing the drop it had had the last five weeks, but its value only increased 0.1%. The Administration said that *“the behavior of crude oil prices has marked this week by the performance of negotiations regarding the US budget crisis, and renewed concerns about the political crisis in Libya”*. The average price of the Venezuelan oil during 2013 is US\$102.64/bl, less than the US\$103.42/bl in 2012.



Gasoline “Corralito”. There is enough 95 octane gasoline for 8 more hours in gas stations because Pdvsa cut the supply from three trucks daily to two, two weeks ago, according to employees and gas station workers in Caracas. Each truck transports up to 37,000 liters of gasoline, and tanks are conditioned to store that same amount, so gas stations with 2 or 3 tanks have some idle.

Full supplies. Rafael Ramírez Minister of Oil and Mines, said that there is "*full supply of gasoline and other fuels*" in the country. The also President of Pdvsa said that there is a "*campaign of lies*" about the alleged scarcity of fuels, and accused the newspaper 2001 of giving information about a lack of gasoline in Venezuela. According to the Minister, the state owned company guarantees the domestic demand of fuels, selling almost 600kb/d.

New agreements with India. Indian oil companies signed 9 agreements with Pdvsa to increase their participation in developing the Orinoco Oil Belt, said the state owned company. The purpose is to diversify the markets to sell Venezuelan crude oil. Among the main agreements is one with ONGC Videsh to evaluate development opportunities in block Ayacucho 3.

Pdvsa's contributions for US\$47.0 billion. Rafael Ramírez, President of Pdvsa, informed that this year the company will give the nation a total of US\$47.0 billion. The Head of Oil and Mining reminded that this amount corresponds to what entered the Treasury in 2008, when crude oil prices reached the record amount of US\$140/bl, according to a press note sent by Pdvsa. On March 22, Rafael Ramírez said that this year US\$41.47 billion will be transferred to BCV to supply Cadivi and the complementary currency market. This amount is a 10.0% drop compared to 2012, but almost the same as in 2008.

Frictions between Pdvsa and foreign companies. In an analysis, Reuters said that the fact that Malay and Russian partners left key oil projects in Venezuela, revealed the frictions that exist between foreign companies and the Government, which could scare away other companies in the country, despite the potential that the greatest oil reserves in the world represent.

Saudi Arabia to join the US as shale gas producer. Saudi Arabia, the greatest producer in OPEC, is preparing to be among the first countries outside North America to use shale gas to generate energy and save part of its oil to export it. Inspired by the shale gas boom in the US, which has made that country go from being the greater gas importer in the world to an incipient exporter, Riyadh plans to take its first steps to market its own large non-conventional gas deposits.



By 2014 US will be the greatest producer outside OPEC The International Energy Agency (IEA) estimates that the production of natural gas liquids and oil of the US will be over 11mb/d in the second quarter of next year, making it the greatest producer outside OPEC. In the US, total liquid production, excluding biofuels, exceeded 10mb/d for the first time in decades, in 2Q2013. Production is expected to reach 10mb/d barrels in 3Q2013, according to the last monthly oil market report of the IEA.

International oil baskets. At closing time on October 11th in the New York Stock Exchange, the price of the WTI was US\$103.0/bl, up by 0.1% when compared to the reported the previous week. The Brent increased by 1.3% to reach US\$110.0/bl, compared to the previous week's US\$108.6/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$99.1/bl on Friday October 11th, a 0.1% increase compared to the US\$98.9/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.7/bl.

Business Sector Tips

New car sales decrease 20.2%. Data released by the Venezuelan Automotive Chamber (Cavenez), sales of new cars down 20.2% in September with respect to the same period in 2012. From January through September, 81,950 units were sold, down 17,368 cars from the same period in 2012; of these, 57,236 correspond to local manufacture and 24,714 were imported, down by 11.8% and 53.3%, respectively.

Production of new cars fell 11.6%. According to data released by Cavenez, the production of new cars decreased 11.6% with regard to the same period in 2012, to 7,106 units. Therefore, cumulative production from January through September 2013 was 58,073 units, a loss of 30.6% with respect to the 83,790 assembled in the same period in 2012.

Long live private...foreign companies. President Maduro, announced that the government is making alliances with international food distribution chains to install them in the country. "Large investments are coming with our international allies to establish chains in Venezuela to increase food distribution". This will reinforce the public network so that both, public and private can complement each other.



Incentivizing exports ... of allies. Hebert García Plaza, Head of the Higher Entity for the Defense of the Economy, informed that in the last month, more than S\$800 million have been authorized for imports, US\$600 million for food, and more than US\$200 million for personal hygiene and cleaning products. He also said that preferences will be given to authorize currency for companies that *"are betting towards production"*.

Rialca in the worst conditions. Rubeldi Polo, trade union leader of the Center of Aluminum Ring Production (Centro de Producción Rines de Aluminio - Rialca), claimed that the company has been non-operational and poorly administrated since its forced acquisition by the State four years ago. Before its expropriation in 2008, Polo said that production was 80.0%, equivalent to the manufacture of 30,000 rings per month. Today the company is operating at 2.0% of its installed capacity, *"at most"*.

Sudeban oversees the manufacturing portfolio. The Superintendence of Banking Sector Institutions (Superintendencia de las Instituciones of the Sector Bancario - Sudeban) together with the Ministry of the People's Power for Industries, started last October 9 a plan to supervise the manufacturing portfolio; the implies making inspection visits to companies receiving financing from the portfolio directed to the sector, to verify the proper use of credits granted by banking entities.

Auto parts in arrears and like the "guayabera". The statement of Jorge Arreaza, that only food and medicine industries will be able to import at VEB 6.3/US\$, led to concerns in the auto-part sector. After the prolonged delay in currency liquidations by Cadivi, the industry owes international suppliers around US\$60 to US\$65 million, said José Cinnirella, vice-president of the National Auto Part Chamber of Commerce, which led to closing credit lines, and threats to open judicial processes against national buyers for not honoring their commitments in a timely manner.

Strike is over After 22 days, workers of Siderúrgica of the Orinoco, Sidor, ended their strike. After a meeting between members of the Sutiss trade union, the President Corporación Venezolana de Guayana (CVG), Carlos Osorio, the President of Sidor, Javier Sarmientos, and the vice-president of CVG, Sadner Guzmán Silva, approved eight of the points requested by the workers. Osorio explained that the government acknowledged its miscalculations: *"we reviewed everything that had to be reviewed, the vacation calculations had an error and we acknowledge it"*.

Free circulation. The shortage increase made the Government take measures to streamline the distribution of products, eliminating or suspending bureaucratic procedures. By decision of the Ministry of Agriculture and Land (MAT) the requirement to have mobilization guides issued by the National Institute of Integral



Agricultural Health (Instituto Nacional de Salud Agrícola Integral - Insai) was temporarily suspended for the transport of yellow and white corn, from the storage silos. The suspension will extend to March 31, 2014, according to *Official Gazette* nº 40.266.

Constructions impossible. In the last year, the price of construction materials and products rose uncontrollably, reaching a 54.1% increase in one year and 1.3% only in September, according to BCV figures. Rafael Guédez, President of the Construction Chamber of Zulia, increased the concerns when he said that all the lines of the construction sector, raw materials, spare parts or machinery, are imported, and in 2013 the currency restriction in the sector has been strong.

The Christmas season causes concerns. The great shortage that the Venezuelan people are experiencing led the government to approve a series of measures to supply Christmas products. Regarding this situation, José David Cabello, National Superintendent of Tax and Customs, said: *"we are fulfilling the provisions about a happy Christmas, as established by President Maduro for 2013. These will be one of the best Christmases of the Venezuelan people"*.

Inatur has special treatment for contributors. Tourism service providers with the greatest contribution to developing the sector, by paying the Special 1.0% Tax before the National Tourism Institute (Instituto Nacional de Turismo - Inatur), will be qualified as Special Contributors. The Ministry of Tourism informed in a communiqué that the benefit implies preferential treatment before the Tax Administration of Inatur. The tax payers that provide the highest percentage of tourism collections (80.0%), and make their payments on time, will obtain the benefit. Presently, there are 28 airlines (national and international), 34 hotels, 1 shipping company, and 2 car rentals.

World Economy Tips

Is the debt crisis over? The U.S. Senate leaders announced an agreement about the government budget and the debt limit that will allow the country to meet its commitments (avoid a debt default) and reopen some public services that have been closed for the past two weeks. This is just a temporary solution and will leave open the possibility of a new partial government shutdown early next year





A key first quarter. The agreement in the U.S. Senate between Democrats and Republicans extends the authorization for the country to contract debt until February 7, 2014 and to fund the government agencies until January 15, so that a new agreement on the debt ceiling and government funding bill should be discussed between the latest weeks of the year and the first month of 2014.

US took the Nobel. The Royal Swedish Academy of Sciences granted the Economy Nobel Prize to US economists, Eugene Fama, Lars Peter Hansen, and Robert Shiller for their contribution to "*the empirical analysis of asset prices*". Fama received the price for proving that the value of shares is very difficult to predict in the short term, with the new information that is quickly added to prices; Peter Hansen for developing a new statistical method that challenges the theories on asset prices; and Shiller for discovering that share prices fluctuate much more than corporate dividends.

Ireland doesn't need help any more. Enda Kenny, Prime Minister of Ireland said that the country will be the first in the Eurozone to finish the rescue program (next December 15) that implies the implementation of austerity measures in exchange for emergency loans (for EUR 85.0 billion in 2010) from the International Monetary Fund (IMF) and other European Union (EU) members. Kenny said: "*There is a long road ahead. But in the end, there will only be an era of rescue. The economic emergency will be over*".

Spain and France can loosen their ties. Martine Guerguil, vice-director of the Fiscal Affairs Department of the IMF said that Spain and France may "slowdown" the pace of their fiscal adjustment measures (spending cuts) since they have made significant progress to have a more sustainable fiscal policy, although this doesn't mean that the austerity measures and the adjustment plans must stop. Less stringent adjustments should contribute to a greater economic growth and help Spain leave its recession sooner than expected.

Extreme inequality. According to a Credit Suisse Research Institute report, global wealth reached a historic high of US\$241 trillion in the middle of this year, 68.0% more than 10 years ago. The Swiss bank says that although the average global wealth also reached a maximum level of US\$51,600 per adult, 80.0% is concentrated in 10.0% of the global population, and 46.0% in only 1.0% of the wealthiest individuals. The institute estimates that global wealth will increase 40.0% between 2013 and 2018 and will reach US\$334.0 trillion.

The safety boxes of the world. According to Credit Suisse, the wealthiest nations of the world (more than US\$100,000 per adult) are concentrated in North America, Western Europe, and the Asia Pacific, and Near East regions. Among the wealthiest countries of the world, according to the Swiss Bank, are: Switzerland, with



US\$513,000 in average assets per adult, Australia (US\$403,000), Norway (US\$380,000) and Luxembourg (US\$315,000).

Latin America still receives investments. According to a report of the Economic Commission for Latin America and the Caribbean (ECLAC), direct foreign investment (DFI) in the region increased 6.0% during the first semester of the year (1S2013), backed by a 158.0% increase in investments to Mexico, 44.0% to Venezuela, de 27.0% to Peru, and 5.0% to Colombia, whereas Brazil had a 10% drop in DFI compared to 1S2012.

Political Tips

An enabling law for what? According to Henrique Capriles, governor of Miranda, *"there is no reason to give special powers to the person occupying the presidency"*, and urged to question whether the government really needs an enabling law to care for the domestic problems. Capriles also urged to "not accept" an enabling law that is approved without fulfilling the requirements established in article 203 of the Constitution (with the approval of 3/5 of the NA representatives).

A problem of the fourth republic. Miguel Rodríguez Torres, Minister of the Interior, Justice, and Peace, said that to fight corruption, *"not only do we need the will to do it"*, but also have *"legal instruments that make actions against this crime quicker and swifter"*. The Minister also emphasized that *"the fourth republic returned to our society, used to have everything done easily, quickly and effortlessly"*, and he is convinced that the Enabling Law will *"squarely fight this deep rooted culture"* of previous governments.

The President is Venezuelan. Tibisay Lucena, President of the National Electoral Council (Consejo Nacional Electoral - CNE), showed the birth certificate of the President of the Republic, Nicolás Maduro, confirming his Venezuelan nationality and putting an end to speculations about it. Lucena said that questions about the nationality of the Head of State are part of the arguments of the political game, and that there was a postulation process where all candidates rigorously fulfilled all the legal requirements.

If they can't, move aside. Henrique Capriles, governor of Miranda, said that the national government had *"no more time for excuses"* referring to the publication of the



latest inflation figures by the BCV. *"If they can't cope with the country, if they can't cope with the economy, give out power! Go away! Let this country rise up, let those that have good ideas, develop and generate opportunities be able to do so"*, he added

Three out of ten. Nicolás Maduro, President of the Republic, acknowledged that from 1 to 10 the Bolivarian Revolution scores a seven in political and social matters, but only three in social matters, because there *"is a world of things to be done"*, so he asked for support for the measures to be taken in the future in economic matters. *"When I (...) take measures like the ones I will take I will call on the people and the Armed Forces to accompany me in this battle for the stability of our homeland"*, said Maduro.

Let the people decide. Representatives, members of the Mesa de la Unidad Democrática (MUD), proposed a consultation referendum so the population approves whether the Enabling Law that the President of the Republic, Nicolás Maduro requested is approved. Article N° 71 of the Constitution says that matters of "special transcendence for the country" may be subject to a consultation referendum. The initiative may come from the Presidency itself, through an agreement in Parliament, or with 10% of those registered in the electoral registry.

Preparing for 8D. This week, the first of 12 CNE audits will be carried out, prior to the municipal elections of December 8 (8D). In this first session, the software of the voting machines will be audited, and there will be a review of the fingerprints of the electors. In all audits, specialists from all political parties, engineers and technicians from the society will participate, who will share their knowledge to carry out the tests of the voting platforms and of CNE authorities.

Everything to protect the homeland. Last week, the Strategic Center for the Security and Protection of the Homeland (Centro Estratégico de Seguridad and Protección de la Patria - Cesppa) was created, to *"unify the flow of information on sensitive security, defense, intelligence and internal order matters (...) and neutralize potential threats to its vital interests"*. Cesspa has the power to declare information as classified, and forces all institutions to provide the information they require, when they consider it necessary.

Prior censorship. The National Association of Journalists (Colegio Nacional de Periodistas - CNP) rejected the creation of Cesppa, calling it a *"serious threat to freedom of speech and press in Venezuela"*, since the recently created organization is accountable only to a *"party entity"*, and is a *"para-state tool that involves prior censorship and the violation of the right of information"* and has the power to discretionally establish what *"destabilizes"* or *"attempts against national security"*.



Legislative Tips

Is he crazy? The especial commission studying the behavior of opposition representatives Nora Bracho and Julio Borges at the National Assembly (NA) proposed to the Board of Directors that the former is forbidden to have the floor during one session, whereas for the latter, the sanction extends for 20 days, and recommended a psychiatric exam and psychological treatment to the representative. Elvis Amoroso, coordinator of that commission, justified the sanctions imposed on the latter due to the recurrent “abnormal” behavior of the representative from Miranda.

Funeral homes didn't escape. The plenary of the NA approved in a second discussion, the Law to Regulate and Control Funeral services and Cemeteries, establishing the creation of the National Integral Council for Services and Cemeteries, in charge of regulating the activities and operational conditions of funeral homes and cemeteries. They also intend to request the Cost and Price Superintendence (Superintendencia de Precios and Costos - Sundecop) to analyze the cost structure of those companies, and publish a price list of the services they offer in a visible place at their establishment.

Everything in the hands of TSJ. Diosdado Cabello, President of Parliament, announced that the draft enabling law will be approved in two or three weeks, when the ruling party obtains representative number 99. During that period, the Supreme Tribunal of Justice (Tribunal Supremo de Justicia - TSJ) will decide whether to try opposition representative María Aranguren, and if her immunity is removed, she will be replaced by Carlos Flores, a PSUV dissident who, according to the representative, and former governor of Monagas, José Gregorio Briceño, was influenced to vote in favor of the enabling law.

Blockages removed. A total of 81 products will now require less administrative procedures, according to what was published in *Official Gazette* N° 40268. Among them are foods, raw materials, basic products, Christmas products and other health items. These products will not require solvencies to request non-production certificates, in order to process the currency and make the imports.

Security articulated. In *Official Gazette* N° 40.266, the creation of Cesspa was published, an entity that will depend on President Nicolás Maduro. The entity will rule and articulate “the work of institutions responsible for security, defense, intelligence and domestic order, foreign relations and others that impact the security of the



homeland", so that the President can make strategic decisions and "*neutralize potential threats against national interests*".

Maduro could reform the Exchange Rate Crime Law. According to some sources, the modifications to the Law against exchange rate crimes shall be prepared within the Enabling Law, and will not appear in the parliamentary agenda, as Ricardo Sanguino, President of the Finance and Development Commission of the NA, said.

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ECONOMIC OVERVIEW

