



Venezuela Economic Outlook

By Arca Análisis Económico

Here is our monthly summary of recent economic developments in Venezuela:

- In a special broadcast on Aug. 29, 2024, from the Miraflores Palace, a set of measures that could benefit economic activities were announced. Not all of them are linked to one another, the details are not known and the processes leading to their implementation pose challenges that must be addressed for their greater effectiveness. It will take time for the formalization of the regulations that will govern them and to specify the relevant operating mechanisms.
- The exchange market received special attention, stating that there will be no return to previous exchange schemes such as the National Center for Foreign Commerce (CADIVI) or the Office of Differential Exchange Regime (RECADL). It was also said that the currency "was overvalued. ... we are going to an exchange system that places the bolivar at the value that it should have according to its economic production capacity, which does not overvalue ... the currency that this country should have in the future, based on its productive capacity, on its capacity to generate wealth."
- As for the stock market, the return of the issuance of securities by the Republic of Venezuela starting this month was announced. Five years ago, the issuance of domestic public debt securities was suspended. The disappearance of the public bond market wiped off the map this investment option in bolivars for the country's economic actors (people, companies, banks and insurance companies), and accentuated the dependence on inflationary financing through the purchase of Petróleos de Venezuela S.A. (PDVSA) promissory notes by the Central Bank of Venezuela (BCV). The issuance strategy, the processes for placing the securities, and their articulation with fiscal policy are still to be known.
- For the financial system, the implementation of a system of "digital means of payment to receive internal taxes and similar" was announced. No details were released, and it is unknown whether it is about new payment platforms or the possibility of using crypto assets for these purposes.
- Additionally, an automated system will be implemented for operations in an interbank currency market. Currently, banks are authorized to carry out foreign currency transactions with other banks through exchange desks. It remains to be seen whether this will be a step toward the operation of an interbank clearinghouse in foreign currency. Likewise, bank rates and commissions will be updated to encourage the use of the bolivar and an automated credit risk system was announced, coinciding with the exhortation to create 300,000 loans to entrepreneurs at 6 percent per year.
- For the insurance sector, the regulation of the Insurance Activity Law of Nov. 29, 2023, the commercialization of low-cost insurance through banks and incentives for national insurance over international insurance were announced. In addition, insurers will be able to register public debt securities as part of their reserves in line with the restart of domestic public debt issues.

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Venezuela's National Assembly Passes Law Regulating NGOs

By Holland & Knight

Venezuela's National Assembly, controlled by the ruling party, unanimously passed a bill that will allow the government to more strictly regulate non-governmental organizations (NGOs). This legislation, proposed by Minister of the Popular Power for Interior, Justice and Peace Diosdado Cabello in 2023, will require NGOs to disclose the origin of their donors, whether domestic or foreign. Although the text does not specify the consequences for receiving international funds, the law prohibits the registration of organizations that promote behaviors such as fascism, intolerance or hatred based on racial, ethnic, religious, political, social, ideological or gender grounds.

From a legal perspective, this law not only introduces new transparency obligations for NGOs, such as the mandatory disclosure of their funding sources but also grants the state discretionary powers to intervene in the operation and even the existence of these organizations.

One of the most concerning aspects of the law is its ambiguity regarding the consequences that NGOs receiving international funding might face. Although the text does not detail specific sanctions, the lack of legal clarity opens the door to discretionary interpretations by the government, which could result in the cancellation of registrations, fines or even the dissolution of organizations deemed contrary to the interests of the state. This could potentially violate fundamental principles of international law, including those related to freedom of association and the protection of human rights.

Furthermore, the law sets out broad and vague criteria for denying the registration of organizations, such as the promotion of "fascism, intolerance, or hatred." From a legal standpoint, these terms lack precise definitions and could be used arbitrarily to suppress dissenting voices or criticisms of the government. This type of regulation not only challenges the legality of state actions but also can be seen as a tool of censorship and social control.

The approval of this law occurs in the context of a deep institutional crisis in Venezuela, where the judiciary has been widely criticized for its lack of independence and for acting in collusion with the executive. This reinforces concerns that the law will be selectively applied to persecute NGOs that defend human rights, promote democracy or document government abuses.

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Venezuela Extends VAT Exemption to the Import of Certain Goods

By Tinoco Travieso Planchart & Nuñez

In *Official Gazette* No. 42,953 dated August 30, 2024, Decree No. 4,985 was published. This decree establishes an extension until Dec. 31, 2024, in the regime of exemptions from import taxes and value added tax (VAT) on imports of merchandise from certain goods and sectors indicated in the decree.

Exemptions

- Exemption of 90 percent of the import tax and 90 percent of the VAT on definitive imports of tangible personal property – new or used, as applicable – carried out by the bodies and entities of the National Public Administration, as well as those carried out with own resources, by natural or legal persons.
- Exemption of the import tax and VAT on definitive imports of tangible personal property, carried out by the bodies and entities of the National Public Administration, as well as those carried out with own resources.
- Exemption of the import tax and VAT on definitive imports of tangible personal property, carried out exclusively by the Venezuelan Corporation of Guayana (CVG) or its affiliated companies.
- Exemption of the import tax and VAT on definitive imports of tangible personal property, carried out exclusively by the Ministry of Popular Power for Water Management or its affiliated bodies and entities.
- Exemption of the import tax and VAT on definitive imports of tangible personal property, carried out exclusively by the Socialist Cement Corporation (CSC) and its affiliated companies.
- Exemption from import tax and VAT, under the terms and conditions provided in this decree, on definitive imports of tangible personal property, carried out exclusively by the Venezuelan Foreign Trade Corporation (CORPOVEX).

The decree came into effect on Sept. 1, 2024.

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