



Venezuela Economic Outlook

By Arca Análisis Económico

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

- During November, the dollar price recorded a 104 percent increase. This price reflects the enormous public expenditure carried out during this last month, in advance of Christmas Eve and the parliamentary elections, which took place on Dec. 6, 2020.
- President Nicolás Maduro on Nov. 22, 2020, announced the continuous relaxation of quarantine measures during the month of December. The festive climate that the government wishes to foster will be accompanied by a vigorous public expenditure, despite the fact that the COVID-19 cases detected in Venezuela as of Dec. 10, 2020, were of 353 community outbreak cases and 115 imported cases, raising the total number of infections to 105,852. In the context of the continued flexibility announced by Maduro, it was determined that the land transportation terminals were to begin operation for all interurban routes as of Nov. 30, 2020, with special biosecurity measures to avoid large crowds and outbreak risks in the units.
- Other relevant facts related to November, is that the domestic fixed income market reached a new milestone that could start an accelerated growth phase that will ease this financial crisis for companies in light of the limited access to bank credit. After six months of the approval of the rules that regulate the issuance of securities denominated in foreign currency, on Nov. 20, 2020, Ron Santa Teresa became the first private company to be authorized by the National Superintendency of Stock Exchange to issue US\$300,000 in fully guaranteed commercial papers.
- More companies with export capacity are expected to join this initiative in the coming weeks. The regulations establish that these instruments may be traded in bolívares soberanos or charged to the foreign currency balance of the foreign currency accounts maintained in the national banking system, known as Exchange Agreement No. 1 accounts. At the end of July, the Exchange Agreement accounts had a balance equivalent to US\$127 million, according to the Superintendence of Banks.
- Small and medium-sized enterprises (SMEs) are also strongly entering the local debt market. Novaro Foods announced the public offering of 240 billion bolívares soberanos in commercial papers (approximately US\$230,000 at the end of November) due in three months, one week after being the first company in this category to be authorized to issue 560 billion bolívares soberanos in commercial papers. On the other hand, Topenca, a SME dedicated to the sale of household products, was authorized recently to issue commercial papers in bolívares soberanos for an amount equivalent to US\$200,000 at the official exchange rate of said issuance date.
- The placement of these instruments in the coming weeks will expand the size of this market, which as of Nov. 20, 2020, had an outstanding balance of 1.2 billion bolívares soberanos (approximately US\$1.1 million) after trading an amount of 53.6 billion bolívares soberanos (approximately US\$54,000), 45 percent more than in the third week of November.



- As for the fuel situation, Reuters reported on Dec. 1, 2020, that the El Palito refinery was again stopped "due to a problem with a valve that caused a fire," said one person who spoke on the condition of anonymity. Neighbors of the refinery indicate that crude oil is being spilled on the coast, near the processing plant in Puerto Cabello. Sources from the oil sector maintain that it is not clear when the refinery will be reactivated, which together with Cardón, will maintain an established production of around 100,000 barrels per day (BPD).
- The instability of gasoline extraction is a priority problem for Petróleos de Venezuela, S.A. (PDVSA) management, but they have been unable to find a way to sustainably reactivate the two refineries that are capable of producing fuels. The government has officially stated that it has a manageable inventory, but oil sector analysts speak of a different reality. So there could be a new escalation of oil shortages in the short term.
- SimpleTV, the Chilean operator of DirecTV in Venezuela, announced the offers of its different packages, which will raise the prices of these services redefining the market. It's too early to see the impact that they will have on demand. After negotiations with the National Telecommunications Commission (CONATEL), ScaleGroup issued four plans: two that are charged in bolivars at theoretically accessible prices, but will be pressured by the devaluation, and two offered in U.S. dollars, that in an introductory offer will be due in 30 days. The cost is US\$16.70 and US\$28.77, but their actual prices will be US\$20.88 and US\$41.76. The agreement reached between SimpleTV and CONATEL may create a precedent that allows the existence of tariff schemes in various currencies for other services, such as telephone and internet.

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Six Oil Executives Convicted in Venezuela

By Holland & Knight

Six U.S. oil executives working for a Venezuelan state-owned oil and natural gas company were found guilty of corruption charges on Nov. 26, 2020, and sentenced to several years in prison in Venezuela.

The history of these executives in the Venezuelan country began in 2017, when they were summoned to Caracas for a last-minute budget meeting by the then-head of the oil and natural gas company.

As soon as the executives arrived in Venezuela, they were immediately arrested by security agents on corruption charges. The executives were charged with alleged embezzlement of funds derived from a proposal that was never executed to refinance US\$4 billion in bonds by offering a 50 percent of the company's equity as a guarantee.

For some time, the U.S. government had a negotiating team in place that allowed house arrests for two of the convicted executives. Likewise, the efforts by the American government to reach an agreement with the Venezuelan government continue and have increased after the convictions were announced because it is alleged that this was a political decision. Meanwhile, people close to the executives maintain that the executives were unjustly arrested and are being held in inhumane conditions.

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Special Rules for Non-Governmental Organizations Not Domiciled in Venezuela

By Tinoco Travieso Planchart & Nuñez

The Ministry of the Popular Power for Interior, Justice and Peace and the Ministry of Popular Power of Foreign Affairs issued Joint Resolution No. 082 establishing the Special Rules for the Recognition and Operation of Non-Governmental Organizations Not Domiciled in Venezuela. This instrument establishes the special rules, exclusively applicable to non-governmental organizations (NGOs) not domiciled in Venezuela, that carry out or intend to carry out nonprofit activities in the country through headquarters located in the national territory or its legal representation. This resolution seeks to regulate activities that several international NGOs have been carrying out to address the difficult health, food, and migratory crisis that the country is going through.

Non-governmental organizations not domiciled (NDNGOs) may carry out their activities in Venezuela provided that they 1) obtain the corresponding certification of registration in the Special Automated Registry of Non-Domiciled Non-Governmental Organizations (REGONG), and 2) have a permanent establishment, headquarters or fixed base, or that they designate a legal representative. The registration will be automated and will be available online through the information systems of the Ministry of Popular Power of Foreign Affairs.

The registration process will consist of two phases:

1. The Office for Multilateral Issues and Integration will be in charge of checking the background of the NDNGO.
2. The Legal Consultancy of the Ministry of Popular Power of Foreign Affairs will be in charge of the revision and verification of the legality of the documents consigned by the organization, as well as the granting of the certificate of registration.

The interested party will be notified of the registration by an electronic certificate, which must include online verification mechanisms. The validity will be for one year and can be extended. REGONG will make available to interested parties substantial information of public interest with regard to the NDNGOs, while safeguarding information that may be sensitive for the normal functioning of the organization.

NDNGOs should keep the provided information up to date. The Legal Consultancy may verify the authenticity of the information provided at any time. The Legal Consultancy may require certain information or make visits to the headquarters or to the address of the organization's legal representative in the country, whenever it deems necessary.



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