



Venezuela Economic Outlook

By Arca Análisis Económico

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

- November closed with a mere 1.6 percent increase in the monetary base, the smallest increase since 2011. Since then, the monetary base increases in November ranged from a low of 22.9 percent (2016) to a high of 93.9 percent (2018).
- This extraordinary result essentially reflects a significant slowdown in public spending and the sterilization of bolívares soberanos through the sale of foreign currency. The most relevant factor in the downturn in expenditure is the government's remuneration policy. This year, the government avoided the salary adjustment that, since 2012, occurred in the fourth quarter of each year. This remuneration policy avoided a significant impact on spending for year-end bonuses that amount to three months of salary. It also came as a surprise that there were no increases in the monetary transfers of the Patria system, which the government expressly had promised in October.
- The dollar price increased 14.4 percent in November, an unusually weak variation as well. Over the last five years, monthly increases in November have ranged from a low of 12.5 percent (2015) to a high of 165.6 percent (2016).
- December could see a repeat of modest monetary expansion and, consequently, moderate upward pressure on the dollar price unless this policy is reconsidered for post-election reasons. It is anticipated that spending will increase starting the second week of the month, but do not expect significant or prolonged spending surges.
- The first series of fixed income issued and payable in dollars has expired. One year after its issuance, the single series of fixed income of Venezuela rum producer Ron Santa Teresa terminated on Nov. 26, 2021, for \$300,000, yielding 4 percent. The first series took two months to issue and place, while the second series was placed in one month. It can be assumed that if the government reissues similar security, familiarity with the process and the modest dollarization progress in the banking system will make the placement more agile.
- Other similarly interesting developments in the Venezuelan financial ecosystem, Grupo Fivenca (a major brokerage firm) acquired a significant share of Ridery, a personal mobility technology solution created in Venezuela similar to the U.S.-based Uber.
- Ridery, which was launched on March 2021, is the epitome of how a technological business – for the first time in the country – managed to scale in the market exponentially. Moreover, it encouraged the national investment banking to bet and believe in this and other projects.
- A few months after its creation, Ridery has more than 300,000 registered users and around 5,000 certified drivers, divided among the six most essential states in the country.



- Ridery is one of the few local private equity cases that have taken place in Venezuela in a long time. However, it is not an isolated case. Venezuela has found support in digital services, and local startups have been vital when the doors have been closed for many foreign businesses.
- Perhaps the most important local reference is the Venezuelan platform Yummy, which operates in the home and ridesharing segments, which raised US\$18 million in a Series A round that will contribute to its expansion in Latin America, Vicente Zavarce, Yummy's founder, told Bloomberg Linea on Dec. 2, 2021.
- It is perhaps the most significant investment round for a Venezuelan startup in history, which has led Zavarce to affirm that "technology company systems can make a difference in the country," whether they are companies from Venezuela for Venezuela or from Venezuela for the world.
- The investment round was led by Anthos Capital and was assisted by JAM Fund, Zavarce said. Yummy was recently launched in Peru and Chile, and will now seek to open in an undisclosed third market.
- Those countries will focus on fast commerce, delivering more than 2,000 products in less than 15 minutes. The company aims to have 50 active dark stores in each country by the end of 2022.
- Currently, Yummy processes more than 340,000 transactions per month in Venezuela, with a constant growth of more than 35 percent during the last four months. The company also has a network of more than 5,000 drivers in its delivery and ridesharing operation in 12 cities in Venezuela.

Learn more about our [Venezuela Focus Team](#).

Information contained in this newsletter is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem, and it should not be substituted for legal advice, which relies on a specific factual analysis. Moreover, the laws of each jurisdiction are different and are constantly changing. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. If you have specific questions regarding a particular fact situation, we urge you to consult the authors of this publication, your Holland & Knight representative or other competent legal counsel.



Electric Energy Ministry Submits Draft Law on Renewable and Alternative Energies

By Holland & Knight

The Ministry of Popular Power for Electric Energy (MPPEE) delivered to the Permanent Commission of Energy and Petroleum of the National Assembly the contributions established for the development and subsequent enactment of the Law of Alternative and Renewable Energies, which seeks to provide Venezuela with greater energy stability and reduce dependence on fossil fuels.

All interested parties, including those who work in or have some relationship with the energy industry, are allowed to participate in the legislative process and provide their contributions to be analyzed and possibly considered in the law that is expected to be enacted in 2022. It is anticipated that the law will define a new energy framework for the country. Therefore, the space for participation is open. However, nothing has been announced regarding deadlines for interested parties to submit their contributions.

The National Assembly's statements include the search to recover the country's wind farms, as well as the determination of areas where alternative energy projects can be created to contribute to the energy transition, which in principle will be destined for the consumption of public entities. However, it does not rule out the possibility that large private sector consumers may have access to energy generated from nonconventional renewable energy sources.

Learn more about our [Venezuela Focus Team](#).

Information contained in this newsletter is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem, and it should not be substituted for legal advice, which relies on a specific factual analysis. Moreover, the laws of each jurisdiction are different and are constantly changing. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. If you have specific questions regarding a particular fact situation, we urge you to consult the authors of this publication, your Holland & Knight representative or other competent legal counsel.



Law for Promotion and Development of New Enterprises Is Published

By Tinoco Travieso Planchart & Nuñez

The National Assembly approved the publication on Oct. 15, 2021, in the *Official Gazette* No. 6,656 Extraordinary dated, of "*The Law for the Promotion and Development of New Enterprises.*"

Among the most relevant aspects of this law are the following:

Purpose: Promote the development of new ventures and the entrepreneurial culture in effort to increase and diversify the manufacturing of goods and services, the deployment of innovations and their incorporation to Venezuela's economic and social development.

Scope:

- Foster entrepreneurship through policies aimed at creating an ecosystem that is favorable to its development.
- Promote the harmonious development of the national economy, raise the population's living standard and strengthen the nation's economic sovereignty.
- Promote entrepreneurship, the creation and fair distribution of wealth, and the production of goods and services that satisfy the population's needs.
- Encourage the exercise of the right to freely engage in the economic activity of one's choice, with no limitations other than those outlined in the Constitution and the law.

Definitions: For all legal purposes, the following is defined as:

- **Entrepreneurship:** Any economic activity for profit exercised by one or more persons, which acquires legal capacity after registration in the National Registry of Entrepreneurship and is valid for up to two years.

Right to Entrepreneurship: Allows individuals the right to participate in economic activity by establishing enterprises that contribute to national development and the manufacturing of goods and services, with no limitations other than those established in the Constitution and the law.

Obligations of the State: The state must adopt the following measures for the development of entrepreneurship:

- support new ventures through public policies that acknowledge and create a favorable ecosystem for their development
- simplify procedures at all public administration levels
- facilitate access to the domestic market and promote public procurement programs



- promote and encourage training plans, prioritizing new ventures involving women, young people and people with sustainable development and national economic and technological independence

National Integral Training Plan: The state will develop this plan to promote a culture and ethics with an entrepreneurial vision, as well as administrative, managerial, financial and scientific-technical education, among others of interest.

Simplification of Administrative Procedures: The national executive branch shall adopt the necessary measures simplifying administrative procedures related to the incorporation, development and financing of new enterprises.

Tax Incentives: The national executive branch will implement formulas that facilitate the payment of national taxes for new ventures. Also, it may exonerate totally or partially the payment of direct taxes of enterprises that comply with the requirements established by law and do not exceed the equivalent of 10,000 times the exchange rate of the highest value currency published by the Central Bank of Venezuela in their annual sales. States and municipalities will be urged to establish tax incentives within the scope of their authority.

Financing Policy and Access to Credit: The national executive branch will be entrusted to promote policies that facilitate financing for new enterprises. The banking sector institutions shall establish products and services that are favorable for new entrepreneurs.

Public Procurement: The state shall establish clear criteria to allow the contracting of new ventures.

Governing Body: The Ministry of the People's Power with economic and financial authority will be in charge of exercising the governance of entrepreneurship. The purpose of this Ministry will be to oversee the legal, administrative, financial and economic guarantees of entrepreneurs.

National Registry of Enterprises (RNE): It is a public registry that will be administered by the governing body. The public registry's purpose is the registration of new enterprises, as well as documentation of actions and agreements related to them.

Mandatory Registration in the RNE: The registration grants legal capacity to the enterprise. It will be indispensable for access to the benefits and incentives established in this law and valid for two years.

Commercial Registry: After two years of RNE registration, the enterprise must submit its registration before the corresponding Commercial Registry, as established in the Code of Commerce and other applicable norms, under penalty for the commission of formal, substantive and criminal tax offenses specified in the tax legislation.

Registration of Intellectual Property: The governing body shall establish and disclose procedures and preferential rates applicable to the enterprises.

National Fund for Entrepreneurship: A fund overseen by the entrepreneurship governing body. The fund's purpose is to finance and support entrepreneurship registered in the RNE.



National Entrepreneurship Network: A space where divisions and entities of the state, entrepreneurs, organizations and any other person who wishes to support the creation and development of entrepreneurship may participate and meet. The network may exercise the powers established by law.

Validity: The regulation was published in the *Official Gazette* and enforced on Oct. 15, 2021.

Learn more about our [Venezuela Focus Team](#).

Information contained in this newsletter is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem, and it should not be substituted for legal advice, which relies on a specific factual analysis. Moreover, the laws of each jurisdiction are different and are constantly changing. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. If you have specific questions regarding a particular fact situation, we urge you to consult the authors of this publication, your Holland & Knight representative or other competent legal counsel.
