



Venezuela Economic Outlook

By Arca Análisis Económico

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

- The rapid COVID-19 spread continues in Venezuela, and April 11, 2021, closed with 1,101 new daily confirmed cases. According to the Venezuelan Institute for Scientific Research (IVIC) report, this spread has been aggravated by the Brazilian variant present in 13 states. The COVID-19 spread has risen to 40 cases per 100,000 inhabitants, the highest volume since the first infections were detected. In the first week of March, the number of cases rose by 79 percent.
- This upsurge has had implications for mobility at a national scale, as the Maduro Administration responded by implementing a 7+14 quarantine scheme that consists of allowing one flexible week for every two weeks of radical quarantine. This scheme will be applied at least during April and part of May.
- A visible consequence of the Venezuelan healthcare system's saturation is that the Superintendence of Insurance of Venezuela (SUDEASEG) has established limits on insurance payments for patients with COVID-19. In a notice dated March 16, 2021, the regulator informed insurance companies that they would only be required to cover up to 14 days of intensive care in private facilities and pay a maximum of US\$25,000 per patient with coronavirus.
- However, official figures continue to suggest that infection levels are among the lowest in the region, even though available information indicates that a low number of people are currently vaccinated.
- President Nicolás Maduro announced that the country has reached an agreement with Russia for 10 million doses of the Sputnik V vaccine, while China recently donated 500,000 doses of Sinopharm. Maduro also reportedly approved the private sector to purchase 5 million doses of Sputnik V vaccine. Due to the low debt capacity and the current oil income levels, all indications are that the government is heavily dependent on its geopolitical allies to make the vaccination campaigns a reality.
- Venezuela is a country with significant crises on many fronts and is dealing with some of Americas' most challenging conditions. What is noteworthy, for now, is the loosening of controls and the widespread use of foreign currencies in daily transactions has increased. Many observers believe the widespread use of foreign currencies will increase considerably in the coming months.
- As a result of increasing transactional dollarization, which the government accepts but does not seem to support, a severe lack of foreign currency exchange has taken place since there is not a sufficient supply of the full set of U.S. currency in circulation in Venezuela. This situation has led businesses to a continuous search to reduce payment barriers.



- In March, a leading department store chain applied a voucher or gift card mechanism as a solution to give monetary change. However, the National Superintendence for the Defense of Socioeconomic Rights (SUNDDE) suspended this practice, alleging that the company was conditioning the consumer, offering an unauthorized "return" mechanism.
- Despite this event, efforts to find solutions to these payment frictions continue to surface. In April, another large wholesaler with branches and operations throughout the country implemented a gift card system to stimulate purchases from abroad.
- The Banking Superintendency (SUDEBAN) presented the new interbank mobile payment mechanism commerce-to-person (C2P), which was expected to be operational in all banks as of April 15, 2021. This mechanism will allow merchants to collect payments for customers' goods and services.
- C2P is a tool developed for merchants to charge their customers without the need to have a debit card or identity document at hand. The only thing the buyer needs is a telephone number where he or she can receive the confirmation code. Finally, the merchant registers the code and confirms the transaction.
- Venezuelan domestic demand continues to decouple from the bolivar soberano and is increasingly dependent on foreign currency. According to the latest Credit Suisse report, this could translate into Venezuela experiencing a positive gross domestic product (GDP) variation this year. The bank points out that the primary explanation for this eventual improvement lies in the "relaxation of controls" that President Maduro has been applying to the economy, which has "restored economic activity, even if only slightly."
- Venezuela reported a symbolic increase in oil production, reaching 538,000 barrels per day according to direct communications, and 521,000 barrels per day according to secondary sources (up 11 percent and 7 percent, respectively). For the year, production has increased 22 percent according to official sources, and 26 percent according to secondary sources. Likewise, the price of Merey crude oil reported in February rose 15 percent and closed at US\$42.90 per barrel.
- Production levels are still deficient compared to the levels that the country has reached in past years. However, the oil sector continues to be a good catalyst of the Venezuelan economy, and the effect it could have on the national economy should not be underestimated if production begins to rise consistently.

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Government Reforms Legal Framework for Issuance, Renewal and Extension of Passports

By Holland & Knight

The Venezuelan Government issued on March 22, 2021, Presidential Decree 4,571 (Decree), by means of which it partially regulated the Decree with the Status, Validity and Force of Law for the Reform of the Organic Law of Identification regarding the Issuance, Renewal and Extension of Passports, which will become effective as of April 15, 2021.

The purpose of the Decree is to establish the rules that will regulate the issuance, renewal and extension of Venezuelan passports, and according to the Decree, it pursues the following purposes:

1. guarantee transparency in the process of issuance, renewal and extension of Venezuelan passports
2. guarantee every person's right to identification and public identity documents abroad
3. ensure that all people meet the necessary conditions for the effective exercise of the right to free passage

One of the principal measures implemented in this Decree is that new passports issued to people over 18 years of age will be valid for a 10-year term from the issuance date. The authorities may only issue a one-time extensions of these passports for a five-year term. The previous passport legal framework established that passports were valid for five-year terms and could only be extended for a single term of two years.

It is important to mention that passports and extensions issued before April 15, 2021, will remain in force until their expiration. Extensions to passports may be provided for a two-year term as established in the previous passport legislation.

With respect to minors, the passports issued after April 15, 2021:

1. shall be valid for three years for minors under 3 years of age
2. shall be valid for five years for minors older than 3 years of age and younger than 18 years of age

According to Article 25, passports must be issued within 30 business days after "*the date the passport is paid and the facial registry is carried out*" of the respective applicant.

Likewise, the Decree established in Article 30 the events in which the validity of the passports may not be extended or renewed:

1. when passports have been issued to minors who are 9 years of age and younger
2. when the passport's physical condition does not allow the extension of its use



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Central Bank of Venezuela Releases External Gold Marketing System Rules

By Tinoco Travieso Planchart & Nuñez

The Central Bank of Venezuela (BCV) published Resolution No. 21-01-04 on Feb. 10, 2021, in the *Official Gazette* No. 42,066, to regulate the external commercialization of gold. The resolution became effective on its publication date in the *Official Gazette*.

Among the most relevant provisions established in this resolution are:

- This instrument includes individuals that carry out activities specified in the Decree with the Status, Validity and Force of Law that Applies to the State Activities of Exploration and Exploitation of Gold and other Strategic Minerals; excluded from the scope of application is gold jewelry and precious stones for personal use.
- The individuals must offer for sale to the BCV the gold obtained from its primary activities in the national territory. The BCV may decline the acquisition of the gold offered for sale, in whole or in part, for reasons of opportunity, merit or convenience.
- The individuals must 1) obtain authorization from the BCV; 2) be registered in the Sole Mining Registry; 3) have complied with the corresponding authorizations to exercise such mining activity in national territory, and 4) accredit the payments to be paid to the Republic for the qualifications established in the respective legislation. In order to export gold and its alloys, in bars, melted, coined, manufactured or in any other form, individuals must also provide the BCV with any additional information required by such entity regarding their operations.
- The interested party must pay the BCV for any activities and services related to the issuance of the export authorization and the technical analysis to determine the weight and purity of the gold – a percentage of between 4 percent and 9 percent of the authorized amount – fixed in accordance with the guidelines established by its board of directors based on the amount of the mineral to be exported. Such percentage will be paid in local currency, foreign currency or in kind, according to the conditions indicated by the BCV in the respective authorization.
- Authorizations for the external commercialization of gold will not be transferable and will establish the maximum amount of gold expressed in weight and purity that may be exported under its protection. In addition, the period of validity may not exceed 45 consecutive days.
- The BCV may authorize exporters to keep a percentage of foreign currency or foreign currencies in accounts in domestic or foreign financial institutions.
- The interested party must present to the customs office of the exit country the original copy of the authorization issued by the BCV and the other documents required by the customs authorities to receive any gold export authorization. The original copy of such authorization must be duly stamped and signed by the official of the exit country's customs office and be submitted to the BCV.



Without prejudice to the penalties established in the BCV Law and other laws, failure to comply with any of the resolution's obligations, as well as the provision of false, incomplete or inaccurate information, may result in the revocation or suspension of export authorizations. In such sense, the BCV may carry out inspections of the individuals to verify compliance with the resolution. The individuals are obligated to provide any information and documentation requested within the scope of such inspections.

The board of directors of the BCV will answer and resolve any doubts and cases not foreseen that may arise regarding the interpretation and application of the resolution.

The BCV hereby repealed on Aug. 13, 2020, Resolution No. 20-08-01 published in the *Official Gazette* No. 41,958 of Sept. 4, 2020.

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