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UNDP LAC C19 PDS Nº. 3

The economic impact of COVID-19 on Venezuela: the urgency of external financing

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Abstract

We briefly describe the macroeconomic performance before the spread of the coronavirus (COVID-19), which is mainly characterized by severe economic depression, economic and financial sanctions by the Trump administration, and tight fiscal space that constrains to undertake additional measures. We estimate three economic scenarios based on different oil price assumptions for 2020. The negative effects of the quarantine on the economy are estimated using the two biggest shocks faced by Venezuela in its recent history. We emphasize the relevance of foreign currency and external financing to mitigate the pandemic's impact. Finally, we discuss the economic measures taken by the government.

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Introduction to the series:
Evidence, Experience, and Pertinence in Search for Effective Policy Alternatives

The Covid-19 pandemic is one of the most serious challenges the world has faced in recent times. The total cost in terms of human lives is yet to unfold. Alongside the cost of lives and deep health crisis, the world is witnessing an economic downfold that will severely impact the wellbeing of large parts of the population in the years to come. Some of the measures that are currently being used to counteract the pandemic may impact our future lives in non-trivial ways. Understanding the association between different elements of the problem to broaden the policy space, with full awareness of the economic and social effects that they may bring, is the purpose of this series.

Thus far, the impossibility of targeted isolation of infected individuals and groups has led to policies of social distancing that impose a disproportionately high economic and social cost around the world. The combination of policies such as social distancing, lockdowns, and quarantines, imply a slowdown or even a complete stop in production and consumption activities for an uncertain period of time, crashing markets and potentially leading to the closure of businesses, sending millions of workers home. Labor, a key factor of production, has been quarantined in most sectors in the economy, borders have been closed and global value chains have been disrupted. Most estimates show a contraction of the level of output globally. For the Latin America and Caribbean region, the consensus forecasts are at -3 to -4%, and it is not until 2022 that the region is expected to go back to its pre-crisis output levels in scenarios that foresee a U-shaped crisis pattern. According to ECLAC, more than 30 million people could fall into poverty in the absence of active policies to protect or substitute income flows to vulnerable groups.

We face a crisis that requires unconventional responses. We are concerned about the level-effect: the impact of the crisis on the size of the economies and their capacity to recover growth after the shock. But we are equally concerned about the distributional impact of the shock. The crisis interacts with pre-existing heterogeneity in asset holdings, income-generation capacity, labor conditions, access to public services, and many other aspects that make some individuals and households particularly vulnerable to an economic freeze of this kind. People in the informal markets, small and micro entrepreneurs, women in precarious employment conditions, historically excluded groups, such as indigenous and afro-descendants, must be at the center of the policy response.

UNDP, as the development agency of the United Nations, has a long tradition of accompanying policymaking in its design, implementation, monitoring and evaluation. It has a mandate to respond to changing circumstances, deploying its assets to support our member states in their pursuit of integrated solutions to complex problems. This series aims at drawing from UNDPs own experience and knowledge globally and from the expertise and capacity of our partner think tanks and academic institutions in Latin America and the Caribbean. It is an attempt to promote a collective reflection on the response to the Covid-19 health crisis and its economic and social effects on our societies. Timeliness is a must. Solutions that rely on evidence, experience, and reasoned policy intuition –coming from our rich history of policy engagement– are essential to guide this effort. This series also contributes to the integrated approach established by the UN reform and aspires to become an important input into the coherent response of the United Nations development system at the global, regional, and national levels.

Ben Bernanke, former Governor of the US Federal Reserve, reminds us in his book *The Courage to Act* that during crises, people are distinguished by those who act and those who fear to act. We hope this policy documents series will contribute to the public debate by providing timely and technically solid proposals to support the many who are taking decisive actions to protect the most vulnerable in our region.

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New York, March 2020

Introduction*

The spread of the COVID-19 outbreak in Venezuela occurs during a severe economic crisis. The GDP has continually shrunk since 2014. Oil production has also been reduced drastically, going from 3.26 million barrels a day to less than a million a day in 2019. The significant fiscal deficit, the high level of inflation, that reached hyperinflation levels in 2018, and the sovereign default since late 2017, have aggravated the situation. The Trump Administration's financial-economic measures deepen the crisis and impede overcoming it. The absence of fiscal space to undertake measures in response to COVID-19's effects, in terms of public health and at the economic level, emphasizes the relevance of external financing and the evolution of oil revenues. Under the absence of external financial assistance, the government must rely on financing the deficit monetarily to undertake policy actions in response to the COVID-19 shock, which causes a higher level of the inflation rate and depreciation of the Bolivar.

The economic impact of the shock is tied to the high levels of uncertainty regarding the pandemic's evolution and sanitary response, in terms of its magnitude and duration. This uncertainty affects the main variables involved in the economic transmission mechanism for Venezuela: oil prices, disruption of the economic activity and the fall in demand. The reduction of oil prices is a crucial factor to measure the impact of the shock. In the first section, we will compute, based on different oil price assumptions, three economic scenarios for 2020.According to them, considering **Venezuelan oil prices barrel between 10 US$ and 40 US$, it would reduce the oil revenue between 9.000 and 17.000 US$ million in 2020. Such oil reduction would generate a GDP contraction between 14 and 28 percentage points**. The other factors to measure the size of the economic impact are the duration of the economic disruption (a supply-side effect caused by social distancing measures) and the fall in demand (demand-side effect). To measure the effect of COVID-19 shock, we calculated the impact of the two biggest shocks faced by the Venezuelan economy in its recent history: The 2002 oil strike and the 2019 electric blackout. These shocks affected aggregate supply and demand over several months, a similar effect caused by COVID-19 shock. From these shocks, for each trimester of economic paralysis, the GDP would drop between 8 and 10 percentage points

Additionally, social isolation measures will substantially reduce informal workers' incomes. **Labor informality is a threat to properly implement and sustain social isolation, which is the main tool for containing the spread of the pandemic**. Indeed, the expected drop in remittances will emphasize the reduction of the income of the most vulnerable households.

In the second section, we will summarize the measures issued by President N. Maduro on March 22th 2020 ("*Plan de protección del Estado Venezolano en tiempos de CORONAVIRUS*"), and will briefly mention and classify them according to their main objective: health investment, support for households, or support for firms. We also include additional measures that could be considered to complement and strengthen the measures issued.

*We appreciate the valuable collaboration from macroeconomic independent consultors, Misael Diaz Salazar and Jairo Bracho.

1. Transmission channels and macroeconomic impact of the COVID-19

Oil prices are the main transmission channel for the Venezuelan economy.

Even if commodities prices, in general, drop, including those imported by Venezuela, the oil prices fall would be higher than the rest of the commodities. **The disturbance on aggregate supply generated by social distancing measures (i.e. the quarantine) is another important transmission channel for the shock as well. Finally, an additional** and **pertinent channel is the fall in demand from households and firms due to two factors, reduction of their income and the uncertainty caused by COVID-19 shock.**

Regarding social isolation measures, on March 13th, 2020, the president N. Maduro declared a state of alarm for 30 days and quarantine in seven departments that would be extended to the rest of the country a day after. This quarantine implies the suspension of (non-essential) work and educational activities. Essential activities were related to those associated with the health, foods, and security sectors. A potential extension of the state of alarm or the quarantine remains still open. After the declaration of the state of alarm, additional announcements related to social distancing and economic and measures have been made (Table 5). The next timeline summarizes the main announcements made up to the present day.

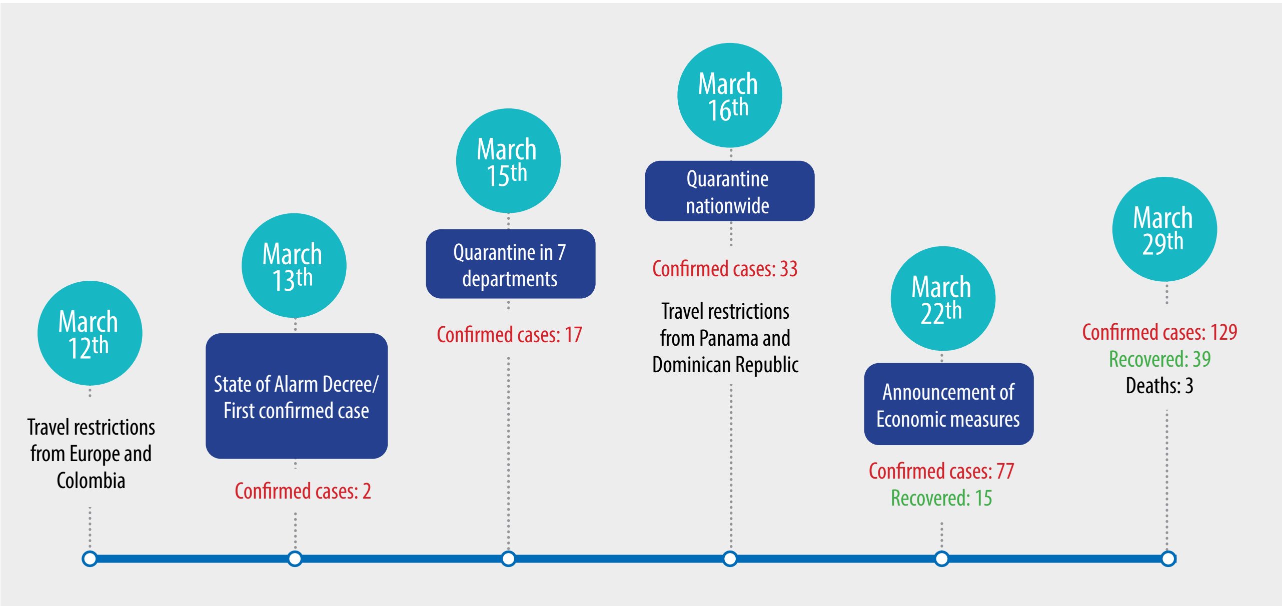

Table 1 (2020 scenarios) shows three potential economic scenarios, that were computing assuming, on average, three oil barrel prices: 10 US$, 25 US$ and 40 US$. These scenarios also assume that current financial sanctions are maintained and that monetary financing of the deficit will be proportional to the reduction of oil prices. The main result from all the scenarios is clear and expected: economic damage is proportional to the reduction of oil prices. The decrease in oil revenue can vary between 9.000 and 17.000 US$ millions. In percentage terms, it implies a reduction between 48% and 83% respect to 2019. Depending on the magnitude of the oil price drop, we expect a sale of international reserves between 1.500 and 3.500 US$ million. Only the effect of oil price drop causes a contraction of the GDP around 10% and 28%. These scenarios are detailed in table 2, table 3 and table 4 respectively. If the oil price remains at the current level, the result would be a midpoint between scenarios B and C. Nonetheless, the oil market is highly volatile and can move drastically in short periods. Using econometric techniques, we estimate, that for each 10 percentage points that oil prices fall, the economy would be shrinking by 1%. This estimation was computed using data for a period in which production was at a higher level and under more stable conditions. This means that in the current context the result could be even stronger.

The impact of the two remaining transmission channels includes; the effects on aggregate supply and aggregate demand generated by social distancing measures, the effects of international trading and the reduction of consumption by economic agents. These are more complex to estimate. Quarantine measures only allow activities for workers from essential sectors, and the commute to the grocery stores, pharmacies, and health centers. Their impacts on production and consumption are pretty profound. The contractive effect of the quarantine will depend on its duration, especially for the production of goods and services. In that sense, the effects on the demand side could have a more long-lasting effect than those from supply disruption.

For referential purposes, we estimate the impact on GDP generated by the two biggest shocks that caused a significant economic disruption in recent economic history. One of them was the political conflict in 2002, which included the failed coup against Hugo Chávez and the oil strikes. At that time, the contraction of the annualized GPD growth rate (computed from the second trimester of 2002 respect the first of 2003, when the oil strike ends) was 14.3%. Applying econometric methods, we estimate the negative impact of the oil strike on GDP was 12%.

These computations can be considered as an upper bound estimate of the effect on GDP, because, different from current conditions; the oil strike implied the stop of oil exports. The second one was the electric blackout during the first trimester of 2019. During this trimester, GDP rose its contraction at 6.6 percentage points compared to the previous trimester. This event also affected oil exports. The current social distancing measures do not imply a substantial effect on oil production and exports, however, their effect on the rest of economic activity can be similar to these two previous events. Taking as a reference, these two events, on average, **for each trimester of economic paralysis, the GDP would decrease between 8 and 10 percentage points**. The estimation that comes from the reduction in oil price and those from the economic paralysis are not necessarily added mechanically. The effects on GDP caused by the two biggest shocks mentioned previously also included considerable disturbances in oil revenue.

Table 1

	2020 Scenarios			
Assumptions	**A**	**B**	**C**	**2019**
Oil Prices (US$/bl, annual average)	40,0	25,0	10,0	59,7
Oil Production (MBD)	755,0	755,0	705,0	985,0
Reduction of oil income (millions of US$)	9.046,0	12.776,0	16.650,0	10.817,0
Reduction of oil income (%)	47,6	67,3	87,7	36,3
Sale of International Reserves (millions of US$)	1.500,0	2.500,0	3.500,0	1.022,0
Outcomes	**A**	**B**	**C**	**2019**
GDP Annual growth Rate (%)	-13,9	-20,8	-28,2	-29,6
Inflation Rate (end of the period, %)	987,0	2.230,0	17.693,0	6.819,0
Imports (millions of US$)	9.906,0	8.160,0	5.474,0	10.786,0
Annual import reduction (%)	8,0	24,2	49,2	15,8
International Reserves (end of the period, millions of US$)	6.476,0	5.476,0	4.476,0	7.976,0

Additional economic and social effects

Other economic and social effects demand attention. The most urgent one is the impact on informal workers. Social isolation measures affect informal worker's activities and their income. In combination with small and medium-sized businesses (SMEs), they become more vulnerable because of social distancing measures. This **jeopardizes the implementation and sustainability of the quarantine, the major tool to attack the pandemic.**

Reduction in remittances. Remittances have gained a significant role during the crisis, as a source of income for households. According to Ecoanalitica, remittances reached up to 2.700 US$ million in 2018 and, at least, 3.500 US$ million in 2019. Indeed, Meganalisis estimates 26% of Venezuelan households received remittances at the end of 2019. This implies for each US$100 of monthly remittances, more than 2.500 US$ million of remittances in annual terms. Those senders that are formal workers or beneficiaries of social programs could continue sending remittances. For remaining senders, this will be a real challenge.

Disruptions in gasoline supply. The drastic fall in the gasoline supply will end up affecting the distribution of goods and services and public transportation. This disruption could threaten the domestic food supply.

The lower level of foreign currency availability could **reduce food imports, especially for the public sector, and affect the CLAP program** (government's food distribution program), which is the main current non-monetary transfer.

Table 2. Scenario A. Oil price: 40 US$/bl
Venezuela: Main Macro-Economic Aggregates

		Years		Variation rate %	
Description	Units	2019	2020	2019/2018	2020/2019
Real Sector					
Constant prices					
GDP	Bs.S 1997=100	222.003	191.234	-29,6	-13,9
Private Consumption	Bs.S 1997=100	155.415	139.718	-28,1	-10,1
Investment	Bs.S 1997=100	12.654	9.984	-48,5	-21,1
Oil production (official data)	MBD	985	755	-35,3	-23,3
Foreign oil sales	MBD	891	681	-35,0	-23,5
Foreign oil sales	MM USD	18.993	9.947	-36,3	-47,6
Oil Price	USD/Bl	59,7	40,0	-3,7	-33,0
Current Prices					
GDP	MM Bs.S	298.742.261	3.424.950.333	8.674,2	1.046,5
GDP per capita	Bs.S 1997=100	7,9	6,5	-26,7	-10,7
Monetary Sector					
Monetary Base (end of the period)	MM Bs.S	28.350.848	291.552.956	6.412,6	928,4
Monetary Liquidity (end of the period)	MM Bs.S	39.000.905	422.751.786	4.745,1	984,0
Inflation (annual average)	Index 1997=100	49.035.242.826	684.385.615.514	15.306,2	1.295,7
Inflation (end of the period)	Index 1997=100	150.013.531.354	1.630.979.125.581	6.819,1	987,2
External Sector					
Exports (goods) F.O.B.	MM USD	24.388	15.240	-27,6	-37,5
IMPORTS (goods) F.O.B.	MM USD	10.768	9.906	-15,8	-8,0
Current Account - Goods	MM USD	13.619	5.334	-34,8	-60,8
Reserves (Flow)	MM USD	-1.022	-1.500		
Reserves Balance (end of period)	MM USD	7.976	6.476	-11,6	-18,8
Implicit Exchange Rate (M2/RI)	Bs/$	4.993	65.280	5.378,8	1.207,5
Parallel Exchange Rate (annual average)	Bs/$	13.669	178.383	12.731,9	1.205,0
Official Exchange Ratel (annual average)	Bs/$	13.058	173.790	27.429,0	1.230,9

Sources: Central Bank of Venezuela (BCV in Spanish), OPEC and own computations

Table 3. Scenario B. Oil price: 25 US$/bl
Venezuela: Main Macro-Economic Aggregates

		Years		Variation rate %	
Description	Units	2019	2020	2019/2018	2020/2019
Real Sector					
Constant prices					
GDP	Bs.S 1997=100	222.003	175.854	-29,6	-20,8
Private Consumption	Bs.S 1997=100	155.415	128.995	-28,1	-17,0
Investment	Bs.S 1997=100	12.654	8.984	-48,5	-29,0
Oil production (official data)	MBD	985	755	-35,3	-23,3
Foreign oil sales	MBD	891	681	-35,0	-23,5
Foreign oil sales	MM USD	18.993	6.217	-36,3	-67,3
Oil Price	USD/Bl	59,7	25,0	-3,7	-58,1
Current Prices					
GDP	MM Bs.S	298.742.261	5.549.737.732	8.674,2	1.757,7
GDP per capita	Bs.S 1997=100	7,9	6,5	-26,7	-17,9
Monetary Sector					
Monetary Base (end of the period)	MM Bs.S	28.350.848	622.837.896	6.412,6	2.096,9
Monetary Liquidity (end of the period)	MM Bs.S	39.000.905	840.831.160	4.745,1	2.055,9
Inflation (annual average)	Index 1997=100	49.035.242.826	1.207.921.899.768	15.306,2	2.363,4
Inflation (end of the period)	Index 1997=100	150.013.531.354	3.495.028.023.019	6.819,1	2.229,8
External Sector					
Exports (goods) F.O.B.	MM USD	24.388	11.493	-27,6	-52,9
IMPORTS (goods) F.O.B.	MM USD	10.768	8.160	-15,8	-24,2
Current Account - Goods	MM USD	13.619	3.333	-34,8	-75,5
Reserves (Flow)	MM USD	-1.022	-2.500		
Reserves Balance (end of period)	MM USD	7.976	5.476	-11,6	-31,3
Implicit Exchange Rate (M2/RI)	Bs/$	4.993	153.548	5.378,8	2.975,4
Parallel Exchange Rate (annual average)	Bs/$	13.669	401.334	12.731,9	2.836,0
Official Exchange Ratel (annual average)	Bs/$	13.058	306.235	27.429,0	2.245,2

Sources: Central Bank of Venezuela (BCV in Spanish), OPEC and own computations

Table 4. Scenario C. Oil price: 10 US$/bl
Venezuela: Main Macro-Economic Aggregates

Variation rate %

Description	Units	Years		2019/2018	2020/2019
		2019	2020		
Real Sector					
Constant prices					
GDP	Bs.S 1997=100	222.003	160.551	-29,6	-27,7
Private Consumption	Bs.S 1997=100	155.415	116.251	-28,1	-25,2
Investment	Bs.S 1997=100	12.654	6.897	-48,5	-45,5
Oil production (official data)	MBD	985	705	-35,3	-28,4
Foreign oil sales	MBD	891	642	-35,0	-27,9
Foreign oil sales	MM USD	18.993	2.343	-36,3	-87,7
Oil Price	USD/Bl	59,7	10,0	-3,7	-83,3
Current Prices					
GDP	MM Bs.S	298.742.261	25.861.640.564	8.674,2	8.556,8
GDP per capita	Bs.S 1997=100	7,9	5,9	-26,7	-25,1
Monetary Sector					
Monetary Base (end of the period)	MM Bs.S	28.350.848	4.745.458.355	6.412,6	16.638,3
Monetary Liquidity (end of the period)	MM Bs.S	39.000.905	6.169.095.861	4.745,1	15.717,8
Inflation (annual average)	Index 1997=100	49.035.242.826	684.385.615.514	15.306,2	12.763,8
Inflation (end of the period)	Index 1997=100	150.013.531.354	1.630.979.125.581	6.819,1	17.693,0
External Sector					
Exports (goods) F.O.B.	MM USD	24.388	7.603	-27,6	-68,8
IMPORTS (goods) F.O.B.	MM USD	10.768	5.474	-15,8	-49,2
Current Account - Goods	MM USD	13.619	2.129	-34,8	-84,4
Reserves (Flow)	MM USD	-1.022	-3.500		
Reserves Balance (end of period)	MM USD	7.976	4.476	-11,6	-43,9
Implicit Exchange Rate (M2/RI)	Bs/$	4.993	1.378.261	5.378,8	27.505,0
Parallel Exchange Rate (annual average)	Bs/$	13.669	2.107.317	12.731,9	15.316,5
Official Exchange Rate (annual average)	Bs/$	13.058	2.096.413	27.429,0	15.954,7

Sources: Central Bank of Venezuela (BCV in Spanish), OPEC and own computations

2. ¿What choices does the country have to face the COVID-19?

The economic policy steps implemented by China, by the most affected countries in Europe and those suggested by multilateral organizations, rely mainly on fiscal actions. Under the current macroeconomic situation, the fiscal space for Venezuela is extremely tight. Any fiscal measures will be tied to foreign currency availability, which also involves export revenues and external financing. Income from non-oil exports is less than 10% of total exports, so they are not an alternative in the short run. A "fire sale" of public assets (for instance, refineries inside and outside the country) is not a feasible choice because of the sanctions. As a result, **under the absence of external financing, the state will rely on financing the fiscal deficit monetarily to accomplish fiscal measures (i.e. those that do not involve foreign currency), with a subsequent rise in inflation and depreciation of the bolivar.**

The external financial assistance from multilateral organizations requires a negotiation between N. Maduro's government, the National Assembly presided by J. Guaidó and the National Assembly presided by L. Parra. This financial aid should focus on urgent investments in health, sanitation and social programs for vulnerable populations and SMEs.

The second external financing option comes from **bilateral financing with the Russian and Chinese governments.** This could take different forms: debt refinancing (in terms of loan maturities and/or new loans), loans of goods and services, and /or liquid loans.

The financial aid from non-financial multilateral organizations, such as United Nations (programs, agencies, and funds) to deal with the crisis, albeit limited, is important to enhance the response to the shock from a sanitary perspective

The main economic actions to face the crisis can be summarized in three large groups: *investment in health/sanitation*, measures to preserve household purchasing power (*demand-side measures*) and actions to support the productive sector (*supply-side measures*). From supply-side measures, we distinguish those that support essential activities during quarantine and those that impact inactive SMEs. Policy actions to strengthen the " inactive businesses" are addressed to reduce the negative impact of the quarantine and boost their probability of survival after the crisis.

In terms of SMEs, the contractive impact of economic paralysis will seriously harm them. Nonetheless, the firms, that have survived and carried the adverse macroeconomic conditions during the last recent years, will probably be more resilient due to their strategies to operate under complex scenarios.

The next table shows the announcements made by President N. Maduro on March 22th 2020 (***"Plan de protección del Estado Venezolano en tiempos de CORONAVIRUS"***) and classified them according to the type of measure.

Table 5

	Measure	Type
1	Payroll payment through the Patria system (6 months)	Supply measure (non-essential sector)
2	Suspension of rent payments (inactive businesses and house-holds) with compensation for property owners (6 months)	Demand (households) and supply-side measure (non-essential sector, businesses)
3	A plan for the agro-alimentary sector to guarantee CLAP program	Supply-side measure (essential sector)
4	Maintain social transfers through the Patria system	Demand-side measure
5	Free Metro pass for health workers	Supply-side measure (essential sector)
6	Prohibition of the interruption of telecommunication services	Demand-side measure
7	Extension of import taxes exemption (6 months more) [4]	Supply-side measure
	Banking System Measures	**Type**
8	Suspension of credit payments (capital and interest) for six months.	Supply and demand-side measure
9	Suspension of past-due loan payments (six months)	Supply and demand-side measure
10	Efficient credit allocation to SMEs	Supply-side measure (non-essential sector)
11	Government loan guarantees to essential sector	Supply-side measure (essential sector)

[4] This measure was initially issued in September 2018, and it has been systematically extended since then.

An urgent call for a health and sanitation investment plan could complement previous measures. However, the absence of external financing will complicate to undertake it. From table 5, the experience of payroll payments through the Patria[1] system during the electric blackout (2019) can be used as a guide. The suspension of rent payments, if the compensation property owners does not occur expeditely, it becomes in a transfer among private agents (from the landlords to the tenants) in unfavorable conditions to the property owners. The high inflation would rapidly vanish the nominal compensation in real terms. A similar outcome is observed with measures associated with the banking system. They are transfers from the banking system to their clients. Indeed, the only way in which the banking system will grant new loans to SMEs, given the reduced operating income, would require a decrease in the high level of reserve requirements. The expansion of banking system vulnerability in Venezuela, considering contractive oil shocks, has been studied by the literature[2].

1 Online platform that registers all the beneficiaries of unconditional monetary (BONOS) and non-monetary (CLAP) transfers. According to recent estimates, CLAP's implicit transfers would be approximately 1.533 US$ million in 2019.

2 Chirinos-Leañez, A. C. Pagliacci. (2014). El Sistema financiero Venezolano. ¿Qué compromete su desempeño?. Revista de Análisis Economico, Vol 29, No 2, pp.47-74.

We also propose the following complimentary initiatives to strengthen the measures announced by the government:

- Supply-side measures:
  - From a credit perspective, **the reduction of reserve requirements** (i.e. estimated around 58 billion Bs-782 US$ million- on March 13th, 2020) will boost credit banking. This action will not imply any public expenditure, but it will relieve liquidity restrictions (SMEs and households) and promote banks' intermediation activities. This release of the reserve requirements would strengthen the credit measures announced without increasing bank fragility.

  - **Implement faster mechanisms for compensating the property owners and telecommunications firms**, due to the suspension of rent payments and the prohibition of interrupting telecommunication services.

  - From fiscal perspectives, countries have implemented **the postponement of tax payments and other fiscal contributions.** These initiatives would have positive effects (especially of the Income-tax-ISLR in Spanish-) on businesses and households. Nevertheless, as we pointed out, they would reduce fiscal income, and create incentives to finance the deficit monetarily. In short, more inflationary pressures and depreciation of the currency.

- Demand-side:
  Targeted social transfers to the most vulnerable population are crucial. Targeting is also necessary for SMEs. Since schools are closed during the quarantine, the resources addressed to the school food programs (PAE for its acronym in spanish) could be transformed into compensatory transfers.

- Measures on the health sector:
  Dissemination of an urgent plan (detailed) of action for the health sector, that could be submitted for consideration of international fund donors. The COVID-19 pandemic situation could change the reluctant attitude of external financial providers' about Venezuela.

The monetary and non-monetary transfers recommended by multilateral organizations and implemented by countries around the world have been applied in Venezuela for many years. Inevitably, the fall of oil income and economic contraction will hit the social protection system. The limited fiscal space makes unlikely the rise of social transfers as a response to the COVID-19 pandemic. The discussion must focus on how maintaining their levels. We expect an erosion of socioeconomic indicators without external financing.

Finally, we emphasize the COVID-19 situation is dynamic, changes continuously and involves a lot of uncertainty. National governments and multilateral organizations are in a permanent learning process that includes exchanging experiences. The economic, financial, and social measures that we consider suitable for current conditions will be adapted to the evolution of the pandemic.

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