

The challenges of the transitional government in Venezuela

Antonio De La Cruz

Executive Director

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After the end of Maduro power usurpation, the transitional government of Juan Guaidó faces an enormous challenge: to create the bases for the reconstruction and modernization of the economy and infrastructure destroyed in the Caribbean country. So, the transitional government will manage a country immersed in a scenario of disaster and national emergency. In fact, on Monday of last week, the National Assembly approved, and the interim president decreed the state of alarm throughout the national territory, after the chaos caused by the collapse of the National Electric System.

The transition phase will require a minimum of nine months. It will be the minimum time necessary to prepare the presidential electoral process, guaranteeing the conditions for a free, fair, competitive, transparent and democratic election. For which end, the authorities of the new National Electoral Council, which will be the governing body of the polls and a proof of the independence of the powers in the transition, must approve it expeditiously.

Likewise, the transitional government must guarantee the entry of humanitarian aid immediately and uninterruptedly for nine months, to meet the urgent needs of the Venezuelan population regarding health and food. For this, a program coordinated by *Protección Civil* with the United States International Agency for Development, the United Nations, the Red Cross, Caritas, the Pan American Health Organization, NGO's in Venezuela and abroad, Polar, transportation and logistics sectors at an international (Maersk) and local level will be needed to ensure the immediate well-being of the vast majority of Venezuelans. The resources required for the execution of the humanitarian aid would be in the order of magnitude of billions of dollars (\$ 5.4 billion).

Another immediate action by the transitional government will be to stop the hyperinflation that destroys the purchasing power of Venezuelans. To do this, the talks with the International Monetary Fund to obtain a loan that allows the stabilization of the bolivar on the dollar will have to be very advanced. Venezuela's international reserves and available liquid assets do not give maneuverability to the transitional government to apply the free float of the bolivar against the dollar, according to demand in the currency market. To this end, an initial financial rescue of \$ 40 billion from the IMF will be required.

Additionally, the transitional government will need as soon as possible the restructuring plan of the sovereign and corporate debt to obtain the confidence of the capital markets that will be fundamental for the new government, once the transition is over. In that sense, the accumulated debt pending payment reaches 10 billion dollars in February and a total of 125,000 million dollars.

An imminent action is a solution to the electricity service crisis. For this, the thermal generation plan with international companies should be available at the time of the cessation of the

usurpation to meet the demand of the country's main cities with modular equipment of 40 megawatts and normalizing by relieving the load on the Guri hydroelectric plant. This program would have a total cost close to 100 million dollars.

During the nine months of the transitional government, the increase in oil production will be minimum. This period will help to create the basis of the vision contained in the *Plan País*, "a new relationship between the citizen, the State, and oil to overcome the dynamics of the petro-state, through mechanisms that allow the Venezuelans to be empowered in their relationship with oil".

The opportunities to recover barrels will be the production fields of the joint ventures, while the reconstruction of the oil infrastructure begins. The investment needed to increase oil production by 175,000 barrels/day and mitigate the decline of the wells will be 20 billion dollars in 2020. Besides, the transition government will have to decide on the cancellation of shipments of crude oil to the countries in which it subsidizes the bill and uses it to pay for services, as is the case of Cuba. The interim government should also review the best way to repay loans with oil shipments as it is the case of China and Russia.

An urgent task of the transition government will be the review of the sanctions imposed by the Office of Foreign Assets Control of the United States to the state oil and mining companies, Pdvsa and Minerven, in order not to affect the day to day operations.

Last but not least, the transitional government will need to guarantee social peace. The control of violence in the country caused by criminal organizations, drug trafficking, and paramilitary groups will be a critical success factor for the political, social and economic stability of Venezuela. The National Armed Forces and the administration of justice will play an essential role in this mission. Therefore, the transition regime should evaluate the permanence of some high-ranking military officials, and collaboration with international intelligence agencies to reduce violence in the country.

The solutions of the transitional government to face the chaos that Venezuela is going through, after 20 years, leave little room for improvisation. The president in charge should start on day one with a program-detailed engineering-that ensures success, turning current challenges into great opportunities.