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Latam Daily: Chile's Fiscal Relief; Peru's President Proposes Constitutional Change

- **Chile:** Fiscal aid to households of USD 300 mn will not require debt issuance
- **Peru:** President Castillo puts a call for a Constitutional Assembly back on the Congressional agenda

CHILE: FISCAL AID TO HOUSEHOLDS OF USD 300 MN WILL NOT REQUIRE DEBT ISSUANCE

Late on Monday, April 25, the Ministry of Finance reached an agreement with the main worker confederation in Chile (CUT) to protect workers against the recent increase in food prices and increase the minimum monthly wage.

Between May and December 2022, the government will provide households direct fiscal transfers equivalent to the increase in the value of the basic basket of foods over the last 12 months. The fiscal cost of this measure is estimated in USD 300 mn, and will not entail further sovereign debt issuance or affect the fiscal deficit as it will be financed with resources coming from the existing emergency transitory fund. As we anticipated in the [Latam Daily](#) of April 8, the proposed compensation is additional to the USD 3.7 bn fiscal aid package announced early this month, which is focused on lower-income families and SMEs. According to our estimates, the government has additional fiscal space of around USD 1 bn.

The Ministry of Finance also announced that it will present a bill to Congress for a 14% increase in the minimum monthly wage, from CLP 350,000 (USD 414) to CLP 400,000 (USD 473), starting in August. In the case that inflation exceeds 7% y/y in December 2022, the bill considers a further increase to USD 410,000 (USD 485) from January 2023. It should be noted that this announcement was already incorporated in the baseline scenario of the Central Bank, released in the Monetary Policy Report of March, with only a limited impact on inflation.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

PERU: PRESIDENT CASTILLO PUTS A CALL FOR A CONSTITUTIONAL ASSEMBLY BACK ON THE CONGRESSIONAL AGENDA

President Castillo submitted a proposed [law](#) to Congress yesterday (Proyecto de Ley 1840, dated April 25) which would introduce a change in the Constitution to allow for the election of a Constitutional Assembly. The proposal seeks to introduce Article 207 in the current Constitution with the following (paraphrased) wording: "The preparation and approval of a new Constitution under the responsibility of a Constitutional Assembly elected by the people". The text of the ensuing new Constitution would purportedly then be submitted to another referendum for its approval.

According to the proposal, the referendum would contain one question: "Do you approve calling for a Constitutional Assembly in charge of preparing a new political Constitution?". The idea is to hold the referendum together with the regional and local elections on October 2.

The Head of the Cabinet, Minister Anibal Torres expanded on the government intentions, stating in a press conference on Monday afternoon that the government proposes that elections for a Constitutional Assembly (CA), should take place no more than 120 days after the referendum, and that the new CA should have 130 members, with 40% from political parties, 30% independent candidates, and 30% representatives of indigenous or Afro-Peruvian groups. This is a lot of detail for Minister Torres to give, as

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none of this was included in the proposed law that was sent, and, presumably, these details would be the prerogative of Congress rather than the Executive.

Earlier in the morning María Alva, who presides over Congress, was cited in the press as stating that the referendum proposal was not viable, and that even submitting the proposal to Congress could make government officials, including the president himself, liable to an accusation of unconstitutionality.

Although it is still early, the government does not seem to have enough votes to succeed in its endeavors. Congressional approval of the reform bill would require either: a) 87 votes in two separate legislative chambers (out of 130 members of Congress), or b) 66 votes in one chamber plus a favorable outcome in a referendum. It would also need to be put on the Congressional agenda, which may not occur with the urgency that the government would like, if at all.

It's not clear why the government is seeking to put the possibility of a Constitutional Assembly back on the political agenda, especially as it knows how difficult getting the votes will be. Whatever the intention of the government, and whichever is the decision by Congress, the resurrection of the Constitutional Assembly debate adds another level of complexity and uncertainty to political turbulence in the country.

—Guillermo Arbe

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