



## THE PATTERN OF GREAT CORRUPTION IN VENEZUELA

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The Venezuelan chapter of Transparency International has been monitoring throughout three decades the management of public officials in Venezuela. Their study reveals that high-level decisions have been taken and public policies applied **systematically**. This led to the **embezzlement of the state's coffers** and the establishment of a criminal state, spreading its tentacles and reaching dozens of countries that have been touched by this **transnational corruption network**.

The main cause of the **systematic violation of the human rights** of millions of Venezuelans is the wasting and irregular handling of huge amounts of public resources, from high levels of power. This gave rise to the unprecedented **complex humanitarian emergency** that the country is suffering and that has driven millions of people to desperately cross the borders, to ensure their survival.

Through the tracking and analysis of the serious irregularities perpetrated against the national patrimony, Transparencia Venezuela has identified **12 harmful elements** that shape the **Great Corruption Pattern** established in the country, which promoted the worst embezzlement in the history of Venezuela. It is an approach to the factors that have led to the complex situation in the country, which allows a better understanding of the crisis.

These are decisions taken by senior government officials since 2003 that were causing serious damage to the population as the years progressed. The **Pattern of Great Corruption** has undermined all sectors resulting in hardships for the Venezuelans who continue to have problems to access food, medicines, suffer from structural flaws of public services (water, electricity, transport, safety, domestic gas) and from deficiencies in fuel and diesel supply. The toll on millions of Venezuelans became more evident since 2007, but authorities didn't rectify. On the contrary, they **deepened** these policies using the State's powerful national and international communication machinery to endorse responsibility for what happened to endogenous agents.

Regarding the Venezuelan case, the UN High Commissioner for Human Rights, Michelle Bachelet, pointed out in a report in July 2019, "The diversion of resources, corruption and lack of maintenance of public infrastructure, as well as underinvestment, have resulted in violations of the right to an adequate standard of living, among others, due to the deterioration of basic services such as public transport and access to electricity, water and natural gas."

The **Pattern of Great Corruption** that has caused grave violations to the fundamental rights of the Venezuelans is constituted by the following elements:

1. Monopoly in economic sectors
2. Incentives for corruption
3. Discretionary public spending
4. Civil-military control
5. Permanent state of emergency
6. Irregular millionaire procurement
7. Institutionalized impunity
8. Opacity and lack of accountability
9. Disinformation and communicational hegemony
10. Loyalty based appointment of senior government positions
11. Transnational criminal network
12. Human Rights violations, criminalization of social protest

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### **Monopoly of economic sectors**

For years, the government has been devoted to increase its power in the market and become virtually the sole owner and administrator of essential products, goods and resources for citizens. They undertook an almost absolute control of the food, electricity, transport, communication, water, gas, trade, financial institutions, and construction sectors.

A study carried out by *Transparencia Venezuela* regarding state-owned companies (EPE I and EPE II, for its acronym in Spanish), revealed that by 2019 there were more than **576 state-owned companies** in Venezuela, four times as much as in Brazil and 10 times as much as in Argentina. Between 2007 and 2011 a

total of 441 companies were created, expropriated or confiscated during the Hugo Chávez and Nicolás Maduro's administrations. They also appropriated electric, dairy, meat, coffee, sugar, plastic, aluminum, steel, cement, and transport companies, among others. Although this framework received significant budgetary transfers, since 2008 most companies began to report a sharp drop in their production and complaints of irregularities.

The rise in the number of state entities is proportional to the rise in the number of closed privately owned companies that produced goods and services, due to monetary restrictions, increased control and discretionary power of government, as well as conditions of disadvantage in competitive bidding processes.

The government's market power, which has generated devastating effects and abuse of its dominance position, is clearly evidenced in the following sectors:

### Electricity Sector

When Chavez came to power in 1999, the electricity sector was comprised of public and private companies, but in 2007 the government created the Venezuela's Electric Corporation (Corporación Eléctrica de Venezuela, **Corpoelec**) paving the way to a complete appropriation of the sector.

By December 2010, the **19 remaining companies** were expropriated and nationalized, consolidating **Corpoelec's** monopoly as the sole generator, transmitter and distributor of electric energy. From that year on the electrical crisis in Venezuela was exacerbated, with perverse effects on everyday life **affecting the right to education, quality public services, work, trade and even the right to life**, a risk that is evident in health centers that run out of electricity for hours, thus depending on power plants. On March 2019 alone, there were over four general blackouts that left 90% of the country in the dark. Some areas reached more than **100 hours without service**. At the beginning of 2020, serious electrical failures persist in several states, especially in the Andean region.

### Transport Sector

*Transparencia Venezuela* identified **28 entities** with competencies in the transport sector, of which **21 of them were created during the administrations of Chavez and Maduro**. They centralized the activity with inefficient public policies, such as subsidies and freezing of tariffs. In the past few years, the lack of transportation aggravated and Venezuelans were left completely vulnerable, suffering of long waiting hours, lack of cash to pay for their transport fares, a decrease in transport routes, and arbitrariness in rates.

According to the National Transport Federation (Federación Nacional de Transporte), between **2013 and 2018 public transportation decreased in over 75%**. As per the Central Union of Bus and Taxi Drivers (Central Única de Carros Libres y Por Puesto) in 2018 there were only **78,000 active transport units** of the **260,000** in existence. That same year, more than 20% of private vehicles in the country stopped circulating due to a **shortage of tires, lubricants and spare**

parts. Venezuelans began to move in heavy trucks, risking their lives. The use of those trucks, popularly known as “kennels”, left **39 people dead and 275 injured by the first half of 2018**, according to figures revealed by the National Assembly.

### Food Sector

Since 1999, Hugo Chávez, president at the time, showed his intention to control this sensitive sector, by creating several programs responsible for the distribution and sale of food. He involved the **National Armed Forces** in these public policies. A total of **11 Ministers of Food have been military**. As of 2016, with the creation of the Great Sovereign Supply Mission (Gran Misión Abastecimiento Soberano), **Nicolás Maduro consolidated the State control over food** and entrusted the program to the Defense Minister, Vladimir Padrino López, in charge of 15 agencies with competence in the matter. That year the government also created the **Local Committees for Supply and Production (Comités Locales de Abastecimiento y Producción, CLAP)**, a program that aimed to sell food at subsidized prices, although it is actually a control mechanism since - in many cases – political allegiance is required in exchange for the acquisition of those products.

The result of these policies is the theft of billions through **fictitious imports and of products not fit for consumption, with overcharge**.

The government is in charge of the whole food process, from the import and delivery of seeds and fertilizers up to the marketing of products. *Transparencia Venezuela* calculated that there are more than **70 state-owned companies in this sector**, which have shown poor performance and report complaints of mishandling.

In Venezuela the right to food has been systematically violated. Irreversible damage has been caused regarding nutrition. Caritas Venezuela found that the first three months of 2019, was a **100% increase in severe acute malnutrition and a 20% increase in moderate acute malnutrition** in children under 5, compared to the previous quarter.

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### Incentives for Corruption

Since 2003, the government has implemented policies that increased corrupt practices. Incentives include **currency exchange controls, price control and subsidies**, such as domestic gasoline.

**Currency exchange controls** originated a huge currency differential that favored people with access to dollars with preferential rates, who with few bolivars received lots of dollars to buy or resell goods. Those who took advantage of the exchange differential amassed huge fortunes. The former Minister of Planning of Hugo Chavez, Jorge Giordani, warned in 2013 that more than **US\$ 20 billion** were lost in fictitious companies that received preferential rates. The oil industry has been the most affected.

Price control has been another incentive, existing since 2003. The government decides the price of basic goods such as food, toiletries and medicines. The prices were so low that they led to smuggling and the emergence of a black market. This measure made goods more expensive in an illegal and speculative market, with inaccessible prices to the population and made access to food difficult. Smuggling mafias strengthened the tragedy, especially at the borders. Businesspeople have reported over the years that the government has not respected cost structures and that they are operating at loss.

Subsidies are another incentive. Having the cheapest gasoline in the world, it is more attractive to smuggle it than to sell drugs. This happens especially at the border with Colombia, a situation that has reached unprecedented levels, with complaints about the active participation of State security officials in these mafias.

### 3 Discretionary Public Spending

The granting of public offices to persons related to the government, without merit, as well as the assignment of contracts or social benefits to gain strong loyalties is a common practice within State institutions. Public goods are not managed according to the logic of rationality, economy or impartiality established by the law, but in a discretionary manner.

In 2002, President Chavez dismissed 20,000 PDVSA employees, the country's main company, who on average had 15 years of experience in the industry. He replaced them with people without experience but with an affinity to his political ideals. The company went from 40,385 employees in 1998 to 113,153 in 2016, while the production declined. In 2002, the state-owned company produced 3,6 million barrels per day. The number progressively dropped and in March 2019 the production was of 960,000 barrels per day. Moreover, hundreds of corruption cases were reported, among them the loss of near US\$ 5 billion in the Banca Privada D'Andorra.

In 2003 the government laid off most of the executive, managerial and technical staff of the Foundation for Electrical Service (Fundación para el Desarrollo del Servicio Eléctrico) and replaced them with people with their same ideals. The country went from selling electricity to Colombia to having a deficit in electricity generation in 2019 of more than 2,000 megawatts and blackouts that last for days. Reports of Great Corruption in procurement were filed in this sector, such as the well-known Derwick case.

### 4 Civil-military Control

There is a strong military presence in the State and all areas of public action in Venezuela. They are in charge of state-owned companies, governorships, embassies and ministries. UN High Commissioner for Human Rights reported in 2019 a rise in the militarization of State institutions. This group has expanded its involvement in business spaces where there is a greater risk of corruption. The following are three emblematic cases:

### Food Sector

The military have been in this sector since 2000 when they operated social programs such as Plan Bolívar 2000. Furthermore, of the 12 Ministers of Food, since the creation of the Ministry in 2004, 11 have been military. In 2016, Defense Minister Vladimir Padrino López assumed the leadership of the Great Sovereign Supply Mission in charge of all the agencies with competence in the food sector.

### Electricity Sector

Out of the six presidents of the state-owned Corpoelec, three have been military with no experience in the area: Major General Hipólito Izquierdo, Lieutenant Jesse Chacón and Major General Luis Motta. **Power plants have been militarized** and yet the government assures that the facilities have been victims of sabotage.

### Oil Sector

Major General (National Guard) Manuel Quevedo is PDVSA's current president and Minister of Petroleum. This means that he is the person in charge of the sector that contributes with over 90% of the foreign currencies that enter the country.

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### Permanent State of Emergency

A common practice in the governments of Hugo Chávez and Nicolás Maduro has been the periodic issuance of state of exception and emergency decrees, often without real justification and with the sole purpose of **increasing their power**. During both their administrations, **four enabling laws** were passed that gave them virtually all **control to freely legislate** on key sectors, thus exceeding their functions. Even in 2020 Maduro continues to govern under emergency.

In the electricity sector alone, **three state of emergency decrees** were issued allowing the Ministry of Electricity, PDVSA and Corpoelec to assign **contracts worth billions without participating in bidding processes**. The last state of exception decrees and its extensions are unconstitutional since they were not submitted to the control and approval of Parliament. They also exceeded the 60 day temporary time-limit determined by the Constitution, as well as material limits such as the non-interruption of public authorities' operations, like the National Assembly.

As per a comparative study by *Transparencia Venezuela*, the executive branch has used these decrees to **increase their authority and suppress controls** exercised by bodies such as Parliament. The first economic emergency decree issued in January 2016 only had **11 exceptional measures** and by September 2018 the decree had **36 exceptional measures**.



In 2018, the executive branch, for third year in a row and without approval of Parliament, carried out or issued the following acts:

1. Authorize the National Budget Law
2. Use of resources from budget savings.
3. Authorize expenditures from the National Treasury and other sources of financing not planned in the Annual Budget.
4. Adjustment of the Tax Unit Value
5. Sign public interest contracts, among other acts.

This means that since 2016, the budget, expenditure, debt and contracts of national interest have not been subject to the controls ordered by the Venezuelan Constitution.

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### Irregular Millionaire Procurement

Although the Organic Law on Public Procurement of Venezuela does not conform to some international parameters that promote economy, transparency, competition and use of technologies, it does exist and is not applied by the country's institutions. The law states that direct adjudication contracts should be the exception; however it has become the rule.

In addition, no state agency publishes contracts, payments or percentage of completion. The members of the hiring commissions are not trained and the National Contractors Registry (Registro Nacional de Contratistas) chose to limit access to information regarding contracts. Discretion and opacity have affected all sectors:

#### Road and Transport Sector

Odebrecht was assigned at least 15 works related to this sector, the majority by direct adjudication contracts. For all the works, the State paid US \$20,674 million, but none was completed.

#### Electricity Sector

Chavez and Maduro's administrations assigned 40 contracts arbitrarily for a total of US\$ 37,691 million. However only 23 of them were implemented and the estimated overcharge is of US\$ 23,033 million.

#### Water Sector

The Ministry of Environment hired Brazilian company Camargo Correa in 2009 for the construction of the Tuy IV system to meet the water needs of the capital. The work received an allocation of US\$ 476 million and the established completion date was 2012. In April 2019 the works were still suspended and the area was taken by unions.

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## Institutionalized Impunity

In Venezuela the autonomy and independence of public powers was eliminated, which allowed many to perpetrate acts of corruption and human rights violations under the shield of impunity.

UN High Commissioner for Human Rights, Michelle Bachelet, exposed this situation in her July 2019 report when she stated, “the State has systematically denied the rights of victims (...), impunity has allowed repeated human rights violations, and it has emboldened the authors.”

The Inter-American Commission on Human Rights (IACHR) noted in its 2018 report on Venezuela, “impunity has strengthened the structure of corruption and anyone who reports it is subject to attacks on their personal integrity and freedom, including public officials, justice operators, journalists, human rights defenders, social leaders and students.”

The Supreme Court of Justice, the Office of the Comptroller General of the Republic, the Public Ministry and the Office of the Ombudsman are controlled by the executive branch. They have been complicit in legalizing opacity and establishing corruption. The designation of the highest authorities of each of these institutions was made in breach of the provisions of the Constitution and laws.

In the case of the Judiciary, in 2004 Hugo Chávez increased the number of judges of the Supreme Court of Justice from 11 to 32 thus gaining its control. In 2019, two thirds of the magistrates do not meet the requirements to be in office and eight magistrates were reported or subjected to disciplinary procedures. By the end of 2018, Manuel Galindo, then Comptroller General of the Republic, admitted during a national television interview that there was a “galloping corruption” in the country. A few days later he was dismissed from his position and Elvis Amoroso, a militant of the government United Socialist Party of Venezuela (PSUV for its acronym in Spanish) was appointed. Parliament rejected his designation since it wasn’t in accordance with the Constitution.

Most of the prosecutors of the Public Ministry are provisional and their highest authority, the Attorney General, Tarek William Saab, was appointed by the National Constituent Assembly (Asamblea Nacional Constituyente), an unconstitutional body promoted by Nicolás Maduro. In addition, in September 2018 the Attorney General eliminated all career positions within the agency, taking away from the officials the stability of their job given by their trajectory.

Even in state-owned companies, the counterweight systems stopped working. For example, in the oil sector, Rafael Ramírez, Eulogio Del Pino and Manuel Quevedo served as ministers of Energy and Petroleum and presidents of PDVSA at the same time. That is, they were referees and players at the same time. According to records of our organization, international courts have about 70 cases of corruption in PDVSA. Cases include investigations carried out by control bodies, parliaments, police, prosecutors or courts in countries such as the United States, Andorra, Switzerland, Argentina, Ecuador, El Salvador, Spain, Haiti and Portugal, among others.



The elimination of the separation of powers and of counterweights has caused that no *chavista* leader accused of acts of corruption receives a firm sentence. On the contrary, those who have been pointed out in international courts have been rewarded in Venezuela.

Such is the case of the government's party leader (PSUV), **Freddy Bernal**. He was sanctioned by the U.S. Department of Treasury for his alleged connections with drug trafficking. However, a short time later the government appointed him as the Protector of Táchira state, one of the most complex border states due to the activity of criminal and guerrilla groups

Likewise, Major General **Carlos Osorio**, two times former Minister of Food, received a vote of censure by the National Assembly for his political responsibility in the food crisis and for acts of corruption in the import and distribution of food. He was later appointed as Minister of Transport and in June 2019 as Interim President of the Venezuelan Mining Corporation (Corporación Venezolana de Minería, CVM). Major General **Néstor Reverol** was appointed Minister for Internal Relations, Justice and Peace in June 2018, although months before he was sanctioned by the United States for its alleged connections with drug trafficking. In April 2019, Maduro appointed him as Sector Vice President of Public Works and Services, while entrusting him with the position of Executive Secretary of the *Estado Mayor Eléctrico*.

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**Opacity and Absence of Accountability**

During Hugo Chávez's administration significantly reduced the National Assembly's power by modifying the Organic Law of Financial Administration of the Public Sector. The changes **weakened controls and counterweights and ignored the minimum budgetary principles of universality, specificity of expenditure, solvency and sustainability.**

In 2005, the **National Development Fund** (Fondo para el Desarrollo Nacional, FONDEN) was created as a **parallel budget** where resources worth billions have been deposited, mainly from oil exploitation. So far **there has been no accountability.**

In addition to FONDEN, **other parallel funds** were created that have handled hundreds of billions in an **opaque and discretionary** manner due to exorbitant oil revenues. These funds have a common denominator: their **budgets are not subject to parliamentary control.**

In 2010, the government stopped publishing public spending, and since 2016 the National Budget Law and the Special Over-Indebtedness Law remain hidden. From that year on there is no access to the reports and accounts of the different ministries and bodies of the State. It is impossible to know how the whole country's money is to be spent or how it was spent, at the end of fiscal periods. This undermines the Venezuelans' right to information.

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## Disinformation and communicational hegemony

Although access to public information is a right that all Venezuelans have, **secrecy and opacity** are a constant in State bodies, which have the consent of the Supreme Court of Justice and of the Comptroller General of the Republic.

Thus, the Supreme Court of Justice has issued more than **40 sentences that deny the right of access to public information** under different arguments from those established by the law. For its part, the Comptroller General **does not respond to requests for information and has not conducted any audit or investigation** to sanction the breach of law by public authorities regarding the right to information.

Since 2015, of the **32 ministries** in Venezuela, **only three** have been accountable. After that year there has been **no official information about gross domestic product (GDP), inflation, scarcity, unemployment, wages and hiring.**

There is no public information in Venezuela. The increase in opacity has been accompanied with the increase in restrictions on freedom of expression. **The new and traditional media have been pressured and financially suffocated in different ways and many of their owners have been forced to sell, silence or close.** Thus, in 2019 Venezuela had media directors, journalists and photographers persecuted, threatened, imprisoned or with parole.

The Press and Society Institute (IPYS for its acronym in Spanish) presented the following figures, for 2018, which reflect the violation of freedom of expression and persecution of the media: **33 print media** out of circulation, **10 newspaper companies** closed, **13 states** affected by the newspaper crisis, **5 states** ran out of print media and there was a **lawsuit against a regional newspaper for crimes against hate regulations.** Additionally, between 2005 and 2017 **99 media** have closed, most of them radio stations.

Furthermore, the transmissions of international channels such as CNN in Spanish or NTN24, a Colombian television channel have been prohibited.

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## Loyalty based appointment of senior government positions

Another aspect of the Great Corruption Pattern in the last two decades has been the recycling of government officials. **The same person has been appointed in more than 15 public offices** in different areas for which they have **no preparation.** The result has been poor management. The following are some examples:



**Elias Jaua:** sociologist and national leader of PSUV. He has been in charge of the Vice Presidency of the Republic, of the ministries of Foreign Affairs, Office of the Presidency, Education and Agriculture and Land (twice). Since 2017 he has been sanctioned by the United States, Canada, Panama, Peru and Colombia and has been accused of undermining democracy, human rights violations or corruption.



**Carlos Osorio:** Major General. He was president of the Corporación Venezolana de Guayana (CVG), Minister for the Office of the Presidency, Minister of Food (twice) and was also in charge of the Office of Land Transportation and Public Works. In 2016, the National Assembly gave him a vote of censure for his responsibility in the food crisis and for corruption in food imports. However, there are no known investigations against him. In 2019 he was named President of the Superior Organ of Transport Mission and of the Yutong Venezuela Plant. On June 21, 2019 Nicolás Maduro appointed him as Interim President of the Venezuelan Mining Corporation.



**Rodolfo Marco Torres:** Brigadier-General. He has held 25 positions in Chávez and Maduro's administrations. He was Vice President of Finance and Economics, president of state-owned banks, non-executive director of PDVSA as well as Minister of Food and of Finance. In April 2016, during the food crisis and when he was Minister of Food, Parliament approved a vote of censure against him for his responsibility in alleged imports with overcharge. There are no known investigations against him. He was elected governor for Aragua state in 2017.

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## Transnational Criminal Network

Criminal operations extended to other nations have touched international banking, real estate, governments, spheres of power and companies in more than 70 countries, of which at least 20 have initiated different investigations. Embezzlement has been registered in all areas and most of them have PDVSA in common. The company earned revenue for a trillion dollars during a decade of exorbitant oil prices.

Until November 2019, courts, prosecutors, parliaments, police and administrative, customs and control bodies have investigated about 70 cases of Great Corruption at least until 2019. These cases have had a significant impact on Venezuela's patrimony and high government officials are involved.

The following are some of the most relevant cases:

**Money Flight.** In July 2018, prosecutor Benjamin Greenberg filed an indictment in the United States District Court for the Southern District of Florida under Judge Edwin G. Torres, for the corruption case known as Money Flight. According to the indictment, 22 people - senior officials, former PDVSA officials, bankers and businessmen - are involved in signing false financing contracts. In the contracts, PDVSA received financing in bolivars and promised to pay in dollars using the preferential rate. With this scheme PDVSA obtained a profit of US\$ 1.2 billion.

**Hugo Chávez's Nurse.** In 2018, the Central Court of Instruction number 4 of the National Court of Spain substantiated the request for the extradition of Claudia Patricia Díaz Guillén, former military, who served as a Chavez's nurse. This woman, who was also Treasurer of the Nation, was also investigated in Spain for the purchase of a house in Madrid for € 1.8 million in 2015.

**National Treasury Office.** In 2017, prosecutors Michael Brian Nadler, Vanessa Sisti Snyder, Nalina Sombuntham and Paul Hayden filed an indictment in the United States District Court for the Southern District of Florida, under Judge Robin Rosenberg, for a corruption case involving to the National Treasury Office. According to the accusation, the officials in charge of the office - Alejandro Andrade and Claudia Díaz Guillén - received bribes to allocate dollars with preferential rates to the exchange offices of businessmen Raúl Gorrín and Leonardo González Dellan, who then sold the money in parallel markets.

**Raúl Gorrín.** In August 2018, prosecutors Randy Hummel, Sandra Moser, Michael Nadler, and Vanessa Sisti filed an indictment in the United States District Court for the Southern District of Florida for Venezuelan businessman Raúl Gorrín for conspiracy to violate the Foreign Corrupt Practices Act and money laundering through monetary instruments, due to the corruption scheme that involved the National Treasury Office.

**Bank of Andorra.** In 2010 a court of the Principality of Andorra, in charge of Judge Canolic Mignorance, learned about the money laundering case in the Banca Privada D'Andorra. According to the Venezuelan prosecutor's office, at least 16 former officials of PDVSA and the Ministry of People's Power for Petroleum are involved, including Nervis Villalobos and Javier Alvarado. The report issued by the US Department of the Treasury through the Financial Crimes Enforcement Network - FinCen - in 2015 reveals that Banca Privada D'Andorra facilitated transfers worth **US \$ 4.2 billion**. This case is also investigated in the United States and Spain.

**Parallel Embassy.** Since 2007, judges of the Court of First Instance in Argentina are investigating corruption cases arising from of strategic contracts signed between Venezuela and Argentina through a parallel embassy, which required bribes. The judges are also investigating, since 2018, alleged cases of corruption embodied in the well-known "Notebooks Scandal of Argentina", as well as the irregular sale of bonds of the Argentine public debt to Venezuela. According to testimonies, the scheme involves the presidents of both nations and former PDVSA officials.

**Local Committees for Supply and Production (CLAP).** In 2018, supervisory judges of the Constitutional Court of Bogota started an investigation against employees of Alex Saab- businessman linked to the food import to Venezuela- for alleged responsibility in the crime of money laundering. According to the Deputy to the National Assembly, Carlos Paparoni, from 2016 to October 2018, **US \$5 billion** were invested in these imports. On October 18, 2018, the Attorney General of Mexico announced the dismantling of a network of Mexican businessmen and individuals that exported low-quality food, with overcharge, to the Venezuelan government.

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## Human Rights violations, criminalization of social protest

The different elements of the Pattern of Great Corruption in Venezuela have had huge effects on the population. Basic rights like access to food and health up to the provision of basic services and even the right to life have been disrupted.

The Inter-American Commission on Human Rights (CIDH) has clearly pointed out in its resolutions the link between corruption and human rights violations.

**Resolution 1/17:** The fight against corruption is inextricably linked to the exercise and enjoyment of human rights. Impunity fosters and perpetuates acts of corruption. Therefore, the establishment of effective mechanisms to eradicate corruption is an urgent obligation in order to achieve effective access to an independent and impartial justice and to guarantee human rights. (...) Transparency in government activities, probity, responsible public administration on the part of governments, respect for social rights, and freedom of expression and of the press are essential components of the exercise of democracy.”(par.1).

**Resolution 1/18:** “Corruption in the management of public resources jeopardizes the capacity of governments to comply with their social rights obligations, including health, education, water, transportation or sanitation, which are essential for the realization of economic, social, cultural and environmental rights and in particular, of the most vulnerable populations and groups.” (p.6).

In 2006, the Secretary General of the United Nations, Mr. Ban Ki-moon stated: “Corruption undermines democracy and the rule of law. It leads to violations of human rights. It erodes public trust in government. It can even kill- for example, when corrupt officials allow medicines to be tampered with.” United Nations High Commissioner for Human Rights (2008-2014) Navanethem Pillay pointed out categorically: “Let us be clear. Corruption kills.”

### Electricity

Currently the country has an insufficient poor quality electric service that rose from registering near 52 service interruptions in 2004 to having more than 18,000 in 2018, according to the Committee of People Affected by the Black-outs (Comité de Afectados por los Apagones). On March 2019 alone, there were over four general blackouts, the largest in the history of Venezuela. They left 90% of the country in the dark. Some areas reached more than 100 hours without service.

The NGO, Doctors for Health (Médicos por la Salud), stated that only in the first great blackout that started March 7th, 2019, 24 patients died, despite the huge investments made for the construction of the Tocoma hydroelectric plant, which had to be built by Odebrecht and Impsa-today investigated for crimes corruption- and the enormous expense in contracts for the acquisition of power plants signed with Derwick company.



## Safe Water

Many Venezuelans have been waiting for months, maybe years, for water to come out of their faucets, and when it finally does its quality is far from the required by national and international standards. During the great blackouts of March 2019, some areas of Venezuela's Capital District were left without water supply for more than 15 days and some citizens had to go to the banks of the mountains and to polluted rivers to look for water.

A study carried out by *Transparencia Venezuela* called State-Owned Companies (Empresas Propiedad del Estado, EPE), revealed the lack of water treatment. The water coverage went from 90% in 1998 to 60% in 2011. Only 27% of wastewater is treated (National Statistical Institute, 2011), but according to unofficial data, only about 10% of the water is actually treated. The report also reveals that other factors were involved in the problems of water service, such as lack of investment, abandonment of reservoir and water sources, freezing of service tariffs, poor execution of multilateral financing and outsourcer removals, as well as the militarization of the sector.

In addition to these policies, of the 21 state-owned companies that comprise the water service, 71,4% have reports of operational irregularities, lack of resources, labor conflicts or corruption. Contracts are signed by direct adjudication without control, with commission payments and delays in payment, with foreign companies reported for irregularities like Odebrecht, Camargo and Correa, Chia Camc Engineering Co.

## Food

Consequences over Venezuelans nutrition are evident. Supply rates fell leaving empty shelves, results of an aggressive import policy, emergence of black markets and militarization of the sector. Also, hyperinflation has prevented people from being able to buy what they find. Irreversible damage has been caused in terms of nutrition. Caritas Venezuela reported a 100% increase in severe acute malnutrition in children under five, in the first three months of 2019.

This is why many citizens depend on the food boxes sold by the government, at regulated prices, through a program known as CLAP, Local Committees for Supply and Production. This program has reports of corruption and is also a clear mechanism of social control since, in many cases, political loyalty is required in exchange for the acquisition of these products.

The result of these policies can be summarized in the theft of billions through fictitious imports or products unfit for consumption and with overcharge. The government insists on maintaining the same course, although they know the damage it generates. In Venezuela, the right to food has been disregarded, because in practice it has been violated.

## Health

According to a report issued by the United Nations on Venezuela, serious cases of corruption have been reported in this sector that have generated shortages



and encouraged a black market for non-certified or expired drugs. In 2011, Clodosbaldo Russián, then Comptroller General, revealed that large quantities of pharmaceutical products were imported from Cuba that were not required in Venezuela, in addition to the 566,590 kilograms of expired medicines which were incinerated between 2008 and 2009.

A report from the Office of the General Comptroller in 2017 pointed out that 100 works contracts were signed in eight health centers which had irregularities associated with the contracting, execution and payment process. In 2014, the former Minister of Health, Eugenia Sader, was charged with embezzlement in the contracting of works in hospitals and the purchase of medicines, but she did not pay her sentence.

The impact on health has been devastating. Venezuelan mothers have to travel throughout the country and cross the border with Colombia to vaccinate their children because of the lack of vaccines in Venezuela. The National Hospital Survey (2019) confirmed that between November 2018 and February 2019 at least 1,557 people died due to the lack of hospital supplies.

The abandonment of the hospital network, non-compliance in the construction of new health centers, creation of a parallel health system outside the existent Outpatient and Hospital Network (Red de Centros Ambulatorios y Hospitalarios), the high turnover of health ministers, and the monopolization of the acquisition and distribution of drugs and supplies, among other factors, have seriously injured the right to health in Venezuela. In addition, there has been an important exodus of doctors and nurses. The situation of the health sector is one of the main reasons that have driven thousands of Venezuelans to leave the country.

Some irregularities in the health sector reported in the past few years can be summarized as follows:

- The former Minister of Health, Casrlos Rotondaro Cova, military, ex-president of the Venezuelan Institute of Social Security (Instituto Venezolano de los Seguros Sociales) from 2007 to 2009 and from 2010 to 2017, was sanctioned by the United States Department of the Treasury in 2018 for alleged human rights violations and corrupt practices. In 2018, Rotondaro withdrew from the Maduro government and denounced from Colombia the existence of government obstacles to purchase medical treatments, discretionary distribution of drugs as part of political control and the presence of chains of corruption around the supplies and medicines import.
- According to a report from the General Comptroller from 2016, in the Santa Ana Maternity Clinic, in Caracas, it was evidenced that 72 goods - medical equipment - could not be located within the facilities of the health center. In addition, 70 medical equipment distributed in the neurology, delivery and hospitalization services of the health center were not registered in the center's list of movable assets.
- In 2005, the Ministry of Infrastructure allocated more than 1 billion bolivars (Bs. 1,187,215,715) to reactivate the works and modernize the physical plant of the Guarenas Cancer Center, build the areas of radiotherapy, diagnostic radiology and nuclear medicine, and then intervene the ground floor

of the nucleus F. These works were paralyzed a year later. In 2007, President Hugo Chávez approved 800 million bolivars to continue the works, but they were paralyzed in 2010.

- The Barinas State Toxicology and Oncology Hospital (Hospital Toxicológico y Oncológico) was promised by Hugo Chávez in his 2006 campaign and the construction process began in September 2007. It was scheduled to be delivered by the end of 2010. The last date given to put this hospital into operation was October, 2012. **It is still unfinished.**
- The construction works of the Adult Cardiology Hospital (Hospital Cardiológico de Adultos) in Montalbán, Caracas, started in 2007. **It was paralyzed after a 30% progress.** In August 2008, the Minister of Infrastructure, Isidro Rondón, reported that the construction works of the hospital advanced considerably and said that it could be ready by 2012. **It is still unfinished.**
- The electric emergency decree, approved by President Chavez in 2010, allowed Corpoelec, PDVSA and the Ministry of Electric Energy to purchase equipment without competitive bidding. **Between 1999 and 2014, US\$ 37,691 million were destined for 40 equipment purchase and facility construction projects.** An overcharge of US\$ 23,033 million was discovered. This has affected 33% of health centers that do not own a power plant.
- The construction works of the Maternity and Child Hospital (Hospital Materno Infantil) in San Fernando, Apure were paralyzed from November 2011 until May 2012. For its opening in September 2012 there was a big change. From 300 hundred planned beds, there were only 220. **According to a notice from the Supreme Court Justice, the construction is “completely paralyzed” since September 27, 2013.** At the begging of June 2014, former Minister of Health Eugenia Sader, confirmed that the ministry had terminated the contract with the contractor since the works had been paralyzed for over 10 months even though 80% of the budget was paid.
- In 2011, President Hugo Chávez announced the approval of Bs. 500,000 to build the National Cancer Institute (Instituto Nacional del Cáncer) in Montalbán, Caracas. In 2012, the Minister of Health, Eugenia Sader, informed that the construction was paralyzed.
- The El Vigía Hospital (Hospital de El Vigía), Mérida, currently has a 65% progress. In 2011, Eugenia Sader informed that the works of the hospitals would not continue as planned. Instead, they were going to use a prefabricated method of construction. That same year, the former minister stated, “President Chávez approved 2.8 billion for the construction of six macro-hospitals of Barrio Adentro type IV”, but in 2015 the works remained paralyzed. In 2017, the physical execution of six hospitals was again 0%, but they used 24% of the funding allocated, that is, they spent Bs. 198,274,031 out of a total of Bs. 843,689,228. There is no explanation of the expenditure and in the 2015 report of ConstruFANB, a construction company of the Bolivarian National Armed Forces, there is also no response on the matter.

- In March 2014, 50,000 kilos of expired medicines were located in warehouses of the Pharmaceutical Development Service (Servicio Autónomo de Elaboraciones Farmacéuticas, SEFAR) of the Ministry of Health in Las Adjuntas, Caracas.
- The Ministry of Popular Power for Health and the Autonomous Service of Pharmaceutical Elaborations (SEFAR) hired “11 companies for the total of Bs. 103,551,914.90”. It was determined that 8 of the 11 awarded companies did not supply all of the medicines, even so de Ministry of Health did not apply the punitive measures or enforce the performance bond.
- On February 14, 2019, the Director of the Peñuela Ruiz Hospital - belonging to the Venezuelan Social Security Institute - of San Cristobal, Táchira, Hubert Zambrano, was removed from his office and arrested, as well as 12 of his workers. The board conducted an audit and allegedly detected irregularities in the handling of medications in the pharmacy and in the central warehouse of the hospital.

### Transport

The country is paralyzed because of the lack of transport units. Among the factors that involved in the collapse of this service was the creation of 21 agencies that turned out to be inoperative, during the administrations of Hugo Chávez and Nicolás Maduro; the unilateral establishment by the central government of the minimum fare especially in urban areas; huge investments in projects of the so-called Transport Mission that failed to materialize, such as the creation of 17 systems to serve more than 850,000 passengers a day in 32 cities. Furthermore the criminalization of the social protests must be added, as leaders of the transport guild were persecuted and imprisoned by state security agencies for demanding a rate increase and improvement of the sector.

In this context, people have given up their jobs and studies because they have no way to go from one place to another, while many companies have had to change the way they work because their employees cannot reach their offices. While in other countries the rules of vehicular safety are increasing, in Venezuela citizens must be transported in trucks or crowded buses to reach schools, work or homes. As already mentioned, spokesmen of the National Assembly reported that at least 39 people died and 275 were injured in the first half of 2018 by the use of trucks as a means of public transport.

*Transparencia Venezuela* and the National Assembly denounced, at the end of 2016, financial irregularities, opacity and inaccuracy of information in 12 unfinished road and transport works, five assigned to Odebrecht. Among the works investigated are seven Metro lines, three railway systems as well as the three large bridges.

In January 2017, the then president of the Comptroller’s Committee of the National Assembly, Deputy Juan Guaidó, reported the loss of US \$ 2,533,362,348 in the construction of Metro Line 2 in Miranda state, a case linked to Odebrecht. That same month, the Government announced a millionaire investment - then Bs 300,000 million - for 51 new infrastructure works, of which 15 were aimed at improving roads and transport in the country.

In 2019, Nicolás Maduro ordered the restart and completion of the works that corresponded to Odebrecht, in the midst of the complex humanitarian crisis in the country.

To complete the analysis of the complex humanitarian emergency that Venezuela is experiencing, it is essential to take into consideration that **its main cause is the great embezzlement perpetrated against the State's coffers through the establishment of a Great Corruption Pattern since 2003.**

The Venezuelans' quality of life has been so drastically affected that the International Organization for Migration (IOM) and the UN Refugee Agency (UNHCR) believe that thousands of Venezuelans will continue to leave the country in 2020, year for which they estimate there would be 6.4 million people who will have left the country.

Despite this devastating impact, the authorities have been perfecting the **Great Corruption Pattern** and have made it a systematic and widespread practice.

Given this situation, in 2017, the IACHR warned, "The allegations of high levels of corruption in the country further permeate the weak state institutions. Given that impunity promotes and perpetuates acts of corruption it is necessary to ensure the independent and impartial investigation of the acts denounced, without delay and without influence or discrimination based on membership in certain political parties or in the positions occupied by those investigated. It is also necessary to adopt preventive measures such as governing based on the principles of publicity, transparency and effective public responsibility."

Faced with this reality, the fight against corruption is vital. A struggle that must include human rights, make visible and prioritize the effects of phenomenon on vulnerable groups and actively involve citizens. They must be comprehensive policies and practices that, on the basis of the right of access to public information, address the renewal of public institutions, transparency and accountability, consolidation of exemplary sanctions for the corrupt, self-regulation and monitoring autonomous organizations and intermediaries, integrity and, especially, citizen participation as a form of external control that vindicates social struggles from affected people. Citizens must be trained to promote the conditions which allow producing or generating changes to realize the full exercise of their rights.

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