

PDVSA, manual for destruction



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**PDVSA,
MANUAL FOR
DESTRUCTION**

April 2022

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INTRODUCTION

Over the last decade, the name of the state-owned oil company Petróleos de Venezuela (PDVSA) became internationally renowned, albeit not for the reasons it should. Information about the nation's main industry was no longer related to growth and high-quality standards, as it was the case years before, but was now linked to allegations of wrongful dismissal of staff, explosions, dwindling production, and more recently, to a long list of corruption cases involving millions of public funds flowing into bank accounts of former company executives, senior government officials or their cronies.

With Hugo Chávez as leader of Venezuela, a series of decisions were made that laid the ground for PDVSA to fuel Venezuelan corruption. This report describes one by one those measures implemented by the central government that led one of the top-ranked oil companies in the world to squander the proceeds of the most recent oil price boom (2004–2014) and fall back to minimum production levels.

The milestones of PDVSA-led embezzlement, which are detailed in depth in the report, include the dismissal—within one year—of more than 20,000 employees from the state-owned company, most of them professionals and technicians with more than 15 years of experience. They were laid off after the oil strike that began in 2002, with a subsequent disproportionate expansion of the payroll without following any quality selection processes. This marked a historical milestone in the sector and paved the way to the politicization of the company and an overflow of corruption cases.

Adding to the dismantling of comptrollership, accountability, evaluation, and equity and public revenue protection systems, was the creation of parafiscal funds, such as Fondespa, Fonden, and many others, which were mostly fed with millions of dollars of oil funds, which far from bringing about relevant social improvements, became a petty cash box at the disposal of the Executive Branch, with clear risks of misuse and squandering.

The recent history at PDVSA also shows a long list of financial wrongdoings that are detailed in this report, such as the disproportionate issuance of bonds that did not necessarily follow corporate investment plans or the seizure of the cash flow of joint ventures that PDVSA has been carrying out since 2009.

The review of these internal and external events that weakened PDVSA's oversight mechanisms and made the company more vulnerable to corruption cases also highlights a series of changes in the regulatory framework. After the approval of the 1999 Constitution and thanks to a Chavista majority in the National Assembly, a new Law of Hydrocarbons was enacted in 2002, which pushed out foreign companies from the oil industry—present since 1992—, allowing PDVSA to take over joint ventures, which made internal and external oversight processes more difficult.

This report also shows how PDVSA was used as a political instrument to ensure that Chavismo continued winning elections. We recall, for instance, that PDVSA funds, facilities and equipment were put at the service of electoral campaigns of the ruling United Socialist Party of Venezuela (PSUV) and the government in general. They were even used to purchase and distribute kitchen appliances during some campaigns, and to finance and coordinate the construction of the Misión Vivienda housing program. PDVSA employees were even ordered to use company resources to install the so-called “red points” or PSUV rally points near polling centers; to check whether people had actually voted (the so-called 1x10 lists); to provide refreshments for activists, witnesses and ruling-party polling station staff; to deliver payments to bikers and drivers; to report the number of voters hourly to the situation room, among others.

The report includes a review of 127 cases of alleged corruption or wrongful management of public funds in PDVSA or its subsidiaries, which have been recorded to date by Transparencia Venezuela. These schemes translate into wrongdoings that compromised more than USD 42 billion of Venezuelan public assets. The inventory includes investigations carried out by oversight agencies, parliaments, investigative police, prosecutors’ offices or courts in 16 countries, including Venezuela.

In the cases brought by the justice system or international investigation bodies, 217 people have been named, but only 24 of them have been investigated by the Venezuelan Public Prosecutor’s Office, as far as we know. The 24 persons who are being investigated both in the national and international justice system, for the wrongful handling of billions of dollars, are related, in good part, to Rafael Ramírez, who was at the helm of PDVSA and the Ministry of Petroleum was for the better part of a decade, and today is a dissident of Maduro’s government.

This paper concludes by demonstrating that even within the framework of the international sanctions imposed against PDVSA, the Maduro administration has found new ways to commit illicit acts that continue to impinge on the income of Venezuelans, while benefiting well-connected individuals.

This report seeks to further disseminate the investigation “Governance practices that encouraged corruption in PDVSA,” previously published by Transparencia Venezuela, which outlines the facts that enabled corruption and destroyed the industry, and the impact that triggered the crisis in the country. It also gives us clear insights into the tasks to overcome it:

As the report states: “Corruption depends on internal and external factors. The latter cannot be controlled, but the former require a scheme to align the right incentives that reward efficiency and honesty, while penalizing corrupt practices at a high price.”





SETTING UP THE GRAND CORRUPTION SCHEME AT PDVS

Internationally, the oil sector is always exposed to corruption practices due to the capital-intensive nature of the business. However, large oil companies are generally listed on stock exchanges that place them under the oversight of government agencies and the watchful eye of shareholders who demand efficiency and transparency.

However, the embezzlement in the Venezuelan oil industry over the past two decades is quite remarkable due to the high level of the officials involved in the schemes, the networks they weaved inside and outside the country, the enormous amounts of funds taken out illegally and the serious damage caused to the development of the industry itself and to the enjoyment of the economic and social rights of the entire population.

Petróleos de Venezuela (PDVSA) became an international benchmark company, with several—internal and external—checks and balances, and with good remunerations and career plans

that significantly reduced incentives for corrupt practices. However, a series of internal and external events that occurred during the administration of former President Hugo Chávez, which escalated to massive levels during the Maduro administration, created incentives for an exponential increase in corruption cases, which led to the decline of the company, caused a marked reduction in national income and enriched high level officials of the government and the state-owned company, many of whom have not yet been tried.

The investigation published by Transparencia Venezuela, “Governance practices that encouraged corruption in PDVSA,” highlights that corruption in the oil sector did not begin immediately after Chávez came to power, since PDVSA’s management structure remained intact until late 2002 and early 2003, when the notorious oil strike took place. However, shortly thereafter, the ground was prepared for an unprecedented looting of the national industry.

Timeline of the embezzlement scheme

Enabling legislation begins

1998

Modification of compensation systems

The elimination of the double social benefits payment system in 1998 contributed to the creation of incentives for corruption in PDVSA. This was the main compensation mechanism that made the company competitive with others in the sector.



1999

Enabling legislation begins



2002

Enactment of a new Hydrocarbons Law

The Organic Hydrocarbons Law of 2002 took the first steps towards a process of partial reversal of the so-called "oil opening" (presence of foreign companies). Oil contracts had to migrate to a joint venture pattern (2005–2007), with PDVSA as majority partner.

2003

Mass dismissal of PDVSA workers



More than 20,000 employees (50% of the payroll), mostly professionals and technicians with more than 15 years of experience, were dismissed after the oil strike that began in 2002. This marked a historical milestone in the industry and paved the way for politicization and corruption at PDVSA.

The new foreign exchange control



After the oil strike, the government decided to impose a new foreign exchange control to avoid capital flight. The duration of this scheme and the large differential between the official and the black market rate encouraged corrupt practices inside and outside PDVSA.

2004

Appointment of Rafael Ramírez as PDVSA president

In November 2004, Chávez appointed Rafael Ramírez as president of PDVSA, who had already been serving as Minister of Petroleum for two years. For more than 10 years, Ramírez held both positions simultaneously, which effectively eliminated the Ministry's comptroller role over the company, its accountability and the company's independence. This generated also conflicts of interest and exacerbated corruption risks.

Creation of parafiscal funds

In 2004–2005, the government created two of the parafiscal funds that have fueled most corruption in PDVSA: Fondespa and Fonden. Both funds managed huge amounts of funds coming from the oil industry and had high levels of opacity and discretionary management.



2005

Diversification and oversizing of PDVSA

PDVSA went from being an oil and gas company to a "socialist" company, involved in agricultural, food distribution and construction projects, among others. The diversification of the state-owned company and its oversizing made it more difficult to apply control mechanisms.



Signing of energy agreements for political purposes

In 2005, Chavez created Petrocaribe, an energy cooperation agreement through which Venezuela sold oil under preferential conditions to about 20 countries in Latin America and the Caribbean. The agreement pledged to improve social conditions, but was used for political purposes and corruption.



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2006

PDVSA stops reporting information to the SEC

As of 2006, PDVSA stopped reporting its financial statements to the U.S. Securities and Exchange Commission (SEC), thus eliminating one of the main external oversights. Internally, some audits continued to be conducted, but the reports are not always published.



2007

PDVSA becomes majority shareholder in joint ventures

PDVSA became the majority partner in all joint ventures. Under the slogan of "Complete Oil Sovereignty," the state-owned company progressively took over all the core processes of the joint ventures, including the financial and procurement processes, which came to be controlled by poorly paid and inexperienced PDVSA personnel.



2009

Expropriation and nationalization of companies in the sector

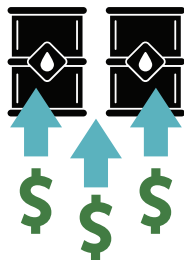
Oil service companies operating gas compression and injection plants, water injection plants and shipping companies were expropriated and nationalized. The effects of these decisions were felt two years later in terms of production and corruption.



2012

Increase in public spending for elections

To ensure his re-election in October 2012, President Hugo Chávez increased public spending disproportionately between 2011-2012. This was possible thanks to the recovery of the prices of the Venezuelan oil basket, which had been above USD 75 per barrel.



2014

Deactivation of the SAP system and surge in bribe payments

As a result of the decline in oil prices, PDVSA deactivated the payment module of its SAP system which managed accounts payable to suppliers according to their seniority. After this, the payment list was kept manually and contractors began to harass state officials to prioritize their payments.



Reform of the Public Procurement Law

There have been constant amendments to the Venezuelan Public Procurement Law. The discretionary awarding of billion-dollar contracts, which was already a recurrent practice, was exacerbated. This amendment established that contracts may be awarded to State-Owned Enterprises (SOEs) without a bidding process.

2015



Enabling Laws

The National Assembly, with a pro-government majority, passed six enabling laws which allowed Chávez and Maduro to govern by decree. This practically minimized the legislative and comptroller role of Parliament and made PDVSA more vulnerable to corruption.

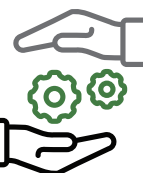


2017



A military man at the helm of the Ministry of Petroleum and PDVSA

In November 2017, Nicolás Maduro appointed Manuel Quevedo, a major general of the National Guard with no experience in the oil industry, as president of PDVSA and Minister of Petroleum. During



2020

PDVSA declared in emergency

In February 2020, Maduro declared an emergency in PDVSA and set up a commission to restructure the company. In April, he appointed two members of the commission as top executives of the sector. The new oil minister was Asdrubal Chavez, cousin of Hugo Chavez, and the president of PDVSA was Tareck El Aissami, who has been sanctioned for alleged links with drug trafficking.

Fake oil-for-food swaps

To evade the sanctions imposed by the United States, the Venezuelan government devised operations to exchange crude oil for food and other essential goods, which allegedly ended up favoring groups allied with high-level officials and themselves.



Destatization in the dark

Two PDVSA documents, leaked between 2020 and 2021, revealed the government's plan to change the business model and increase the presence of private companies in 60 of its subsidiaries. These negotiations are being handled in utter opacity, which increases the risk of corruption.



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MILESTONES IN DETAIL

1998 **Modification of compensation systems**

In 1998, the company the double social benefits payment system was eliminated, resulting in one of the main incentives for corruption within PDVSA. According to Síntesis Financiera's analysis, this was the main compensation mechanism that made the company competitive versus others in the industry. In fact, the multinational companies that arrived in Venezuela with the "opening" process that was implemented in 1992 offered more attractive salary packages than those of PDVSA.

After the restructuring of the state-owned company, a mixed compensation scheme was implemented (a fixed and a variable portion), with the variable portion being higher as the professionals moved up in the organizational structure. The variable portion was based on the company's net income and the employee's performance evaluation. This scheme only worked until the year 2000, because with the fall in crude oil prices in 2001, the portion disappeared; after the oil strike, which began in late 2002 to reject the policies of

President Hugo Chávez, this compensation policy was eliminated.

The mixed compensation scheme based on the employee's performance was replaced by a flat—totally discretionary—salary increase scheme, which has always been below the annual inflation rate. As a consequence, in the short term, the oil worker received remuneration far below that of other public employees working in agencies such as the Central Bank of Venezuela (BCV) or the National Integrated Customs and Tax Administration Service (SENIAT). PDVSA employees did not receive any salary adjustment during the three years following the oil strike (2003–2005), a period in which inflation averaged 23% year-on-year. This created incentives for personnel to seek additional income by moving up in the organizational structure, which prioritized political loyalty to the revolution (Chávez administration). Political activism was better rewarded than professional performance.

2002 **Approval of a new Hydrocarbons Law**

The approval of the 1999 Venezuelan Constitution, and the control exercised by the ruling party in the National Assembly at that time, enabled the enactment in 2002 of a new Organic Hydrocarbons Law (LOH), which led to a progressive dismantling of the "opening" that started in Venezuela a decade earlier.

The legislation led to the migration of the service contracts granted during the opening to national and international companies to joint venture contracts (2005–2007), leaving PDVSA with a majority shareholding (more than 60%) in each partnership and with preferred shares. ExxonMobil and ConocoPhillips rejected the new migration proposal and resorted to international arbitration.

As a result, the assets of these former strategic partnerships (PetroZuata and Operadora Cerro Negro, respectively) came under the full control of PDVSA, which renamed them PetroSanFelix and PetroMonagas.

The increasing control of PDVSA in the joint ventures left most of these companies vulnerable to corrupt practices. In addition, this second nationalization of the oil sector affected the perception of country risk. PDVSA and its strategic partners in the Orinoco Oil Belt (FPO) were already forced to grant direct guarantees in order to secure international financing for three of the four pioneer projects on the FPO, among others, due to the high perception of sovereign risk following the 1975 nationalization.

2003 Mass dismissal of PDVSA workers

After the oil strike between 2002 and 2003, President Hugo Chavez decided to dismiss more than 20,000 employees, which accounted for 50% of PDVSA's payroll, most of them professionals and technicians with more than 15 years of experience. This was a historical milestone in the oil sector and paved the way to politicization and corruption at PDVSA.

The top and middle management of the company were replaced by a handful of professionals who never joined the strike and saw an opportunity to climb the ranks quickly. Others joined the strike at the beginning, and later regretted it. Most of these professionals came from subsidiary companies Lagoven, Corpoven and Intevp, while very few from

More than
20.000
professionals
dismissed

Maraven remained (such as Eulogio Del Pino, Nelson Martínez, Félix Rodríguez, Luis Marín, Iván Orellana, just to mention a few).

After the strike, and with Alí Rodríguez Araque at the helm of PDVSA, many of the management positions were originally filled by active officers of the National Armed Forces. Additionally, some PDVSA retirees came back to lend a hand, as was the case of Eudomario Carruyo, who took over the position of CFO. Many other professionals, and non-

professionals without experience, were hired under an expedited process, in which priority was given to political affinity with the so-called Bolivarian Revolution (Chávez administration) rather than to academic credentials and/or professional experience.

2003 The new foreign exchange control

After the strike, one of the key measures taken by Hugo Chavez was a foreign exchange control in February 2003 to avoid capital flight. For many economists, the decision made sense at the time, but as months went by, its purpose was distorted and like any exchange system, it became a great opportunity for arbitrage.



The government became the sole supplier of foreign currency and unilaterally fixed its value. It set a rather low preferential exchange rate, but with a very limited supply, which prompted the emergence of a parallel market. This gave rise to one of the greatest incentives for corruption ever known in Latin America. The foreign exchange control created a foreign exchange differential of such magnitude that it favored the people who had access to preferential dollars, to buy goods or resell the currency. According to the consulting firm Ecoanalítica, between 2005 and 2018, the income generated by the exchange differential is equivalent to USD 73.66 billion for the non-oil public sector and USD 149.31 billion for the private sector.

Chavez's former Minister of Planning, Jorge Giordani, claimed in 2013 that more than USD 20 billion had been lost in shelf companies that obtained preferential foreign currency. The oil industry was hit hardest.

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2004 Creation of parafiscal funds

Between 2004 and 2005, the Chavez administration created two of the parafiscal funds that have been the main sources of corruption at PDVSA and the embezzlement of Venezuela's public patrimony.

In 2004, the government created the Fund for the Economic and Social Development of the Country (Fondespa), which was replaced a year later by the Fund for National Development (Fonden)¹.

Both funds were fed mainly with "windfall" oil revenues, i.e. if the sale price of crude oil exceeded the price per barrel used for the calculation of the national budget; or exorbitant revenues, if the price of crude oil exceeded USD 70-80/bbl.

These funds were used as veritable petty cash at the disposal of Chávez and his cabinet, was never



audited, and led to serious allegations of corruption and unfinished projects. A document obtained unofficially by Transparencia Venezuela shows that only Fonden committed to spend between 2005 and mid-2015 more than USD 174 billion in 781 projects, of which there is very little information available. The text showed that the fund allocated 19.76% of its funds to infrastructure projects, many of which remained unfinished, such as the Ezequiel Zamora Railway system, the third bridge over the Orinoco River, the Port of Nutrias, improvements to the petrochemical plants of Morón, the second bridge over Lake Maracaibo and the construction of six specialized hospitals².

In addition to feeding these funds, PDVSA made substantial contributions to many other funds and social projects, which were called "missions" (rural medical assistance centers - Barrio Adentro, education program - Misión Ribas, food program - Misión Mercal, among others).

2004 Appointment of Rafael Ramírez as president of PDVSA

In November 2004, Rafael Ramirez became one of the most powerful men in the Venezuelan economy. That month, Chávez appointed him President of PDVSA, even though he already held the position of Minister of Petroleum. This duplicity of roles, which continued until 2014, was another determining factor in the corruption practices within the Venezuelan oil industry.

Although the Ministry of Petroleum did not efficiently exercise its public policy design and comptroller role, since it did not have enough qualified personnel, it had always maintained its

independence. Consequently, merging the ministry and the presidency of PDVSA in the hands of the same person pulverized the independence and the comptroller role of the ministry.

Similarly, the extensive expansion and diversification of PDVSA, together with limited experienced personnel, resulted in members of the Board of Directors and senior management holding several positions simultaneously, which runs contrary to their human capacity to control several processes at the same time. In addition, this work overload and increased responsibilities, without associated salary compensation, created incentives for officials to seek other sources of income.

¹ Official Gazette No. 38.261 of 08/30/2005

² Transparencia Venezuela, "Más de USD 174.000 millones comprometió el Fonden en proyectos opacos e inconclusos". June 2021. <https://transparencia.org.ve/mas-de-usd-174-000-millones-comprometio-el-fonden-en-proyectos-opacos-e-inconclusos/>

2005 Signing of energy agreements for political purposes

In June 2005, Hugo Chavez created Petrocaribe, an energy cooperation agreement through which Venezuela sold oil under preferential conditions to nearly 20 countries in Latin America and the Caribbean. Since the year 2000, the President had already been signing bilateral agreements with several countries in the region, but the instrument agreed in 2005 stands out due to the high volume of shipments and all the associated corrupt practices.



The conditions in most of these supply agreements established that a portion of the debt was to be repaid within 90 days (30%–95%), depending on the oil prices (the higher the price, the lower the short-term repayment portion), while the remaining amount was repayable over the long term (15–25 years) with a 1- or 2-year grace period and at an interest rate of

between 1% and 2%.

The volume of hydrocarbons sent by Venezuela to the countries under the agreements often exceeded the internal consumption of those countries, which ended up reselling the surplus on the international market at market prices and conditions. Additionally, the payments of the oil bill went to a fund for financing infrastructure projects in those countries. This scheme not only represented an economic loss and an incentive for corruption in PDVSA and Venezuela, but also for the countries that signed the agreements.

However, these energy cooperation agreements became an effective diplomatic tool for Chávez and Maduro, who obtained political support of member countries in international forums such as the Organization of American States (OAS), which represents another type of corruption.

2005 Diversification and oversizing of PDVSA

During the Chávez administration, PDVSA went from being an oil and gas company to a “socialist” company that engaged in processes beyond its very nature. As years went by and in response to the political purposes of the Executive Branch, the state-owned company became an agricultural company, a food import and distribution company, a housing construction company, among others.

To serve its new purposes, PDVSA had to disproportionately and disorganizedly expand its

workforce, which grew steadily for ten years, from 49,180 employees in 2005 to a peak 152,072 employees in 2014. This policy of opening—mostly unproductive—jobs was only sustained by rising oil prices. This was another aspect that contributed to corruption in the company.

Increase disproportionate of employees

152.000

The uncontrolled growth of the workforce then contributed, first, to increasing the company’s labor costs and liabilities, which was detrimental to appealing compensation for attracting and retaining talent; and, second, corporate growth that was impossible to control (organizationally and from a controllership standpoint).

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2006

PDVSA stops reporting to the SEC

Since PDVSA resorted to debt operations to secure financing for the Orinoco Oil Belt projects in 2001, it was required to file a detailed profit and loss report (20-F) on the company's main operations each year with the U.S. Securities and Exchange Commission (SEC). Unlike the reports of the commissioner, the internal auditor and the audited financial statements, the 20-F report to the SEC was a public document. This increased the number of people able to monitor the company's management. Additionally, PDVSA also had to make quarterly reports during the year (10-K).

Most of the debt that PDVSA and its partners had acquired was cancelled between 2004 and 2006, and from then on, the state-owned company began to stop reporting its financial statements to the SEC, thus eliminating one of the main external comptroller agencies.

Although PDVSA has been audited by local representations of international auditing firms (KPMG and PricewaterhouseCooper), after the obligations with the SEC were terminated, the publication of audited financial statements was made on a totally discretionary basis. Interim (semi-annual) reports were generally issued just prior to any bond issuance or other type of debt operation, which resumed in 2007 with a first issuance of USD 7.5 billion in unsecured bonds.

In addition, over the years, other systems of reporting and accountability to the National Assembly, the Ministry of Petroleum (after merging the roles of Minister and President of PDVSA) and the Comptroller General's Office itself were eliminated, which increased opacity, and with it, the opportunities for corrupt practices.

2006
2007

PDVSA becomes majority shareholder in joint ventures

The nationalization of the oil sector during the period 2006-2007 was another major event in terms of corruption. In those years, PDVSA became the majority partner in all joint ventures with preferred shares, with more than 60% shareholding. This resulted in the state-owned company taking control of the boards of directors, operations and finances in each joint venture, which were previously in the hands of the international companies.

By the nature of the business, which is capital intensive, all oil companies in the world are exposed to the risk of corrupt practices. However, international companies are

generally listed on stock exchanges that bring them under the regulation of government agencies and the watchful eyes of shareholders who demand efficiency and transparency. Most international companies are also usually subject to laws that sanction international corrupt practices such as the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.



Under the slogan "Complete Oil Sovereignty," PDVSA progressively took control of all the core processes of the joint ventures, including the finance and procurement processes, which came to be controlled by poorly paid and inexperienced PDVSA personnel.

2009 Expropriation and nationalization of companies in the sector

In 2009, the Organic Law on Primary Hydrocarbon Activities was enacted and some 76 oil service companies that operated gas compression and injection plants, water injection plants and maritime transportation companies were expropriated.



expropriation of these companies did not have an immediate impact on production, but its impact began to be felt two years later (2011), not only in terms of production, but also in terms of corruption.

76
companies expropriated

The decision to expropriate and nationalize the companies in the sector affected the efficiency of PDVSA's operations and also led to an increase in

According to the report "Governance practices that encouraged corruption in PDVSA," the

the state-owned company's labor force, which absorbed personnel that previously belonged to these service companies.

2014 Reform of the Public Procurement Law

Since the advent of the so-called revolutionary government in Venezuela, the law regulating government procurement has been subject to several reissues and reforms that have facilitated the discretionary awarding of contracts for huge amounts. In 2014, the Public Procurement Law was again reformed and new exceptions were included that favored opacity and other corrupt practices. As PDVSA is a state-owned company, it has always been subject to this law and its constant changes have not ceased to impact the oil giant.



The Public Procurement Law required a contractor selection process and established that direct procurement processes should be the exception, and for the reasons expressly set out therein. These restrictions were relaxed over time, maximizing the use of direct contract awards or

facilitating the simulation of contractor selection processes, in which several companies bid and then withdrew so that a particular company would be awarded the contract. Another flawed modality was the participation of companies that bid without complying with the technical-financial conditions required under the contract, thus allowing a

predetermined bidder to win the contract.

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2014 Deactivation of the SAP system and surge in bribe payments

Also in 2014 and as a result of the fall in oil prices, PDVSA deactivated the payment module of its SAP system which managed accounts payable to suppliers according to their seniority. This decision paved the way for more corruption.

PDVSA had a 90-day supplier payment policy and the SAP system automatically generated a supplier payment list based on the due date of the invoices. When the company eliminated the module, the list of payments to suppliers (payment remittance) was made manually. This caused corruption to permeate down to the lowest levels of the organization. Not only were



senior managers harassed by contractors to secure or prioritize their payments, but contracting companies bribed the employees in charge of preparing the manual payment lists to include or move their company up in the list.

PDVSA's liquidity problems beginning in 2014 also significantly delayed payments to international service providers, who after accepting promissory notes issued by PDVSA and recognizing losses on uncollectible accounts, finally reduced their operations to an operational minimum in April 2016, which significantly impacted oil production.

1999-2015 Enabling Laws

Between 1999 and 2015, the pro-government National Assembly passed six enabling laws that allowed Chávez, and later Maduro, to govern by decree. This practically minimized the legislative and comptroller role of Parliament and made PDVSA more vulnerable to corrupt practices.

During the Chávez administration, four enabling laws were passed, the first in 1999 (Official Gazette No. 36,687 of April 26, 1999), for a period of six months; the second one in 2000 (Official Gazette No. 37,076 of November 13, 2000), for a 12-month period; and the third one in 2007 (Official Gazette No. 38,617 of February 1, 2007), for an 18-month period, and the fourth in 2010 (Official Gazette No. 6,009 Extraordinary of December 17, 2010), also for 18 months.

According to an analysis by Acceso a la Justicia³, the enabling laws allowed Chávez to issue 233 law-decrees from 1999 to 2012. With this, the President advanced his objective of doing away with the legislative role of Parliament and implementing institutional changes related to the socialist or communal State model.

With Maduro as President, the enabling laws continued. The first one came in 2013, a few months after Chávez's death. In Official Gazette No. 6,112 Extraordinary of November 19, the exercise of open and unlimited legislation was delegated to Maduro. This law was in force for 12 months, during which time 51 decree laws were issued. Maduro's second enabling law was issued in 2015 (Official Gazette No. 6,178 Extraordinary of March 15, 2015), which was in force for approximately nine months (until December 31, 2015)⁴.

³ Acceso a la Justicia. "La historia de un fraude: ¿cómo se construyó la toma del poder absoluto por medio de leyes habilitantes?". September 19, 2019. Available at: <https://accesoalajusticia.org/historia-fraude-como-construyo-toma-poder-absoluto-leyes-habilitantes/>

⁴ Idem.

THE LEGAL REFORMS THAT PAVED THE WAY

Since Hugo Chávez became President of Venezuela, a series of changes in the nation's legal framework were made, paving the way for corruption practices in PDVSA, starting with the new Constitution approved in 1999, through reforms of the laws of the Central Bank of Venezuela and ending with the modifications of the regulatory framework of the company itself.



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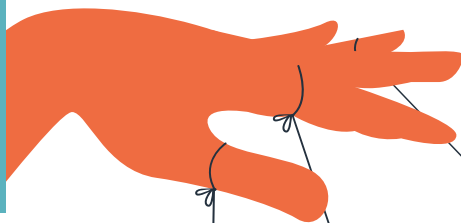
1999

NEW CONSTITUTION

The new Constitution introduced the concept of **ENABLING LAWS** (Art. 203) which allowed the President of the Republic to be granted full powers to issue law-decrees. Between 1999 and 2015, the pro-government National Assembly passed six enabling laws, which minimized the legislative and comptroller role of the NA and made PDVSA more vulnerable to corruption.

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CHANGES IN THE BCV LAW AND FOREIGN EXCHANGE AGREEMENTS



Reform to the BCV Law



The partial amendment to the **BCV Law** radically changed the transactions between the issuing entity and PDVSA. The oil company went from being a seller of foreign currency to the BCV to a buyer of bolivars from the BCV.



Law on extraordinary prices

The **Law of Special Contributions over Extraordinary Prices in the International Hydrocarbons Market** replaced the calculation basis for contributions to the Fonden. This law established that the contributions were to be equivalent to 50% of the difference between the average monthly price of the Venezuelan crude oil basket and a fixed price of 70 USD/bbl up to an upper limit of 100 USD/bbl; plus 60% of the difference between the average monthly price of the Venezuelan basket of crude oil and the upper limit price of 100 USD/bbl.



Reform of Law on extraordinary prices

With the partial amendment to the **Law of Special Contributions over Extraordinary Prices in the International Hydrocarbons Market**, extraordinary oil prices were defined as the difference between the average monthly price of the Venezuelan basket of crude oil and the average price established for the calculation of the national budget. A 20% rate was applied to such difference.

OIL INDUSTRY LAWS

New LOH

This new instrument repealed several laws in force, such as the **Law on Assets Subject** to Reversion in Hydrocarbon Concessions of 1971, which paved the way for the migration of operating agreements, exploration contracts at risk and profit sharing, as well as strategic partnerships on the Orinoco Oil Belt.



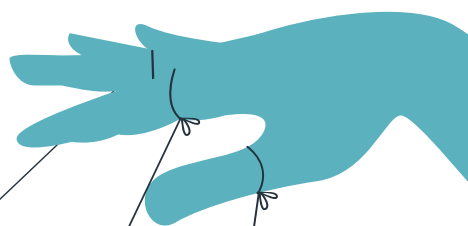
LOH Reform

This reform paved the way to a process of partial reversal of foreign holding in oil ventures. The operating agreements and risk and profit sharing exploration contracts migrated to a joint venture structure, with PDVSA as the majority partner, while in the Strategic Partnerships on the FPO, PDVSA also became the majority partner.



New law

In 2009, the Organic **Law that Reserves to the State Goods and Services Related to Primary Hydrocarbon Activities** was enacted and some 76 oil service companies were expropriated. This had a negative impact on the efficiency of PDVSA's operations and on the increase of the labor force.



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FINANCIAL FRAUD THAT ENABLED EMBEZZLEMENT

Based on the review of the facts that enabled the surge in corruption in PDVSA and their consequent impact on the company's decline, there are notable examples of financial fraud committed both by the Executive Branch, to the detriment of the state-owned company, and those promoted by the company itself against agents that were key to business performance, such as foreign suppliers or partners in joint ventures.

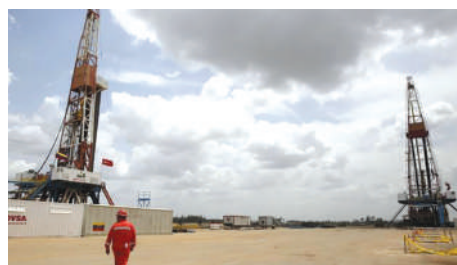
In this sense, financial fraud is understood as the excessive, unfair, improper or undue misuse of something or someone economically and financially. In other words, it is an improper, unauthorized, fraudulent action that takes advantage of privileged information or uses a position of dominance exercised by a natural person (someone in government) or legal entity over the resources of another person or group of persons.

Examples of financial fraud evidenced in the last two decades and associated to PDVSA include:

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1

Contracting loans for public expenditure



In a context of high oil prices, PDVSA contracted several loans payable in crude oil, particularly with the People's Republic of China, for the purpose of financing non-oil investment projects in the country. For this purpose, the Venezuela-China Joint Fund and the Long-Term Large Volume Fund were created, which were administered by the Venezuelan Development Bank (BANDES).



ments made with China funds. An investigation published by Transparencia Venezuela notes that the Venezuela-China Joint Fund and the Long Term Large Volume Fund alone received USD 50.24 billion, of which more than USD 16.73 billion were owed by the end of 2019.

As in many other projects promoted by the so-called revolutionary government, there are more doubts than certainties about the invest-

The investigation highlights that, of the 23 loans granted from China to Venezuela, only one was included in the Annual Borrowing Law, and there is no detailed information about any of them. However, it is known that they were approved by the National Assembly, at that time

6 Transparencia Venezuela. "Negocios chinos. Acuerdos que socavaron la democracia en Venezuela". Agosto 2020. Disponible en: <https://transparencia.org.ve/wp-content/uploads/2020/09/Negocios-Chinos-Transparencia-Venezuela-agosto-2020.pdf>



controlled by the ruling party. The report also documents fifteen cases of failed projects in which at least USD 19.6 billion were spent. Noteworthy are projects such as the Termocarbobo plant or the Tinaco Anaco Railway, which, if fully operational, would help the nation's near-collapsed power and transportation systems.

The fact that the funds were administered by BANDES also contributed to the opacity. Since its creation in 2001, this entity has been characterized by lack of accountability and discretionality in its administration. To date, the bank has not published its financial statements, nor has it been audited by the National Assembly, even when the Parliament was controlled by the political opposition.

All exports of crude oil and products to China were deposited in BANDES's receiving accounts in the China Development Bank and the signed authorization of President Chavez was required to dispose of part of the surplus funds, after the repayment obligations and their respective conditions were fulfilled.

PDVSA was doubly exposed to corruption in relation to these significant amounts, since the company generated the funds through oil exports, and although BANDES and other funds administered them, PDVSA administered part of these funds once they were disbursed to the various social projects in which the company had a stake.

2

Foreign exchange controls, during most of the period



The exchange rate policy in Venezuela, after the oil industry nationalization, has been characterized by the application of fixed exchange controls and other populist measures that have permanently brought unbalances to the market. The most rigorous fixed exchange rate system was established in 2003 and is still in force, although it has been relaxed since 2018. As with any exchange control, it generated arbitrage opportunities that encouraged corruption, mainly in the public finance sector, while exacerbating the economy's dependence on the oil industry.

The overvalued exchange control was also an incentive for fuel smuggling, which directly affected PDVSA and people in general. Smugglers could buy gasoline in Venezuela in bolivars and resell it in dollars in Colombia, making a profit not only in the trade, but also by selling part of the



profit in dollars in the parallel foreign exchange market to obtain the bolivars necessary to buy more gasoline and continue the cycle.



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3

Changes in the BCV Law that enabled the transfer of international reserves

The partial reform of the law of the Central Bank of Venezuela in 2005 radically changed the transactions between the issuing entity and PDVSA. Previously, the company was required to sell all foreign currency from oil exports to the BCV and could only retain a revolving fund of USD 600 million, available for working capital. On the other hand, in the event that PDVSA required foreign currency to pay any debt, operating costs or investments (according to the annual foreign currency budget, previously approved by the board of directors and the shareholders' meeting), the BCV was required to provide such foreign currency to the state-owned company on a priority basis and at the rate in effect at the time of the transaction.



However, the 2005 partial reform⁷ changed this scheme completely, taking the administration of foreign currency away from the BCV and giving it to PDVSA and Fonden. The oil company went from being a seller of foreign currency to the BCV to a buyer of bolivars from the BCV. The upshot was that PDVSA was only required to sell to the BCV the foreign currency necessary to pay its obligations in local currency (bolivar), while it was empowered to use first the foreign currency it needed to pay debt, operating costs or investments, as well as to maintain a revolving working capital fund of USD 2 billion⁸. The remaining foreign currency was to be transferred to Fonden.

4

Overpricing in service contracts and equipment purchases



PDVSA's exploration and production business units manage between 70% and 90% of the costs of operations and investments in assets nationwide. This huge proportion of resources allocated to the business units was a

breeding ground for officials in charge to contract and purchase services at an overprice, and also to purchase poor quality equipment, which dramatically affected PDVSA's exploration and production.

⁷ Official Gazette No. 32,832 of 07/20/2005.
⁸ Exchange Agreement No. 9 of 03/02/2006.



5

Issuance of bonds and promissory notes

Since 2007, PDVSA began to issue a large number of bonds, which not only followed the company's own investments but also government requirements. These issues reached USD 33.3 billion in 2014 and helped create the context of destruction and indebtedness of Venezuela's main state-owned oil company today.

The issuance of PDVSA bonds included an additional component that encouraged corruption, i.e. the fact that these bonds denominated in US dollars could be purchased with bolivars at an

equivalent exchange rate, significantly lower than the parallel market exchange rate. Furthermore, the process of awarding the amounts to be invested by the bidders was not at all transparent. PDVSA's liquidity problems since 2014 significantly delayed payments to international service providers, who after accepting promissory notes issued by PDVSA and writing off losses on uncollectible accounts, finally reduced their operations to a minimum by April 2016, which significantly impacted oil production.

6

Joint venture remediation plan



The relationship with the joint venture partners began to deteriorate from the very moment that PDVSA became a majority shareholder thanks to the reforms of the Hydrocarbons Law, but worsened when the state-owned company began to sequester the cash flow of the companies as of 2014.

Since the Hydrocarbons Law established that the trade of liquid natural hydrocarbons was an activity reserved for the State, the crude oil produced by the joint ventures had to be sold in

its entirety to PDVSA for subsequent trade. The only exception was the joint ventures in the Orinoco Oil Belt that produced synthetic crude in their upgrading facilities. Then, under the argument that they did not produce natural crude, but synthetic crude, they were allowed to continue marketing the oil directly. This mitigated the risk of corruption in the commercialization of crude while guaranteeing cash flow to these joint ventures.

But PDVSA was contractually required to pay



monthly the joint ventures that did not produce synthetic crude, while those joint ventures were responsible for complying with all their operational, fiscal, labor and financial obligations. However, PDVSA stopped making these payments in 2009 and began to sequester the cash flow owed to the joint ventures. In exchange, PDVSA switched to a scheme in which it kept the revenues from the crude oil produced by these companies, paid the royalty in kind (volume) on their behalf and assigned them an operating and investment budget that was generally never executed due to lack of liquidity. As a result, the production of the joint ventures began to fall due to lack of reinvestment, which halted the production plans originally agreed and approved by the National Assembly at the time of incorporation of the JVs.

In this regard, the Ministry of Petroleum and PDVSA threatened the partners with termination of the joint venture agreement in 2013. To avoid the drastic measure, they requested them to submit a proposal for a financing plan to increase production (Remediation Plan), where the partner contributed or raised the financing of 100% of the required capital without PDVSA having to chip in its corresponding 60%. Naturally, this was an abuse committed against the JV partners. PDVSA was willing to create a financial structure that would allow the JVs to have control of their cash flow, through a triangulation with a client that purchased crude oil from the state-owned company, which would receive final payment instructions from PDVSA to honor the oil bill in the accounts indicated by PDVSA (in a trust set up by the JV).

In most cases, the loan agreement provided that, from the agreed loan amount, the partner would first deduct any amount owed by PDVSA for accrued dividends and the remainder would be used to make the necessary investments to raise production. However, the loan disbursements were subject to the implementation of the projects associated with the Remediation Plan.

For the most part, implementation was delayed and the disbursements did not reach even 20% of

the agreed amount, but it did allow the partner to collect its overdue dividends thanks to this scheme. These delays created the conditions and incentives for corruption, as company owners paid huge bribes to officials to be placed on the priority list for approval of their financing structures.





7

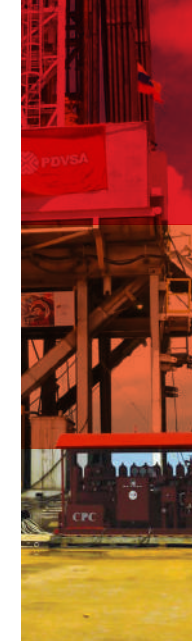
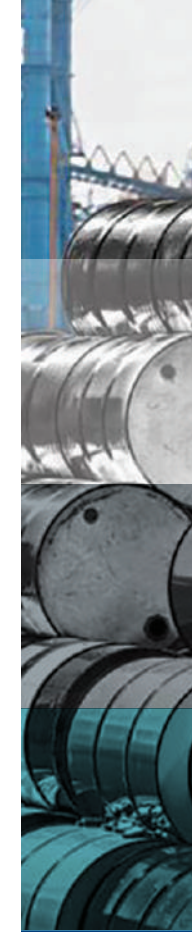
Financing of public spending for social projects

During 1998–2000, the Venezuelan government began to finance public spending, aimed at social projects, with inefficient results. One example was the so-called Plan Bolívar 2000, handled by the military, which was entrusted with supplying subsidized food and housing to the population. This was one of Hugo Chávez’s first social programs and is remembered for being an emblematic case of corruption.

The Bolívar 2000 Plan handled about USD 100 million and its scope was not exactly known. In 2016, the main executor of the plan, retired military officer Víctor Cruz Weffer, was arrested for alleged corruption.

This was only the beginning of direct financing of government social programs by PDVSA, which were conceived with the promise of alleviating poverty and reducing social inequality, among other goals, but their results have not been sustainable over time.

Another way of diverting money from PDVSA was the establishment of funds to execute public spending parallel to the budget, such as Fondespa and Fonden, which were managed with total discretionary power. This impinged on the financial operations of PDVSA.



5 El Estímulo. “Detienen a Víctor Cruz Weffer, jefe del Plan Bolívar 2000”. 21 de marzo 2018. Disponible en: <https://elestimulo.com/detienen-a-victor-cruz-weffer-jefe-del-plan-bolivar-2000/>

PDVSA AS A POLITICAL TOOL



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A determining factor for the decline of PDVSA, which in turn facilitated hundreds of acts of corruption, was the politicization of the industry, which became evident shortly after Hugo Chávez became president of Venezuela, even more so after the oil strike between late 2002 and early 2003.

The use of the nation's largest company as an instrument to win votes and secure the permanence of Chavismo in power has been repeatedly denounced by industry experts and former industry employees. It has even been admitted by people who have held relevant positions in the Chávez administration.

In a public letter entitled "Testimony and responsibility in face of history"⁹ dated June 18, 2014, former Minister of Planning Jorge Giordani highlighted the importance of taking control of PDVSA for Chavismo:

"Another element that has served as a pillar of the Bolivarian government has been the relationship between the Head of Government and his ministers, which has evolved through a coup in April 2002, and a subsequent oil sabotage with enormous human and material losses, having to cope with a technocracy that managed hydrocar-

bons as a State within the State itself, monopolizing a tremendous amount of funds coming from the oil revenues, calculated between 15 and 17%, which nobody produces and everybody wants to capture it (...)"

The newspaper *El Nacional* published on April 7, 2013 a report signed by Fabiola Zerpa and Adriana Rivera, which detailed the process implemented by PDVSA—then headed by Rafael Ramírez—during electoral campaigns for the effective mobilization of followers of the United Socialist Party of Venezuela (PSUV), during the elections from 2005 to 2010.

Documents and interviews with employees and former officials revealed a network that involved several company departments—led by the Planning Department—in the organization and disposal of resources, workers and company facilities to guarantee a high and favorable voter turnout.

Internal sources also indicated—although they did not prove—that the company paid in cash travel expenses, transportation and refreshments on Election Day. Afterwards, the company, with the same teams set up for mobilization, prepared reports and analyses on voter turnout, especially

⁹ Correo del Orinoco. "Opinion | By Jorge Giordani: Testimony and responsibility in history". June 18, 2014. Available at: <http://www.correodelorinoco.gob.ve/por-jorge-giordani-testimonio-y-responsabilidad-ante-historia/>

in areas of influence of PDVSA in the countryside.

PDVSA's funds, facilities and equipment were at the service of the electoral campaigns of the ruling party and the government. These funds were used to purchase and distribute kitchen appliances during electoral campaigns¹⁰; as well as to finance and coordinate construction in the Gran Misión Vivienda Venezuela.



ning the precise moment to activate "Operation Trailer". Employees pointed out that in during elections they were pressured to participate in proselytizing activities of the ruling party.

Giordani himself, in the aforementioned letter, admitted the great efforts made by the Chavista government to guarantee the reelection of the late President Hugo Chávez in October 2012, using State resources for such purpose:

Activities carried out by PDVSA employees, with company resources, include the installation of so-called "red points" or PSUV rally points near the polling centers; checking whether people had actually voted (the so-called 1x10 lists); to provide refreshments for activists, witnesses and ruling party polling station staff; to deliver payments to bikers and drivers; to report the number of voters hourly to the situation room, among others, and determi-

"It was the consolidation of political power as an essential goal for strengthening the revolution and for ushering in a new stage of the process. This was achieved with great sacrifice and with an economic and financial effort that took the access and use of resources to extreme levels that will require a review to ensure the sustainability of the economic and social transformation.

These include



Huge amounts of resources devoted to Social Security.



Improving the quality of life of the majority of Venezuelans through public sector spending.



Significant subsidies for essential public services (food, electricity, fuel, water, transportation, mass consumer goods, housing services).



Securing access to the necessary funds with a substantial increase in PDVSA's borrowing and internal debt of the central government, and with a moderate external debt.



Maintaining the exchange rate that favored imports and reduced exports, already limited for the private economy.



Subsidizing public companies with large operational deficits to ensure in the short term the jobs and salaries of those who work there."

¹⁰ Red de Abastos Bicentenario. "Mi casa bien equipada." Available at: <http://www.abastosbicentenario.gob.ve/index.php/mi-casa-bien-equipada>.



Alba Petróleos



+USD 88 million
loans delivered
to the FMLN

The Venezuelan government, first with Chávez and later with Nicolás Maduro, has used oil money and energy alliances to strengthen its position on a regional scale. Many projects have never materialized, but have been at the center of corruption scandals worldwide.

In 2019, the Prosecutor General's Office El Salvador reported that prosecutors and technicians from the specialized units of the Group Against Impunity (GCI) raided "the company Alba Petróleos de El Salvador and a network of 26 related companies, as part of investigations to determine activities related to money laundering¹¹".

Suspicious about Alba Petróleos' actions date back at least to 2014, when the website El Faro revealed that the corporation had given 87 loans totaling USD 88,443,787 to companies related to José Luis Merino, leader of the Farabundo Martí National Liberation Front (FMLN) political party.

"Merino is one of the five Salvadoran politicians accused of corruption and drug trafficking by the US State Department. The list was disclosed last May (of 2021) and includes the chief of staff of the current government (of President Nayib Bukele), Carolina Recinos, also benefited with credits from Alba Petróleos," reports El Faro¹².

According to an investigation by El Faro published in 2019, Alba Petróleos engaged in providing loans to ministers, politicians and businessmen with

connections to power¹³. "Between 2009 and 2016, Alba Petróleos (...) created a multi-million-dollar fund to grant more than a hundred loans to companies and individuals in El Salvador. In 2009, Alba Petróleos allocated US\$3 million for this type of loans, but in 2016—the last year in which it reported balance sheets—the balance it had yet to collect from its debtors amounted to USD 522 million."

El Salvador is not the only country investigating the business of Alba Petróleos, according to another report by El Faro, Panama is also looking into the company. "The Anti-Corruption Prosecutor's Office of the Prosecutor General's Office has opened an investigation called Río Negro, which was initiated on an anonymous tip-off, pointing out acts committed by Salvadorean nationals, which used the Panamanian financial system to legitimize illicit money," replied via email Panamanian prosecutor Aurelio Oliver Vásquez, on January 20, 2020, to questions about how the cases against Alba Petróleos were progressing¹⁴."

A series of reports published by the news platform Connectas under the title "Petrofraud," states the following: "Alba Petróleos de El Salvador (Albapes), the entity that implements the Petrocaribe agreement in the Central American nation, has become a large lender around which a pattern of real estate speculation has emerged. The company has benefited from mortgage loans to companies and individuals who buy properties

¹¹ La Prensa Gráfica. "Fiscalía allana ALBA por sospechas de haber lavado \$3,200 millones". June 01, 2019.

Available at: <https://www.laprensagrafica.com/elsalvador/Fiscalia-allana-ALBA-por-sospechas-de-haber-lavado-3200-millones-20190531-0438.html>

¹² El Faro. "La millonaria revolución de Alba." January 19, 2014. Available at: <https://elfaro.net/es/201401/noticias/14423/La-millonaria-revolucion-de-Alba.htm>

¹³ El Faro. "Alba Petróleos dio préstamos a dos ministros del Gobierno Bukele". September 09, 2019.

Available at: https://elfaro.net/es/201909/el_salvador/23634/Alba-Petr%C3%B3leos-dio-pr%C3%A9stamos-a-dos-ministros-del-Gobierno-Bukele.htm

¹⁴ El Faro. "Alba Petróleos usó una empresa de fachada para comprar Canal 29 en \$5 millones." June 21, 2021.

Available at: [https://elfaro.net/es/202106/el_salvador/25557/Alba-Petr%C3%B3leos-us%C3%B3-una-empresa-de-fachada-para-comprar-Canal-29-en-\\$5-millones.htm](https://elfaro.net/es/202106/el_salvador/25557/Alba-Petr%C3%B3leos-us%C3%B3-una-empresa-de-fachada-para-comprar-Canal-29-en-$5-millones.htm)



whose prices suddenly rise before their purchase and then seize the properties for lower values. This is just one of the consequences of the loans provided by the company controlled by the Venezuelan government and the Farabundo Marti National Liberation Front (...).”

Irregular use of Petrocaribe funds in Haiti:



1 Haití

A report published by Transparencia Venezuela in February 2019 noted that the squandering of resources granted by Venezuela to Haiti through Petrocaribe was one of the accusations faced by Haiti’s President Jovenel Moise¹⁵, who was assassinated on July 7, 2021.

On June 2019, news agency EFE reviewed that Haiti’s Superior Court of Accounts sent to Parliament a report stating that one of Moise’s companies “received millions of dollars (from Petrocaribe) for the implementation of several projects, but has yet to carry them out¹⁶.”

The official document assured that “there is a network of officials within the Haitian government that secure contracts for friends of former president Michel Martelly, as well as for former



minister Laurent Lamothe.” Moise was a member of the same party as Martelly, whom he succeeded in power.

“The report of the Superior Court of Accounts describes as ‘serious’ the way in which several governments have spent more than US\$2 billion of Petrocaribe funds between 2008 and 2016, half of the funds generated by the program during that period,” according to the EFE piece.

Corruption added fuel to the fire of popular discontent, which expressed itself in the streets between 2018 and 2019, leaving at least 11 people dead in 2018. In its report, Transparencia Venezuela argues that Caracas has been one of Haiti’s

¹⁵ Transparencia Venezuela. “Haití | un relato de opacidad y descontrol”. February 2019. Available at: <https://transparencia.org.ve/project/haiti-un-relato-de-opacidad-y-descontrol/>

¹⁶ EFE. “Un informe sobre corrupción en Petrocaribe en Haití salpica al presidente Moise”. 01 June 2019. Available at: <https://www.efe.com/efe/america/politica/un-informe-sobre-corrupcion-en-petrocaribe-haiti-salpica-al-presidente-moise/20000035-3990149>



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most important benefactors since 2000, and adds that “the Venezuelan government systematically delivered funds to its Haitian counterpart, without establishing audit and accountability mechanisms, to ensure the effectiveness in project implementation and the proper completion of the works.”

Former Governor of Haiti’s Central Bank Fritz Jean told Caribbean Investigative Journalism Network (CIJN) about Petrocaribe: “It was an orgy of corruption! We missed a huge opportunity.

We could have used this financing, about USD 2 billion, to double or triple the value through investments¹⁷.”

The report published by CIJN in 2019 claims that the Supreme Court of Haiti found various wrong-

doings in 419 projects financed by Petrocaribe. When analyzing the Economic and Social Assistance Funds (FAES), it found that USD 78 billion were squandered with 80,000 “ghost beneficiaries,” exorbitant amounts allocated to activities

unrelated to FAES such as Carnival fests, and hundreds of thousands of people who never received the allocated payments.

The allocation for the construction and habilitation of hospitals amounted

to US\$78 million. Far from investing this money in the health of Haitians, the CIJN points out that the Supreme Court detected collusion, favoritism and breach of contract. In the meantime, “hospitals in Haiti have been forced to cut services,” notes the CIJN.

USD 78 million
wasted.
80,000 beneficiaries
ghosts

2 Honduras

“The Venezuelan government announced that it will appoint the deposed former president of Honduras, Manuel Zelaya, as chief coordinator of Petrocaribe’s political council, Venezuelan Foreign Minister Nicolas Maduro said on Saturday”. Thus, BBC Mundo reported on March 7, 2010 the appointment of Zelaya to a position that was supposed to watch over “the strengthening of political independence and the defense of ‘people’s democracy’ in Latin America and the Caribbean¹⁸.”

Honduras joined Petrocaribe in 2008 during the Zelaya administration, who was ousted from power in June 2009 when he attempted to reform the Constitution through a referendum. In response to the coup that ousted Zelaya, Venezuela announced on July 2, 2009 the suspension of fuel supplies to Tegucigalpa.

Honduras rejoined Petrocaribe on May 5, 2013;

however, the General Coordinating Minister of Government of Honduras at the time, Jorge Ramón Hernández Alcerro, clarified in October 2014 that despite the return “the relationship of oil purchase and import financing has not advanced so far.”

Apart from the social and economic considerations, the parties were clear about the geopolitical and diplomatic impact of the agreement. This was expressed by Zelaya in an interview with the website Público de España in 2021: “Honduras has been used as an American aircraft carrier for their actions. Not in vain, we have a military treaty that allows them to use all the airports in the country. Faced with that influence, I set some parameters that they did not like: I joined Petrocaribe, ALBA (Bolivarian Alliance for America)... and the United States did not accept it. That is one of the reasons for the violent overthrow of my government.¹⁹”

¹⁷ Caribbean Investigative Journalism Network. Venezuela, PetroCaribe, and the “Orgy of Corruption.” December 5, 2019.

Available at: <https://www.cijn.org/venezuela-petrocaribe-y-la-orgia-de-la-corrupcion/?lang=es>

¹⁸ BBC Mundo. “Cargo para Manuel Zelaya en Petrocaribe.” March 07, 2010.

Available at: https://www.bbc.com/mundo/america_latina/2010/03/100306_chavez_nombra_zelaya_petrocaribe_if

¹⁹ Público. “Manuel Zelaya: “El resurgimiento de la ultraderecha en España es puro fascismo.” February 04, 2021. Available at: <https://www.publico.es/internacional/entrevista-expresidente-honduras-manuel-zelaya-resurgimiento-ultraderecha-espana-puro-fascismo.html>

3 Saint Vincent and the Grenadines

A report published by Transparencia Venezuela in 2019 gives an account of the close relationship between the governments of Venezuela and St. Vincent and the Grenadines in the framework of Petrocaribe²⁰, highlighting that this “loyalty” remains intact amid “complaints about the discretionary use of resources.” That loyalty was paid with plenty of PDVSA funds.

In the period between 2016 and 2018, in none of the votes on Venezuela did St. Vincent’s ambassador to the OAS oppose Venezuela’s position. This way, the government of Ralph Gonsalves guaranteed itself abundant resources without further oversight.

On January 29, 2018, Camillo Gonsalves, Saint Vincent’s Minister of Finance, announced that Venezuela forgave a USD 29.97 million debt to Saint Vincent and the Grenadines contracted with the ALBA Bank to finance the construction of the Argyles International Airport. This project was delivered four years late.

The Minister of Finance, son of Prime Minister Ralph Gonsalves, thanked the head of government (his father) for negotiating the debt and noted that the cancellation of an additional US\$100 million of Petrocaribe debt had been agreed with Venezuela.

The opposition in St. Vincent has denounced corruption in the administration of petrodollars, especially after the ruling Unity Labour Party approved in Parliament in 2016 the creation of a special fund to administer Petrocaribe, parallel to the already existing Consolidated Fund of the Nation. The opposition claimed that this fund would be a duplication of the existing Consolidated Fund of the Nation, without due oversight and transparency.

Among other wrongdoings, the leader of the

opposition, Arnhim Eustace, reported that there were 386 checks for 65 recipients of payments coming from the mixed state-owned Petrocaribe St. Vincent Ltd. in the amount of USD 24,533,330 in 2015, of which the Parliament was not aware. Similarly, Prime Minister Ralph Gonsalves was accused of having received a check for approxima-

tely USD 1,851 from the state-owned Petrocaribe Saint Vincent and the Grenadines Limited.

The accusations of wrongdoings in the management of specific Venezuelan cooperation funds such as those coming from Petroca-

ribe, the signs of nepotism and the lack of accountability on the part of the Gonsalves administration, did not stop the flow of funds from Caracas to the island nation.

debt forgiven
contracted with
the Bank of ALBA

**OVER USD
29 million**



RALPH GONSALVES

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²⁰ Transparencia Venezuela. “Petrocaribe en San Vicente y las Granadinas: camaradería y recursos sin control”. 08 April 2019. Available at: <https://transparencia.org.ve/project/petrocaribe-en-san-vicente-y-las-granadinas-camaraderia-y-recursos-sin-control/>

4 Nicaragua



Daniel Ortega was privileged with loans from

**MORE THAN USD
3,760 million**

The financial backing offered by the Chavista revolution has been key for Daniel Ortega to come to and remain in power in Nicaragua. A report published by the website Connectas²¹ recalls that when Ortega was a candidate for the 2006 presidential elections, he participated in “the signing of an agreement between PDV Caribe, a subsidiary of state-owned Petróleos de Venezuela (PDVSA), and the Association of Municipalities of Nicaragua (Amunic), controlled by Ortega’s party. The agreement allowed the shipment of 82,000 gallons of diesel to Sandinista mayors, who distributed it among transporters, farmers and cattle ranchers four weeks before the elections.”

The findings of Connectas’ research on the links between the Sandinista and Bolivarian revolutions include:

- Daniel Ortega—president of Nicaragua—was a privileged person who received loans for more than USD 3.76 billion that allowed him to run social programs and subsidies that he used to secure loyalties in order to extend his stay in power in Nicaragua.”

- The investigation documented, for example, shipments of coffee from Nicaragua and rice from Guyana at a USD 245 million overprice. Maduro in March 2015, in the midst of the fall in oil prices that has affected the battered Venezuelan

economy, ordered to expedite an agreement for overpriced products offered by Nicaragua.”

- In the case of Nicaraguan beef alone, for example, they found that between 2009 and 2013, PDVSA declared the entry of approximately 149,000 tons, Venezuelan customs counted just over 129,000 and Nicaraguan authorities about 169,000. The differences in value range between USD 80 and 160 million, according to calculations for this research.”

- Key players in the exchange of oil and by-products for food between Venezuela and Nicaragua have been investigated or sanctioned by the U.S. Treasury Department for different cases with the same backdrop: the presumption that they have incurred in corruption and money laundering. They include Nicaragua’s Francisco López, Daniel Ortega’s right-hand man, and Venezuelan general Carlos Osorio, once the czar of food imports from the South American country.”

- The multi-million-dollar Venezuelan cooperation was handled in Nicaragua by the government of Daniel Ortega as a private loan but which paradoxically allowed the expansion of an emporium of companies related to Alba de Nicaragua (Albanisa), a company controlled by the state-run oil companies of Venezuela and Nicaragua. (...) The result of the diversion is described by a former

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21 Connectas. “El auxilio financiero que atornilla aliados.” January 2019. Available at: <https://www.connectas.org/especiales/petrofraude/#capitulo4>



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Albanisa manager, who affirms that the company operates with no business logic and that the only major audit conducted on the company in Nicaragua was tampered with.”

The project “Chavismo INC,” coordinated by Transparencia Venezuela, Connectas and Alianza Rebelde Investiga (ARI), focused on the “Supremo Sueño de Bolívar” refinery to be built in Nicaragua.

According to this investigation, Chávez and Ortega pledged a project that would include a fuel storage plant, a refinery to cover domestic demand and export to neighboring countries, and a petrochemical complex. Everything was to be developed over four to five years, but that never happened.

“The only idea in the project that was carried out was the fuel plant. Originally, a \$283 million budget had been earmarked for the storage plant, but it was finished in 2017 for an additional \$227.7 million. This business awakened the interest of other contractors, including some that were part of PDVSA’s list of favorites. These companies were accused of committing corrupt practices in contracts with the Venezuelan state-run corporation, according to charges that were made public after their involvement in Nicaragua.”

Chavismo INC’s²² report reveals that Alba de

Nicaragua, S.A. (Albanisa), the developer of the project, was key in the contracting of the oil complex. The company was run by the governments of Chávez and Daniel Ortega, and became a symbol of corruption due to its interests in the oil, timber, financial and power generation sectors, all under the veil of Venezuelan cooperation, administered locally by the presidential family without institutional oversight or transparency.”

The investigation highlights that “the main entity in charge for the construction of the Nicaraguan storage plant was Chinese company CAMC Engineering Ltd., which has a history of paying bribes to Venezuelan officials for other investments in the South American country.” Reuters “explained that a judge in the principality of Andorra investigated in May 2019 the disbursement of USD 100 million in bribes by the Chinese construction company to secure the contract for a rice project in Venezuela, in the state of Delta Amacuro. For the construction of the complex in Nicaragua, the Chinese signed in April 20120—after a bidding process—an agreement for USD 233 million.”

However, the relationship between Caracas and Managua has not been without drawbacks. A Confidential de Nicaragua report published in 2016 found that “Venezuela questioned the export triangulation mechanisms used by Alba de

²² Chavismo INC. “El mal sueño de Bolívar fue una refinería.” 2020. Available at: <https://chavismoinc.com/el-mal-sueno-de-bolivar-fue-una-refineria/>
²³ Confidencial. “Albanisa en operación “triangulación”. 17 de agosto 2016. Disponible en: <https://www.confidencial.com.ni/economia/albanisa-operacion-triangulacion/>



Nicaragua S.A. (Albanisa) to pay Venezuela's oil bill."

Based on documents from the Chavista government, Confidencial pointed out that "Venezuelans were upset not only because Nicaragua was sending them food to pay 50% of the invoice in the short term (the agreements specified that these credits should be applied to the long term invoice), but also because they confirmed that Alba Alimentos de Nicaragua S.A. (Albalinisa) was buying food in Central and South America to resell it to them."

5 Dominican Republic

The discretionary management of funds through Petrocaribe agreements prepared another breeding ground in the Dominican Republic for dubious investments, with contributions that were repaid to Venezuela through "beans" and political loyalty.

The close relationship between the Dominican Republic and Venezuela had in three-time President Leonel Fernandez one of the most consistent characters in the support structure. He helped overcome the diplomatic crisis that arose in 2008 between Venezuela, Colombia and Ecuador regarding the assassination of a Colombian guerrilla leader in Ecuadorian territory and because of which drums of war began to beat. Then, in 2017, he joined a dialogue between the

opposition and the current Venezuelan president who was experiencing one of his worst political moments in the midst of protests demanding his resignation.

The Dominican media reported how Petrocaribe's financing was used for current expenses, in projects quite different from the economic and social goals pledged in the agreement, and the clientelistic use of petrodollars.

The abundance of financial resources for nations such as the Dominican Republic became a challenge for institutional transparency mechanisms, and eventually demonstrated the failure in the management of that wealth, which went on to fill the pockets of many individuals.

In South America

6 Argentina

Chávez proposed in 2005, together with his peers Néstor Kirchner and Lula Da Silva, to build the great southern gas pipeline, which would transport gas from Venezuela to Argentina. The plan never materialized, but what did flow from Caracas to Buenos Aires were huge amounts of petrodollars to support the Kirchner administrations.

A bilateral trust created in 2004 by then Argentine President Néstor Kirchner and Venezuelan President Hugo Chávez, as well as more than 230 agreements signed as of 2012, are at the spotlight of corruption cases as part of the trade and political relations between the two countries for almost a decade. A study by Transparencia Venezuela identified at least 14 cases that have

been prosecuted by the justice system in Argentina, which are at a standstill or have been closed due to lack of cooperation in the investigations.

The Sindicatura General de Argentina (SIGEN) published a report where it noted that 67% of the payments made between 2012 and 2016 amounted to USD 16 billion. That bilateral trust managed extraordinary funds, and although it ended when Néstor Kirchner left power, they continued to make disbursements.

Media investigations highlight that according to some of the files in the prosecutor's office, the amounts total USD 5,838 million. The list includes the notorious case of Guido Antonini Wilson, arrested by Argentinean authorities when he was carrying USD 800,000 in cash in a briefcase, although in later statements, during the trial in the United States, he spoke of a USD 4 million transaction. The investigations are suspended or closed because the Venezuelan Prosecutor's Office does not respond to the requests of Argentinean justice.

In a forum organized by Transparencia Venezuela, Argentine journalist Iván Ruiz noted that the funds of the bilateral trust were managed in Argentina by Minister of Planning Julio de Vido, and his secretary, José María Olazagasti. "The greatest beneficiaries were Argentine businessmen who sold a great number of products to Venezuela at an overprice. Argentine and Venezuelan officials enabled those multi-million-dollar businesses where the only victim was the Venezuelan State²⁴."

Ruiz cited the case of Juan José Levy as the face of Argentine businessmen who amassed great wealth through the exchange between the two countries. "His court case is one of the many that are held up in the Argentine justice system despite the fact that it has been under investigation for many years. Levy and his family had small laboratories that manufactured toothpaste and became multimillionaires with the sale of different products to Venezuela with 300% to 400% overprices."

The executive director of the Argentine chapter of

Accusations of overpricing
and money laundering
accusations reach

USD **3,000** million



Transparency International, Pablo Secchi, identified the wrongdoings that occurred during this period: grand corruption, lack of transparency, discretionary use of public funds on both sides, lack of accountability in public procurement and contracting, lack of access to public information, irregular management of interests, lobbying and conflict of interest, until irregular political financing began to be suspected.

"Venezuela became one of Argentina's main suppliers of capital. It was the country that bought more bonds unilaterally with oil dollars. Afterwards, the relationship that started in the government of Cristina Kirchner received strong accusations of overpricing and money laundering in the amount of 3 billion dollars," explained Secchi.

24 Transparencia Venezuela. "Investigaciones de corrupción entre Venezuela y Argentina enfrentan falta de cooperación." July 06, 2021. Available at: <https://transparencia.org.ve/investigaciones-de-corrupcion-entre-venezuela-y-argentina-enfrentan-falta-de-cooperacion/>

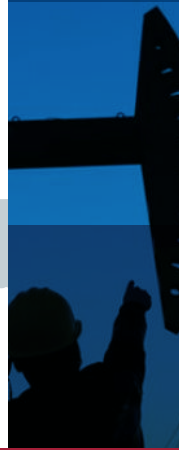
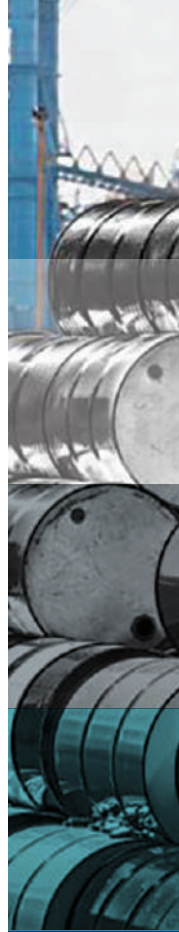


Powerful mafias

In a supposedly “self-critical” tone, Maduro himself acknowledged the serious misdeeds committed in the country with fuel distribution. “The proliferation of mafias with different disguises, with different covers, that control the fuel stations, that control the distribution of diesel for the farmers that produce food is shameful and has to end (...) we have to put an end to the mafia-led management of the sale and distribution of fuel in the country,” he stated on January 15, 2022, during the presentation of his management report.

“Now, is it impossible to sell fuel in a normal and decent way? I ask, is it impossible? Or is it that the mafias are more powerful than a State, than a whole country, than the people? What magic do those mafias have, Mr. Prosecutor? What magic do those mafias have that they control the fuel trucks, make a list and charge people triple the price in dollars? What magic does that nauseating mafia have?,” Maduro insisted.

The first actions against these “mafias” have already put behind bars municipal leaders of the United Socialist Party of Venezuela and senior prosecutors of the Public Prosecutor’s Office. These actions reiterate that the hydrocarbons business has devolved into a source of corruption within the country and abroad.



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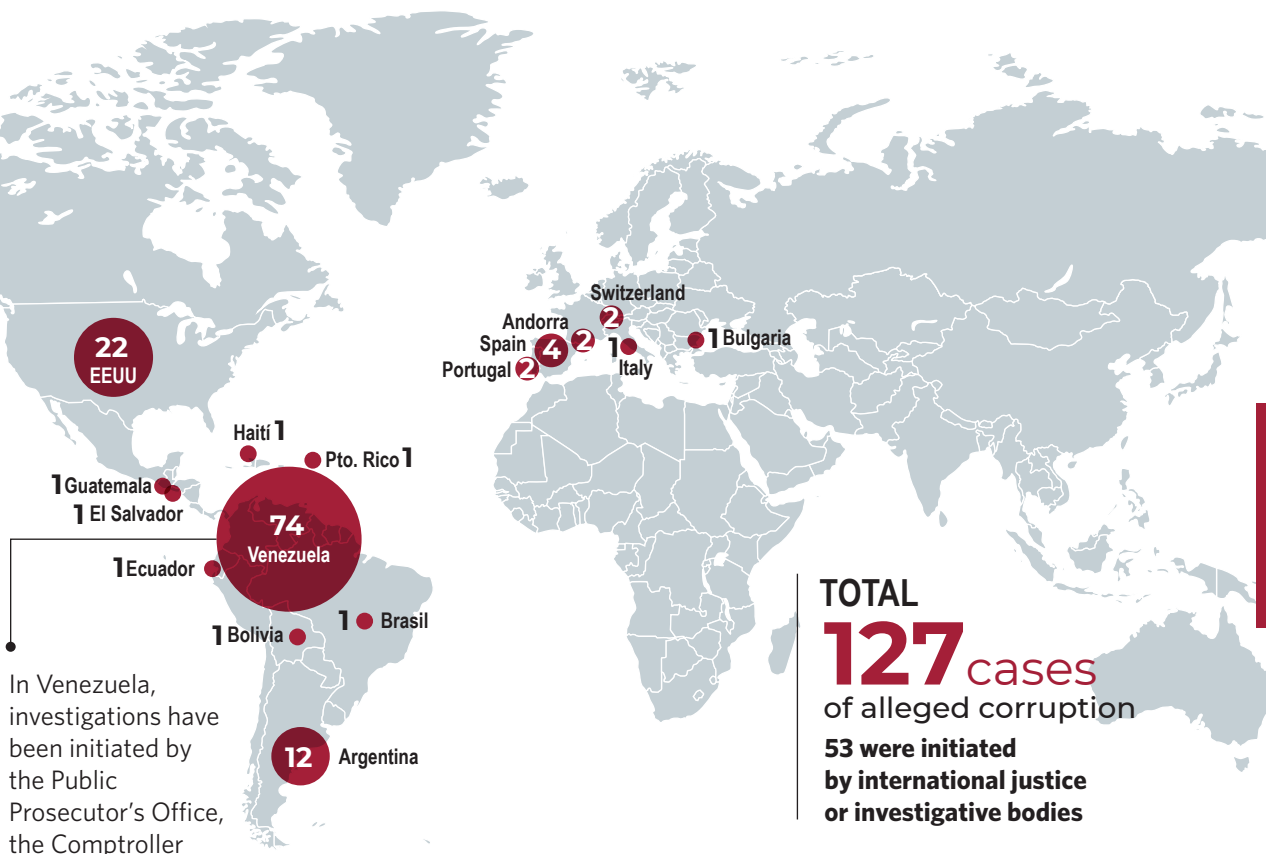
A HISTORY OF CORRUPTION IN PDVSA

In the last 20 years, discretionality, opacity, lack of accountability and effective controls, as well as the design of policies that favored conflicts of interest and the dispersion of competencies, fueled the most atrocious cases of corruption and the destruction of the industry that underpins Venezuela's economy.

Transparencia Venezuela has recorded 127 cases of alleged corruption or irregular management of public funds in PDVSA or in any of its subsidiaries, which translate into wrongdoings that compromised more than USD 42 billion of Venezuelan public patrimony. The inventory includes investigations carried out by oversight agencies, parliaments, investigative police, prosecutors' offices or courts in 16 countries, including Venezuela.

MORE THAN USD
42.000
million
irregular management
of public resources

Number of cases



TOTAL
127 cases
of alleged corruption
53 were initiated
by international justice
or investigative bodies

In Venezuela, investigations have been initiated by the Public Prosecutor's Office, the Comptroller General's Office or the National Assembly



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In the cases brought by the justice system or international investigative bodies, 217 people have been named, of which only 24 are known to have been investigated by the Venezuelan Public Prosecutor's Office.

However, the Venezuelan Public Prosecutor's Office initiated investigations against another 200 people, not named in the international justice system (mostly middle and lower positions), some of whom have been classified as political prisoners by the NGO Foro Penal.

The 24 people who are being investigated in national and international courts for the mishandling of billions of dollars are related—in good part—to Rafael Ramírez, who was for more than a decade at the helm of PDVSA and the Ministry of Petroleum and today is a dissident of Maduro's government. The names, besides Ramírez, include: Abraham José Shiera Bastidas, Antonella Pernalette, Carlos Enrique Urbano Fermín, Denis Teresa Rodríguez De Luongo, Diego José Salazar Carreño, Eduardo José Villegas Carrillo, Estíbaliz Basoa de Rodríguez, Eudomario Carruyo Rondón, Eulogio Antonio del Pino Reyes, Favio González Ciavaldini, Fidel Ramírez Carreño, Hercilio José Rivas, Humberto Simonpietri Luongo, Javier Alvarado Ochoa, Jesús Alberto Cadenas Bastardo, José Gregorio Cabello, José Ramón Sánchez Rodríguez, Leonardo Díaz Paruta, Luis Carlos De León Pérez, Luis Mariano Rodríguez Cabello, Nervis Gerardo Villalobos Cárdenas, Roberto Enrique Rincón Fernández and Rosycela Díaz Gil.

It is not possible to obtain updated information on the status of the investigations into these 24 persons. Nor there is data on whether there have been any convictions. However, the Independent International Fact-Finding Mission on the Bolivarian Republic of Venezuela established by the United Nations gave details of some investigations in the report published in September 2021.

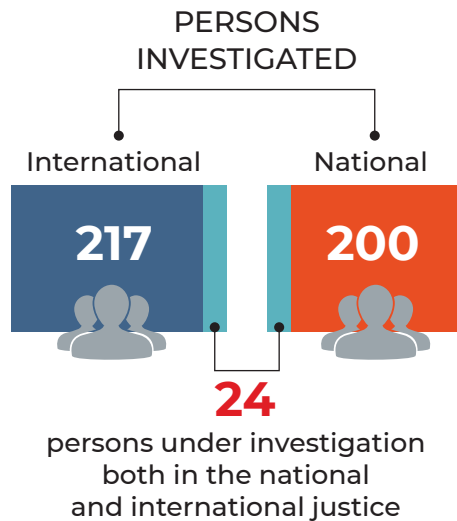
These include notably the case of Diego Salazar Carreño.

The Mission noted that Salazar was arrested on December 1, 2017 by order of the Sixth Control Court of Caracas. On January 20, 2019, the Public Prosecutor's Office filed the indictment for the crimes of simple passive corruption, capital legitimization and conspiracy to commit a crime, with reference to more than 200 pieces of evidence. The preliminary hearing was postponed at least 22 times. At the request of the prosecution, the file was kept under reserve until January 2018 and could not be reviewed by the defense. The

Mission added that, as of the time of this writing, the accused had been in pretrial detention for more than three and a half years in the facility known as La Tumba (the grave) at the Bolivarian National Intelligence Service (SEBIN) headquarters, well beyond the statutory limit of two years, and despite the request for review of the measures presented by the defense.

At least 17 of the 127 cases recorded so far involve more than USD 1 billion of Venezuelan public money. Five of these cases are being investigated in the United States and involve high-ranking public officials and businessmen who still support the Venezuelan government. These cases include fraudulent loans to obtain foreign currency at preferential rates, which total USD 4.5 billion, and Bariven's overpriced contracts. In the United States alone, there are 30 known sentences for these corruption cases linked to the industry.

Regarding corruption schemes, investigation agencies uncovered alleged transgressions to the Public Contracting Law in more than half of the cases. Among these violations are: evasion of bidding procedures, collusion of officials with contractors, awarding of contracts to companies



25 United Nations Human Rights Council. "Detailed findings of the Independent International Fact-Finding Mission on the Bolivarian Republic of Venezuela." September 2021.

Available at: https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFMV/A-HRC-48-CRP5_SP.pdf

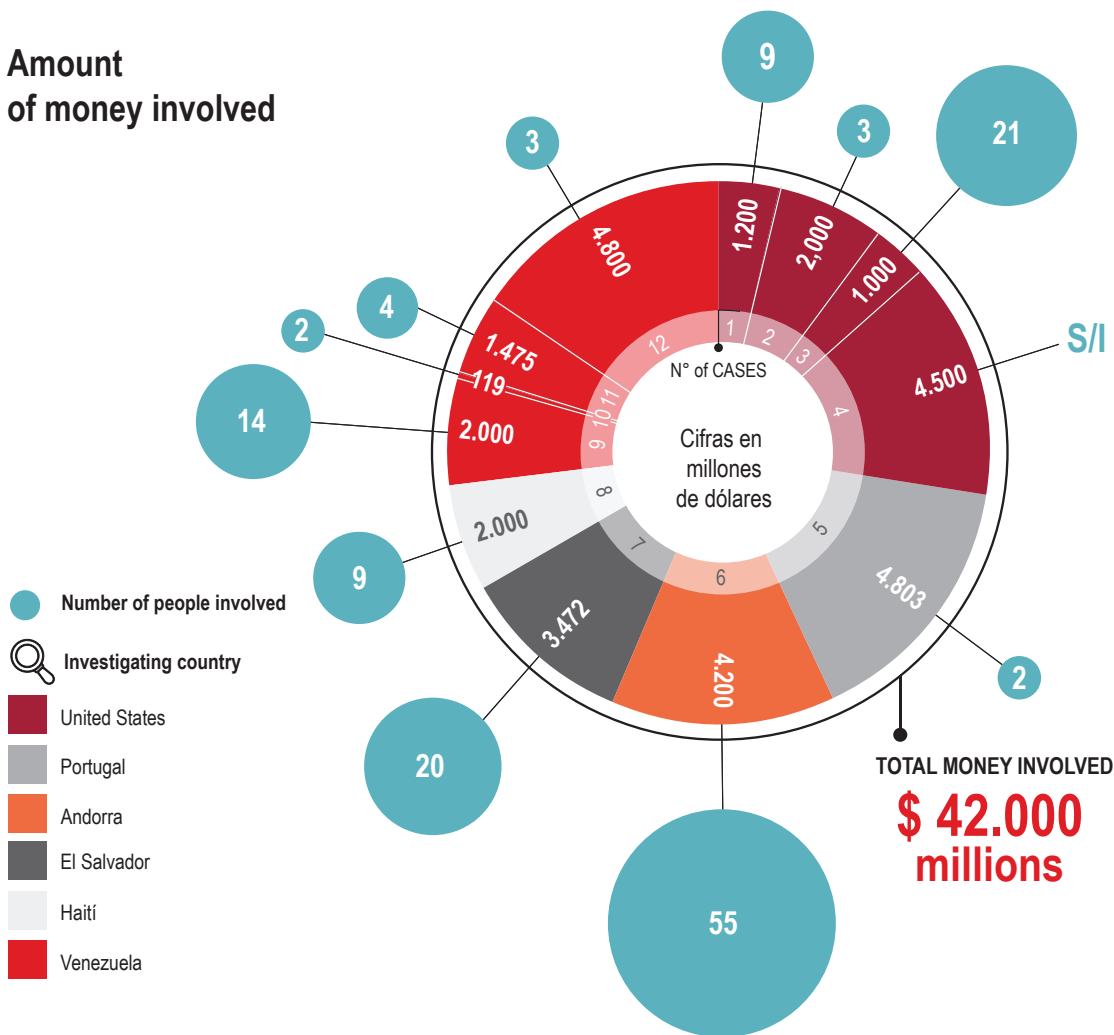
that are neither technically nor financially qualified (ghost or front companies), awarding of contracts to companies whose bids did not represent an economic advantage, acquisition of commitments without budgetary availability, breach of contracts, absence of bonds, absence of documents or files, and overpricing.

In several cases of alleged grand corruption with public money from PDVSA, direct awarding was used under bilateral agreements. These cases include notably contracts awarded to Argentine and Uruguayan companies. In Argentina, the Sindicatura General de la Nación (SIGEN) issued in April 2019 a report containing alleged wrongdoings (overpricing, alleged duplicate payments, absence of invoices, among others) in the management of the PDVSA Trust through which

Argentine companies that exported food and medicines to Venezuela were contracted and paid. In Uruguay, the National Parliament initiated in 2016 an investigation highlighting the notorious link of individuals and companies with political sectors with senior government officials, who were given a preferential position to do business with Venezuela.

Other—at least 25—cases were linked to the crime of embezzlement within the industry. In other cases there is evidence that officials or businessmen linked to PDVSA allegedly incurred in foreign exchange crimes, obstruction to freedom of trade, smuggling, extortion, tampering with or illegal use of information systems, illicit trafficking of strategic material and even drug trafficking in PDVSA vehicles.

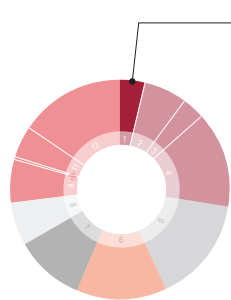
Amount of money involved



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Below is a list of the most emblematic cases in terms of the amount of money involved and the corruption scheme.

Corruption case description



CASE 1

\$ 1,200 million

Operación Money Flight



Investigating country

People involved ● Natural ● Legal

- Francisco Convit Guruceaga ●
- Carmelo Antonio Urdaneta Aquít ●
- Gustavo Adolfo Hernández Frierit ●
- Matthias Krull ●
- Mario Enrique Bonilla Valera ●
- José Vicente Amparan Croquer ●
- Abraham Edgardo Ortega ●
- Hugo Andre Ramalho Gois ●
- Marcelo Federico Gutierrez Acosta y Lara ●

In July 2018, US federal prosecutors unveiled an alleged international scheme to launder millions of dollars from Petróleos de Venezuela (PDVSA).

According to the criminal indictment in this case, known as Operation Money Flight, 21 former PDVSA officials, bankers, businessmen and others, participated in the signing of financing contracts with the state-owned company, paying bribes to officials. As shown in the indictment, PDVSA allegedly received financing (borrowed) in bolivars and paid in dollars at a preferential rate. On the date of the signing of the contract the official exchange rate was Bs. 12 per dollar and the parallel exchange rate was approximately Bs 182.23 per dollar. The amount embezzled was USD 1.2 billion. In order to launder the money, sophisticated systems of fictitious investments were used, making it appear that money was received in promissory notes, bonds designed to default. The purchase and sale of real estate is another laundering system, as well as the creation of shelf companies to transfer the money.




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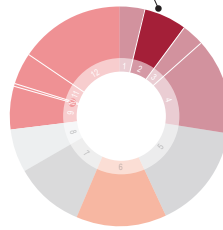
CASE 2

\$ 2,000 million

Morgan Stanley e Interactive Brokers

Investigating country 

The financial brokerage firms Morgan Stanley and Interactive Brokers are being investigated by U.S. authorities, following USD 2 billion that former Venezuelan Oil Minister Rafael Ramírez allegedly stole from Petróleos de Venezuela (PDVSA) and tried to launder, according to an investigation published in The Wall Street Journal (WSJ), a file that also names businessman Luis Mariano Rodríguez Cabello, cousin of the so-called "Oil Czar." The WSJ explains that U.S. and international agencies are trying to determine whether Rodríguez Cabello helped Ramírez to amass his fortune by signing fraudulent insurance contracts with PDVSA, and then trying to move these funds into international accounts. The Federal Bureau of Investigation, the Securities and Exchange Commission and other federal agencies are trying to determine the reasons why these companies managed more than USD 100 million in stocks and other assets for Rodríguez Cabello, despite the fact that the accounts raised flags about possible money laundering activities. Rodríguez Cabello and his cousin Rafael Ramírez have not been charged with any crime, while Morgan Stanley and Interactive Brokers have also not been charged by the US justice system.



People involved ● Natural ● Legal

- Rafael Dario Ramirez Carreño
- Interactive Brokers LLC
- Morgan Stanley



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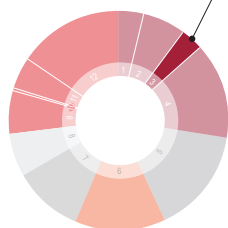
CASE 3

\$ 1,000 million

Bariven, Citgo, Pdvsa Services



Investigating country



People involved ● Natural ● Legal

- Javier Alvarado Ochoa ●
- César David Rincón Godoy ●
- Luis Carlos De León Pérez ●
- Nervis Gerardo Villalobos Cárdenas ●
- Alejandro Isturiz Chiesa ●
- Daisy Teresa Rafoi-Bleuler ●
- Paulo Jorge da Costa Casquero-Murta ●
- Rafael Ernesto Reiter Muñoz ●
- Karina del Carmen Nuñez Arias ●
- Alfonso Eliezer Gravina Muñoz ●
- Juan José Hernández Comerma ●
- Charles Quintard Beech III ●
- Abraham José Shiera Bastidas ●
- Roberto Enrique Rincón Fernández ●
- Fernando Ardila Rueda ●
- Moisés Abraham Millan Escobar ●
- Christian Javier Maldonado Barillas ●
- Juan Carlos Castillo Rincón ●
- Ovarb Industrial, LLC ●
- Tradequip Services and Marine ●
- Vertex Instrumentos, S.A. ●

A large group of businessmen paid bribes to employees of PDVSA—and its subsidiaries—in order to be awarded contracts, prioritize their payable invoices and receive payment in dollars instead of bolivars, according to a criminal action filed in the Southern District of Texas, United States. According to the indictment, officials of subsidiaries such as Bariven, Citgo and PDVSA Services then conspired with the businessmen to launder the proceeds of the bribery scheme through a series of complex international financial transactions. More than twenty people have been named in the case, 19 of whom have already pleaded guilty. Investigations indicate that the financial damage exceeds USD 1 billion.



CASE 4

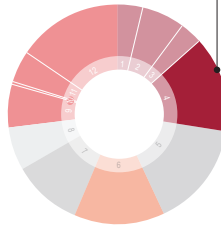
\$ 4,500 million

Money laundering through Swiss Banking

Investigating country



On March 18, 2018, the US Department of Justice requested assistance from Switzerland to clarify a money laundering scheme resulting from a fraud against PDVSA. According to the indictment, the Venezuelan state-owned company received in March 2012 a loan in bolivars and repaid it in dollars at an exchange rate set by the Venezuelan government that was well below the real economy exchange rate. This allegedly allowed a group of businessmen to invest a small amount in bolivars and obtain a large sum in dollars rapidly. This operation was mainly carried out through accounts in Switzerland. Four documents available on this case cite six suspicious transfers totaling USD 107,228,000. The operations took place on 05/25/2012 for USD 1,000,000; 05/21/2013 for USD 34,900,000; 04/24/2012 for 21,000,000; 01/27/2013 for 23,750,000; 01/04/2013 for 16,400,000 and another on 01/27/2013 for USD 10,178,000. The Swiss media reports that a Swiss banker, Charles- Henry de Beaumont, an employee of the bank Compagnie Bancaire Helvétique (CBH), was used to commit this alleged fraud.



People involved ● Natural ● Legal

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CASE 5

More than **\$ 4,803 million**

Bandes, Fonden, Banco del Tesoro

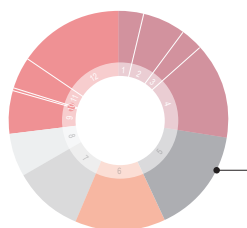


Investigating country

People involved ● Natural ● Legal

João Alexandre Silva ●

Ricardo Salgado ●



Ricardo Salgado, former president of Banco Espírito Santo (BES), allegedly paid more than EUR 100,000,000 to Venezuelan officials in exchange for securing business for his firms. According to a decision of the Lisbon Court of Appeal, quoted by Correio da Manhã, Salgado devised a plan to seek out Venezuelan officials with decision-making power in state-owned companies such as PDVSA and its subsidiaries, Carbozulia, Corpoelec, and clients involved with the Venezuelan public financial sector, such as Bandes, Fonden and Banco del Tesoro. He paid these officials in an attempt to coerce them into deposit the funds of the state-owned companies in the banks of the Espírito Santo Group. According to investigations carried out jointly with the Andorran justice, part of the bribes allegedly passed through BES accounts in Madeira, Luxembourg, Switzerland and Dubai branches. In addition, at least 30 offshore companies were used. The investigations into BES unlawful business began in 2014, but it was in 2020 when the Portuguese prosecutor's office filed the formal accusation. According to the Portuguese media outlet Observador, the international process involved the disappearance of EUR 3,500 million (USD 4,803 million) from PDVSA accounts between 2007 and 2012.

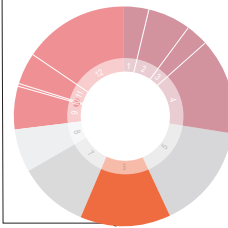
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CASE 6

\$ 4,200 million

Pdvsa's illegal operations through Andorra Banking

Investigating country



People involved ● Natural ● Legal

Involucrados

- Albino Ferreras
- Alcides Daniel Rondón Rivero
- Alejandro Saura Alonso
- Alfonso Javier Rodríguez Navas
- Antonella Pernalette
- Carlos Enrique Luengo Herrera
- Carlos Luis Aguilera Borjas
- Carmelo Antonio Urdaneta
- Ceciree Carolina Casanova Rangel
- Denis Teresa Rodríguez De Luongo
- Diego José Salazar Carreño
- Eduardo José Villegas Carrillo
- Eduardo Salzberger
- Estíbaliz Basoa de Rodríguez
- Eudomario Carruyo Rondón
- Favio González Ciavaldini
- Fidel Ramírez Carreño
- Francisco Jiménez Villaroel
- Gerardo Elías Esteves Duque
- Guzman Martin
- Hercilio José Rivas
- Humberto Simonpietri Luongo
- Ingrid Consuelo Sánchez González
- Javier Alvarado Ochoa
- Jesús Alberto Cadenas Bastardo
- Joan Pau Miquel Prats
- Wang Hong
- José Enrique Luongo Rotundo
- José Gregorio Cabello
- José Luis Parada
- José Luis Zabala
- José Manuel Aguilera Rioboo
- José Ramón Arias Lanz
- José Ramón Sánchez Rodríguez
- Julia Van Den Brule
- Leonardo Díaz Paruta
- Luis Abraham Bastidas Ramírez
- Luis Carlos De León Pérez
- Luis Mariano Rodríguez Cabello
- Mariela Mercedes Matheus Bautista
- Miguel Ángel Gómez Núñez
- Nervis Gerardo Villalobos Cárdenas
- Norman Puerta Valera
- Omar Farías Luces
- Pablo Noya González
- Ramón Elías Morales Rossi
- Reinaldo Luis Ramírez Carreño
- Rocío Del Valle Maneiro González
- Rosycela Díaz Gil
- Víctor Aular
- Seguros Constitución, C.A.
- Antigua Omega, INC
- Banca Privada d-Andorra (BPA).
- China CAMC Engineering Co., Ltd
- High Advisory and Consulting

In 2015, the US Treasury Department, through the Financial Crimes Enforcement Network, FinCen, detected a tangle of transactions plotted so that money resulting from corruption in Venezuela, coming from PDVSA and other state-owned companies, would enter the international financial economy through Banca Privada d'Andorra. That same year, the authorities of the Principality of Andorra intervened in the bank and disclosed details of the alleged illegal operations involving USD 4,200 million of Venezuelan public assets. According to statements by Andorran judge Canolic Mingorancela, reported in different media outlets, senior executives of Venezuelan state-owned companies allegedly charged illegal commissions for awarding overpriced contracts. The money entered the Andorran banking system through transfers from one account to another, in an attempt to disguise their true origin.

Some of the representatives of the bank accounts opened in the Principality of Andorra were Diego Salazar Carreño, Luis Mariano Rodríguez Cabello, Nervis Villalobos Cárdenas and Javier Alvarado Ochoa, who are all personally and economically related. The executed bank transactions were justified under a generic description and with no supporting documents. Although they involved large sums of money, they simply submitted invoices for alleged advisory or consultancy work, linked to construction projects in Venezuela, mainly in charge of Chinese companies.

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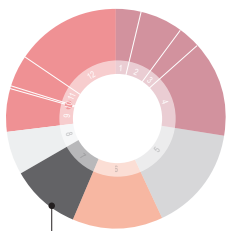
CASE 7

\$ 3.242 billion

Alba Petroleum



Investigating country



People involved ● Natural ● Legal

- Carolina Recinos ●
- José Luis Merino (Alias Ramiro) ●
- Sigfredo Merino ●
- Asociación Instituto Schafik Jorge Handal ●
- Centro de Investigaciones científicas de Alba Petróleos ●
- Consultores Técnicos Empresariales ●
- Coordinadora y Asesora de Proyectos ●
- Diagrin S.A. De C.V. ●
- Energía Orgánica ●
- Fibras de El Salvador ●
- Gasohol ●
- Gaubri Group ●
- Inversiones Flolat ●
- Inversiones Valiosas de El Salvador (Inveral, S.A. de C.V.) ●
- Maya Green Power ●
- Precocidos de El Salvador, S.A. De C.V. (Precosal) ●
- Renova Energy ●
- Termopuerto LTDA, De C.V. ●
- Transportes Vermont ●
- Tu Financiera de RL ●

In May 2019, El Salvador's prosecutor general's office raided 27 offices linked to Alba Petróleos, a subsidiary of Petróleos de Venezuela, PDVSA, as part of an investigation into the alleged laundering of USD 3.24 billion. The raid occurred a week after the US State Department listed José Luis Merino, one of Alba Petróleos' legal representatives, as person of interest under investigation for grand corruption in El Salvador and Central America. Alba Petróleos was established in 2006 to market oil by-products in El Salvador as part of the Petrocaribe agreement, but has operated as a financial company to grant million-dollar loans to companies, including some run by people related to leaders of the Farabundo Martí National Liberation Front, according to the Petrofraud investigation published by Connectas.



CASE 8

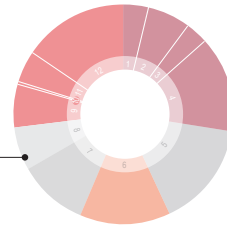
\$ 2.000 billion

Petrocaribe

Investigating country



The Superior Court of Accounts and Administrative Litigation of Haiti conducted an audit for alleged acts of corruption in the management of funds of the Petrocaribe agreement, by which Venezuela supplied oil with preferential credits. The reports describe as "gravely wrong" the way in which several Haitian governments spent more than USD 2 billion of Petrocaribe funds between 2008 and 2016, which accounts for half of the funds generated by the program during that period. The court concludes that there was favoritism and misappropriation of funds in projects, such as the one assigned to Agritrans, which was headed by Jovenel Moise, before he became president of Haiti. Wrongdoings also include the creation of a network of officials within the government, which facilitated the awarding of contracts for friends of former President Michel Martelly, as well as for former Prime Minister Laurent Lamothe.



People involved ● Natural ● Legal

Involucrados

- Jovenel Moise
- Michel Martelly
- Laurent Lamothe
- Jacques Rousseau
- Jean-Max Bellerive
- Marie Carmelle Jean Marie
- Stephanie Balmir Villedrouin
- Wilson Laleau
- Yves Germain Joseph



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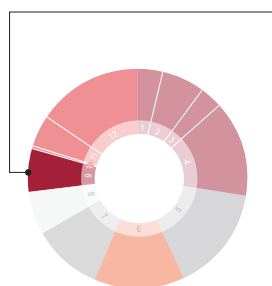
CASE 9

\$ 2.000 billion

Orinoco Oil Belt



Investigating country



People involved ● Natural ● Legal

- Carlos Eduardo Urbano Fermín ●
- Carlos Enrique Urbano Fermín ●
- Carlos Esteban Urbano Fermín ●
- Massimo Giuseppe Decaro Prado ●
- Constructora Hermanos Furlanetto, C.A. ●
- Constructora Urbano Fermín, C.A (CUFERCA) ●
- Consultoria de Ingeniería y Proyecto NF, C.A ●
- Centro Médico Total Lechería, C.A. ●
- Diario El Norte ●
- Meditotal, C.A. ●
- Metroemergencias C.A ●
- Servicios y Construcciones Rocca, C.A. ●
- Pedro José León Rodríguez ●
- Transporte Urbano Fermín, C.A. ●

In August 2017, the Public Prosecutor's Office reported a scheme of overpriced contracts on the Orinoco Oil Belt that allegedly took place between 2010 and 2016 and caused losses in the excess of USD 2 billion. According to the agency's accusations, one of the main actors in the scheme is Pedro José León Rodríguez, former executive director of the belt, who was deprived of liberty in Anzoátegui state. Since then, the Public Prosecutor's Office has indicted dozens of former directors of the belt and businessmen for their alleged connection with the embezzlement. They are accused of conspiring to evade the bidding processes and controls of the SAP system and to charge services with overprices exceeding 50,000%. Carlos Esteban Urbano Fermín Fermín, general manager of the company Constructora Urbano Fermín C.A., Cuferca, and shareholder of several contractors of Petróleos de Venezuela, PDVSA, among others, was indicted for his relation with this case.



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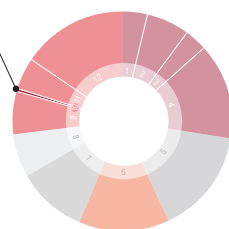


CASE 10

\$ 119 million

Bariven

Investigating country



People involved ● Natural ● Legal

- Joaquín Ernesto Torres Velásquez
- Javier Alexander Sosa Dilluvio

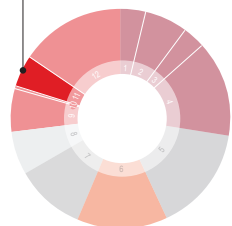
Between January and September 2017, there were 1,393 alerts raised about in Bariven, a subsidiary of Petróleos de Venezuela, PDVSA, for alleged overpricing in the company's purchases. According to the Public Prosecutor's Office, 1,317 alerts were for overpricing in bolivars and 76 in dollars and the variations ranged between 100% and 98,000%. The amounts involved exceed Bs. 10 billion and USD 119 billion and in some cases the purchases were made from ghost companies. The alleged perpetrators were charged with crimes of criminal conspiracy, fraudulent embezzlement, agreement between an official and a contractor and circumventing bidding processes.



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People involved ● Natural ● Legal

- Pedro José León Rodríguez ●
- Pietro Micale ●
- Miria Di Amario de Micaele ●
- Proct-Petrol, C.A. ●

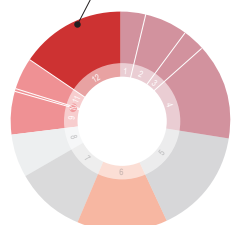
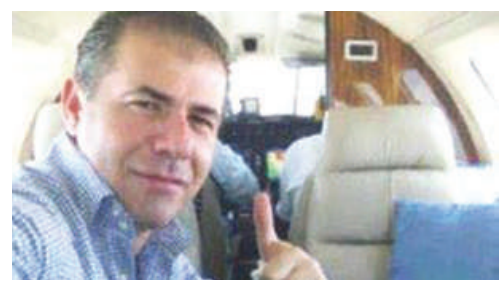
CASE 11

\$ 1,475 million

FPO case

 Investigating country

FPO Case - Pietro Micale. Imprisoned businessman for contracting with overprices. Contractor linked to Pedro León.



People involved ● Natural ● Legal

- Rafael Dario Ramirez Carreño ●
- Bernard Mommer de Grave ●
- Irama Quiroz De Mommer ●
- Mariana Zerpa Morloy ●
- Nélida Izarra ●
- JBC Energy GmbH ●

CASE 12

\$ 4,800 million

Pdvsa subsidiary in Vienna

 Investigating country

At the end of 2017, the Public Prosecutor's Office accused officials of a subsidiary of PDVSA, in Vienna, Austria, of participating in an alleged corruption scheme that consisted in undervaluing the price of Venezuelan crude oil in Europe to benefit private parties. According to the complaint, in 2009 the Office of Marketing Intelligence and Oil Policy signed a service contract with the company JBC Energy to evaluate monthly the prices at which PDVSA's products should be sold in Europe, but the data provided by the company were intentionally modified to favor private individuals who bought from the Venezuelan state-owned company. The alleged financial damage was estimated at USD 4.8 billion.

Systematic violation of human rights

The fall in production and the diversion of huge sums of money prevented billions of dollars from being invested in medicines, food, hospital construction, and maintenance of the power sector, promotion of manufacturing, construction of major infrastructure works, supplies for schools and development programs for the most vulnerable population.



Shutdown of activities at Amuay caused losses of

USD 1,200 million

But, in addition, institutional weakness has violated the right to justice and has favored impunity for major corruption cases, such as the purchase of tons of overpriced food and medicines, despite the need of the Venezuelan population.

The lack of maintenance in the oil industry has not only caused a fall in income, but has also caused tragedies such as the fire at the Amuay refinery, which resulted in 47 deaths and some 1.83 billion dollars in losses, of which 1,200 million dollars were in damages due to the stoppage of activities²⁶.

None of the policies implemented by Maduro and Chávez have been corrected in spite of the enormous corruption scandals reported since 2006 by national and international agencies and bodies.



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²⁶ Zamora, Orlando, "Esta es la cronología de la destrucción operativa y financiera de PDVSA", KonZapata, April 16, 2018, <https://konzapata.com/2018/04/esta-es-la-cronologia-de-la-destruccion-operativa-y-financiera-de-pdvs>



Pdvsa serves
as a vehicle with the
Illegal mining

SANCTIONS AS AN EXCUSE FOR MORE CORRUPTION

The Venezuelan government avoids talking about corruption prevailing in virtually all sectors of the country, yet it takes every opportunity to reject the sanctions imposed by the United States against the Venezuelan public sector and insist that the decline in oil production and the contraction of income is entirely due to the application of these “unilateral coercive measures²⁷.”

An investigation developed by Transparencia Venezuela²⁸ shows that the economic and public services crisis began to develop long before the application of the first sectorial sanctions and was rather caused by the decisions made by the Chávez and Maduro administrations. It highlights that the economic contraction started in late 2013, four years before the application of the first sanctions against Venezuela. Similarly, it points out that the acceleration of inflation, the collapse of PDVSA, the fall of imports of essential goods and the collapse of public services also started before the sanctions.

The report is based on the analysis of the Venezuelan oil sector, given its close relationship with Venezuela’s real gross domestic product (GDP), and shows how the pumping of state-owned

PDVSA began to decrease slightly since 2008 and drastically since 2015, four years before the U.S. Treasury Department Office of Foreign Assets Control (OFAC) applied direct sanctions to the company.

While this set of international sanctions restricted access to orthodox financing, it has also pushed the government of Nicolás Maduro to rethink the ways in which it operates. The restrictions imposed by these measures involved a large cut in cash flow, but the authorities shortly planned new routes for the export of Venezuelan crude, that also favor opacity and the opportunity for new businesses with close groups willing to support them in exchange for a slice of Venezuelan patrimony.

Additionally, the sanctions on the oil sector caused the Maduro administration to diversify its traditional sources of financing (oil) to illegal gold mining, turning PDVSA into a vehicle for illegal financing.

All these events in the context of PDVSA helped lay the foundations for the corrupt practices that have been becoming public as international courts bring charges against those involved.

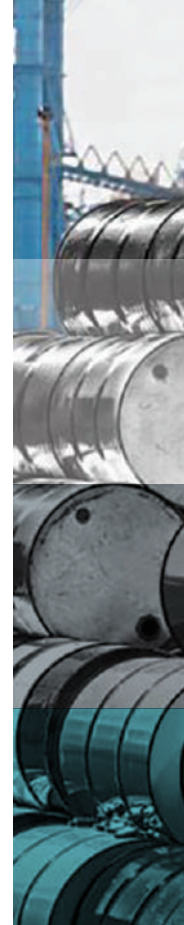
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²⁷ On March 8, 2017, U.S. President Donald Trump signed Executive Order 13,808 prohibiting the Venezuelan government from engaging in transactions related to the provision of financing to any of its bodies or entities, including the state-owned company Petróleos de Venezuela, PDVSA. In addition, in January 2019, the Office of Foreign Assets Control, OFAC, of the U.S. Treasury Department, sanctioned PDVSA. As a result, all the assets of the Venezuelan state-owned company in US territory were blocked, and US persons (companies or individuals) were prohibited doing business with the company.

²⁸ Transparencia Venezuela. “Sancciones internacionales, ¿origen o fin de la crisis?”. December 2020.

Available at: <https://transparencia.org.ve/project/sancciones-internacionales/>





Phantom allies and bogus oil-for-food swaps

International sanctions have encouraged corrupt practices in crude oil exports, generating arbitrage opportunities for traders willing to assume the risk of being sanctioned, trading Venezuelan crude oil in the Asian market.

In addition, with the excuse of evading U.S. measures, the Venezuelan government devised operations to exchange crude oil for food and other essential goods, which ended up favoring allied groups where the government leadership also gets a slice.

The shady mechanism used by the Maduro administration to try to evade international measures is similar to that applied by other sanctioned countries. Tactics that have been replicated to facilitate the export of Venezuelan crude oil include changing the name and country of registration of ships transporting hydrocarbons, turning off their tracking devices when en route, transferring cargoes between tankers at sea, transferring ownership of ships and using front companies to acquire and operate the tankers, according to a Reuters investigation²⁹.

Internal government documents to which Reuters had access showed that almost all traces of those

customers are being erased from the company's records once they have received a few shipments. "Since 2019, we have been ignoring the rules for using the record, such as requesting supporting documents from companies, and now we are adding ghost customers," said one of the sources consulted.

But there was much more behind the operations with allegedly phantom clients. By following the trail of the tanker *Otoman* and other vessels that helped transport Venezuelan crude oil, we can identify a number of people who are part of the network of Colombian businessman Alex Nain Saab Morán, who is in prison in the United States for allegedly laundering Venezuelan public money. An investigation carried out by the Spanish newspaper *El País* and the Venezuelan media outlet *Armando Info*³⁰, based on a dossier with thousands of documents to which they had access, adds more details about the network in which Saab is allegedly involved, as well as other players such as Mexico's Joaquín Leal, linked to the company *Libre Abordo* and Italy's Alessandro Bazzoni, related to *Elemento*. The three men, through ghost companies established for this purpose in jurisdictions such as Mexico, Russia or United Arab Emirates, reportedly marketed

²⁹ Reuters. "Compradores fantasma en Rusia, consejos de Irán ayudan a Venezuela a eludir sanciones." November 2020. Available at: <https://www.reuters.com/article/venezuela-petroleo-exportaciones-idLTAKBN27Q29B>

³⁰ *El País* and *Armando Info*. "La red que burló las sanciones de Estados Unidos a Venezuela." June 13, 2021. Available at: <https://elpais.com/mexico/2021-06-13/la-red-que-burlo-las-sanciones-de-estados-unidos-a-venezuela.html>



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millions of barrels of PDVSA crude oil, for millions of euros.

According to investigators, all these operations started when the Venezuelan government began to run out of foreign currency to operate, due to the restriction of sanctions, and decided to start exchanging crude oil for food and essential goods. But in the long run, these transactions, which were presented as humanitarian aid, ended up being just a pretext to do business with old acquaintances of the central power.

According to a recount of the facts, one of the modus operandi was as follows: The Mexican side would ship the products in kind and PDVSA would pay them with oil and logistics to take it out of the country in ships. However, behind this operation, there was allegedly a more complex scheme that yielded millions in profits for those involved, through the resale of crude oil at below-market prices, with money that eventually returned to PDVSA as payment for the goods. The Venezuelan oil company eventually collected payment of the invoices it issued to Libre Abordo in accounts in Russian banks, such as Gazprombank and Evrofinance Mosnarbank, where Venezuela holds 49.9% of the shares through the state-owned company BANDES, attached to the Ministry of Finance. Thus, they were able to do business outside the US banking system and leave any US persons out of the loop. The investigation highli-

ghts that in most cases they phased out the food-for-oil barter in favor of selling the oil directly to Mexican intermediaries.

Part of these wrongdoings were previously condemned by the U.S. Treasury Department. In June 2018, OFAC sanctioned Joaquín Leal Jiménez, Olga María Zepeda Esparza, Verónica Esparza García, Libre Abordo, S.A. de C.V. and Schlager Business Group S. de R.L. de C.V., as well as other entities they own or control, for “orchestrating opaque schemes to broker the resale of over 30 million barrels of Venezuelan-origin crude oil in order to benefit from the proceeds.”³¹

According to OFAC, Alex Saab and Joaquin Leal, in collaboration with Mexico-based companies Libre Abordo and Schlager Business Group, negotiated the resale of more than 30 million barrels of crude oil on behalf of PDVSA, approximately 40% of PDVSA’s oil exports in April 2020. Although Libre Abordo and Schlager Business Group claimed to have contracts with the Venezuelan government to deliver corn and water tankers to Venezuela, these companies did not deliver corn and shipped approximately 500 water tankers (only half of the contract) at grossly inflated prices. According to the accusation, the shipments do not match the amount of PDVSA crude oil that was lifted and resold by Libre Abordo and Schlager Business Group, valued at more than US\$300 million.

Institutionalized opacity with the Anti-blockade Law

Decisions taken by the government of Nicolás Maduro, in order to evade international sanctions, include notably the approval of the so-called Constitutional Anti-blockade Law for National Development and Guarantee of Rights, approved by the much contested National Constituent Assembly, published in Official Gazette No. 6583 of October 12, 2020 and endorsed for implementation by the National Assembly on May 13, 2021.

This law caused a great stir in the public opinion and was the object of analysis by different academics and legal experts because it allows the highest authorities of government agencies, without any other argument than reasons of national interest and convenience, to treat any document, information, fact or situation as reserved, confidential or of limited disclosure in order to counteract the effects of international sanctions³². This law also authorizes the Executive

³¹ U.S. Department of the Treasury, “Treasury Targets Sanctions Evasion Network Supporting Corrupt Venezuelan Actors.” June 18, 2020. Available at: <https://home.treasury.gov/news/press-releases/sm1038>

³² Article No. 39 of the Constitutional Anti-Blockade Law for National Development and Guarantee of Rights.

Branch to circumvent legislation, without the need for prior oversight by another branch of power, and expressly establishes that the measures implemented that circumvent a statutory rule are of a secret and reserved nature.

Maduro's government has used the "Anti-Blockade Law", among other things, to make opaque deals involving state-owned companies, including Petróleos de Venezuela. In spite of the fact that these are operations with state-owned assets, which are of interest to all citizens, the central government began to hand over companies to private companies, without clear, comprehensive, continuous and verifiable information on these processes.

An investigation published by Transparencia Venezuela in December 2021³³ specifies that at least since 2015, the Venezuelan government has placed at least 33 state-owned companies in private hands, but these operations accelerated significantly since the approval of the "Anti-Blockade Law". Most of the companies identified belong to the agri-food sector, followed by those in the tourism and manufacturing sectors.

Several government representatives have assured that no information is provided in order to protect the security of those involved in the businesses. "At (the Ministry of) Industries, without giving many details, because I always say that the enemy is everywhere, we have established that the strategic spaces must remain in the hands of the State (...) there will not be privatizations, but there are other spaces where certain alliances can be forged³⁴."

However, tracings carried out by Transparencia Venezuela among other civil society organizations and renowned investigation agencies show that persons accused of corruption are involved in these negotiations. Starting in 2017, the central government ordered the liquidation of the Abas-

33

state-owned companies in the hands of private



tos Bicentenario network, with about 50 outlets and handed over several of them to private individuals. Soon some establishments located in Caracas and La Guaira were renamed Tiendas CLAP (later renamed Salva Market) and began to be operated by Salva Foods, established in 2015, whose majority shareholder is Colombia's Carlos Rolando Lizcano Manrique. This man is being investigated by the US justice system for allegedly having conspired to launder corrupt money together with Alex Saab and Álvaro Pulido, alleged front men for Nicolás Maduro³⁵."

Noteworthy is that secrecy, no possibility of civil society oversight, no independent powers, no rules to guarantee open calls to select the companies with the best potential and appeal in each sector, no checks on the origin of funds of investors and final beneficiaries, and no risk management for conflicts of interest, set the perfect breeding ground for corruption.

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³³ Transparencia Venezuela. "Aliados privados en control de empresas estatales". Diciembre 2021.

Disponible en: <https://transparencia.org.ve/wp-content/uploads/2021/12/Aliados-privados-en-control-de-empresas-estatales-1.pdf>

³⁴ Banca y Negocios. "Ministro de Industrias descarta política de privatizaciones: alianzas antibloqueo no comprometen propiedad de activos". January 31, 2022. Available at: <https://www.bancaynegocios.com/ministro-de-industrias-descarta-politica-de-privatizaciones-alianzas-antibloqueo-no-comprometen-propiedad-de-activos/>

³⁵ Transparencia Venezuela. "Aliados privados en control de empresas estatales". December 2021.

Available at: <https://transparencia.org.ve/wp-content/uploads/2021/12/Aliados-privados-en-control-de-empresas-estatales-1.pdf>



ACCOUNTABILITY IN THE VENEZUELAN CRISIS

The consistent disinformation campaign among officials, public media and international allies, which blames sanctions for a crisis that began many years before their implementation, is strong, aggressive and loud. Stakeholders, organizations and international agencies that accept this narrative due to lack of information, ideological blindness or political/economic interests, become accomplices of a structure built for years, which has served interests as dark as the opacity in which they hide.

This discourse takes away accountability from the government leaders who have ruled with total control of assets and liabilities, putting at risk not only the income and wealth of Venezuelans, but also their lives. Every Venezuelan, migrant or not, has a story of pain and loss that began decades ago, as this report shows.

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