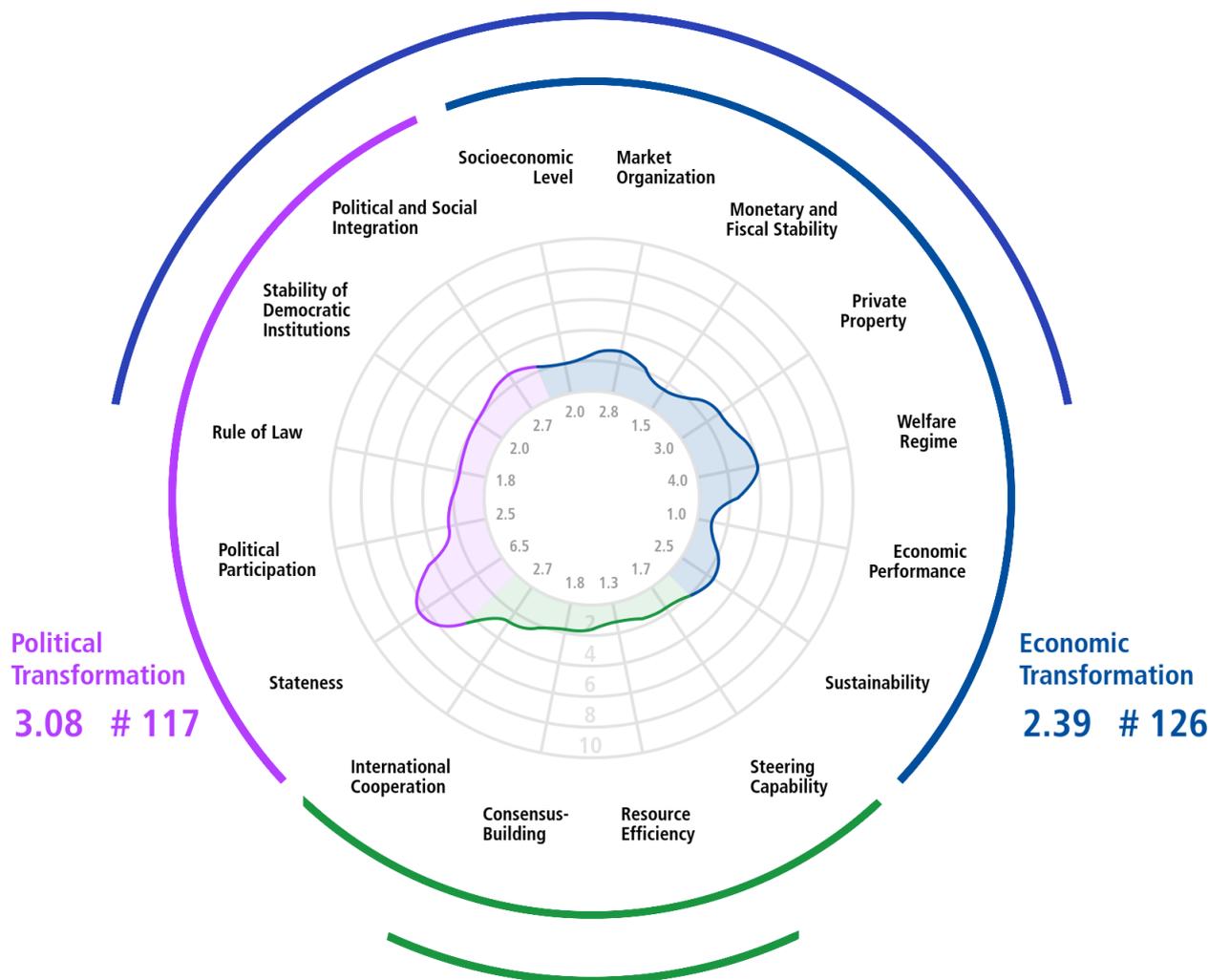


# Venezuela

## Status Index

**2.74 # 123**

on 1-10 scale out of 137



**Political Transformation**  
**3.08 # 117**

**Economic Transformation**  
**2.39 # 126**

## Governance Index

**1.63 # 131**

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>28.3</b>	HDI	<b>0.691</b>	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	<b>0.4</b>	HDI rank of 189	<b>120</b>	Gini Index	<b>44.8</b>
Life expectancy	years	<b>70.6</b>	UN Education Index	<b>0.726</b>	Poverty <sup>3</sup>	% <b>15.5</b>
Urban population	%	<b>88.4</b>	Gender inequality <sup>2</sup>	<b>0.492</b>	Aid per capita \$	<b>9.7</b>

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

The oppressive autocracy as a form of government in Venezuela has not softened, as evidenced by the continued absence of basic democratic principles such as the separation of powers, judicial independence and the rule of law, as well as the ongoing constraints on the fundamental freedoms of expression and association. Reports by multiple fact-finding missions conducted by international human rights organizations underline this assertion. Additionally, the prosecutor of the International Criminal Court is proceeding with an investigation into alleged crimes against humanity committed by high-ranking Venezuelan authorities.

Under President Nicolás Maduro's watch, the country's GDP has shrunk by more than three-quarters – the deepest depression ever in the absence of war. In 2021, the free fall was stopped, and growth resumed at a modest annual rate of 0.5%, with a forecast of 6% growth in 2022 (IMF). However, what at first sight looks promising is put into context when one considers the starting point. Indexing the 2013 GDP at 100, the economy would need to grow at that 6% rate for 28 consecutive years to return to that 2013 baseline. Despite its return to growth, Venezuela is still a petrostate in decay, immersed in an unprecedented multifaceted crisis. By the end of 2022, over 7.5 million Venezuelans had turned their backs on their country in pursuit of a better future abroad, depriving the country of its best-skilled workers and underlining the magnitude of the catastrophe. Moreover, their plight has begun to strain their primarily Latin American host countries' hospitality as these migrants face challenges accessing food, housing and stable employment.

The 2021 regional elections, held in the context of a seemingly more favorable outlook, strengthened Maduro's standing both in the international arena and internally vis-à-vis a divided opposition. They also consolidated his undisputed leadership within the ruling elite.

The economy, damaged by expropriations, controls, bureaucratic overload and incompetent management, has experienced a cautious transition from crypto-socialist ideology to liberal pragmatism. Hyperinflation and the economic crash were mitigated through the implementation of rather conventional measures such as spending caps, the elimination of controls, the implementation of restrictive monetary and credit policies, the adoption of de facto dollarization, and the extension of a cautious welcome to investors. Nevertheless, the economic transformation has not alleviated the hardships faced by the population, and poverty and inequality persist unabated. The education system only serves approximately two-thirds of the eligible age groups, and even among those in attendance, only two-thirds receive the traditional school lunch. The public health care system covers only 70% of the population, while nearly half the workforce remains economically inactive. Eighty percent of the population lives in poverty, with 53% classified as extremely poor. The Gini inequality coefficient has reached an all-time high of 0.603. Only one-third of the population regularly receives the highly praised food bag each month, with three-quarters of households reporting nutritional insecurity.

The “pink tide” that replaced right and center-right governments with center-left governments in South America – particularly in neighboring Colombia and Brazil – as well as the demise of the Lima Group ended Maduro’s isolation. This improved his regional standing without evidence of the infamous checkbook diplomacy. Key leaders such as Brazil’s Lula da Silva or Colombia’s Gustavo Petro may help convince him of the benefits of a fruitful dialogue with the opposition in order to find a political solution to the country’s ongoing, multifaceted crisis, which would benefit the region as a whole.

## History and Characteristics of Transformation

By 2020, seven years of uninterrupted economic recession had devastated Venezuela’s GDP, causing two-thirds of it to disappear. Additionally, oil production and exports had sharply declined to the point of a mere trickle, transforming the nation into a decaying petrostate. The rise of petroleum as the dominant sector of the economy occurred during the 1920s, driving social and economic advancements. Although democratization efforts began in the mid-1940s, the initial attempt failed. It was not until 1958, following another period of authoritarian rule, that democracy was successfully re-established. Over the course of the 1960s, the democratic order gradually consolidated. Following the rise of democracy, successive governments, elected through the elite pact model known as “puntofijismo” (1958 – 1998), aimed to diversify the economy by creating state-owned basic industries and implementing import substitution industrialization in a protected market. However, this approach involved substantial subsidies that rewarded inefficiencies. Notwithstanding, this period yielded positive outcomes such as the development of modern infrastructure, the emergence of a middle class, improved upward mobility, and substantial advancements in education and health care systems.

A second opportunity to reduce the country's dependence on petroleum was lost with an IMF-assisted adjustment program launched as a shock policy implemented by technocrats in the Carlos Andrés Pérez administration (1989 – 1992), which in turn triggered spontaneous popular protests. Their violent repression provided a group of conspiring army officers around Lt. Col. Hugo Chávez with a pretext for staging two coup attempts in 1992. The charges against Chávez were later dropped, allowing him to tour the country and campaign in the political arena. He was elected president in 1998. Riding on a tidal wave of popularity, he managed to get a new constitution approved that emphasizes four principles: plebiscitary democracy, the concentration of power, the recentralization of the state and the primacy of a state-regulated social market economy.

Chávez was re-elected in 2006 and 2012. His movement achieved further victories in local, regional and national elections. However, he was unable to assume office in 2013 due to severe illness and ultimately passed away that same year. Maduro, chosen by Chávez as his successor, narrowly won the presidential elections in April 2013. In the 2015 legislative elections, the opposition gained a two-thirds majority in the National Assembly. However, hopes for a gradual shift in power were soon dashed when the government urged a compliant Supreme Court to declare the National Assembly “in contempt,” effectively circumventing its legislative authority.

The opposition initiative for a referendum recalling Maduro in 2016 was supported by 7.5 million voters but was ultimately blocked by the electoral authority. Massive demonstrations in favor of the referendum were brutally suppressed, resulting in over 150 deaths. The national elections that occurred from 2018 to 2020 failed to meet constitutional requirements and were not deemed free or fair. President Maduro was re-elected in May 2018, but the opposition and a significant portion of the international community refused to recognize his victory. The election of a constituent assembly in July 2018, composed entirely of members of the Maduro-led United Socialist Party of Venezuela (PSUV), was unconstitutional and was not recognized by the opposition or abroad.

In January 2019, the National Assembly elected Juan Guaidó as its president for the 2019 to 2020 session. In a surprise move, the Assembly formally declared the presidency vacant under Art. 233 of the constitution and assumed executive power with Guaidó as interim president. The United States and a host of primarily Western countries backed the move. However, the strategy of ousting Maduro with a combination of external sanctions – “maximum pressure” – and the internal alternative of a parallel government went nowhere. (In January 2023, the still formally legitimate opposition National Assembly elected in 2015 put an end to the interim government and elected a commission that assumed the interim government's task of securing Venezuela's international assets blocked from access by the regime.)

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Venezuela lacks state authority over the legitimate use of force within its borders, as the distinction between state and non-state actors has blurred considerably across vast areas of the nation. Notably, Colombian ELN and dissident FARC guerrillas engage in illegal mining operations in the Amazon region, causing substantial harm to native land. In doing so, they have received approval from the government, which views them as strategic allies. Brazilian criminal organizations are also invested in the lucrative mining industry and involved in smuggling coca paste. According to InSight Crime, three sites containing mass graves have been linked to illegal mining, with the disappearance of 40 individuals reported between the end of 2021 and September 2022.

Organized crime gangs and regime-friendly “colectivos” – paramilitary-style thugs – operate in vast areas of the capital and other big cities thanks to deals with the authorities. After days-long gun battles with many casualties on both sides, these gangs have been allowed to maintain control as long as they stay within agreed limits, such as in the densely populated sectors of Petare, 23 de Enero, or Cota 905 in Caracas. Their operations include drug dealing, extortion, kidnappings and extrajudicial killings.

In June 2022, the Mapping the Andean Amazon Project (MAAP) identified 4,000 camps and 3,800 pieces of machinery using satellite monitoring. They have documented the loss of 140,000 hectares of primary forest over the past four years. In addition, InSight Crime reports 70,000 hectares in Venezuela affected by illegal mining, mainly in the Bolivar and Amazonas, and Delta Amacuro states. The state has de facto given up its monopoly on the legal use of force in an area comprising about 30% of the territory and 20% of the population.

Question  
Score

Monopoly on the  
use of force

4



The nation-state is accepted as legitimate by all groups of society. Access to citizenship is simple and without discrimination – perhaps too easy in some cases, as the authorities are known to grant citizen documents to individuals with dubious backgrounds or international criminal records. Citizenship is subject to the *ius soli*; that is, any person born in Venezuela acquires citizenship at birth, irrespective of the nationality or status of their parents. Naturalization can be granted to foreigners after 10 straight years of residence, with a reduction to five years if they are Spanish, Portuguese, Italian, Latin American or Caribbean nationals. Dual nationality is permitted.

The state is secular. The legal order and political institutions are entirely free from the influence of religious dogmas. About 90% of the population declare themselves to be Catholics, while most of the rest belong to evangelical groups. The Catholic Church is by far the country's most trusted institution.

The state's administrative agencies are present throughout the territory and easily accessible. However, its overcentralized character, top-down decision-making, low pay levels and lack of competent staff severely limit the administration's capacity to respond to the needs of the people or meet minimum standards of effectiveness, efficiency, quality, and ethics, fostering petty corruption. The public sector accounted for 24.3% of employment in 2020, according to the ILO/OECD Government at a Glance report. At the central level, there are 33 ministries and nine vice-presidencies.

The Supreme Court of Justice – the court of last appeal – consists of 32 magistrates each appointed for a single 12-year term. The ordinary judiciary operates at four levels, including courts of appeal, high tribunals, courts of first instance and parish courts, which handle criminal and civil matters. Special jurisdiction courts, which are organized hierarchically, address civil, criminal, labor, tax and customs, administrative, juvenile, military, and agrarian issues. The system is completed by justices of the peace, the Prosecutor General's office, the Ministry of Justice and the Executive Office of the Magistracy, which oversees the lower courts. Unfortunately, only 18% of citizens express confidence in the judiciary, a level significantly below the Latin American average of 25% (Latinobarómetro 2020). The National Tax Authority SENIAT was created before the era of the Bolivarian Revolution as an autonomous agency with broad taxing power and remains well organized and efficient. Citizens have the option to file tax returns online. The states collect stamp taxes, while the local governments handle real estate, vehicle, property and commercial taxes.

#### State identity

9



1

#### No interference of religious dogmas

10



1

#### Basic administration

3



1

Law enforcement comprises 129 municipal police departments, 23 state police departments, the National Bolivarian Police, the Special Action Force, the Criminal Scientific Investigation Corps, the Bolivarian Intelligence Service, and the (militarized) National Guard. Altogether, this includes around 275,000 agents (about 10 per 1,000 population). In addition, the military (179,000 members) and the Bolivarian Militia (4.5 million) comprise another 4.7 million uniformed servicemen.

Fixed-line telephone density used to be high, but the rate has plummeted to just 17.3% (December 2022) due to the disastrous state of the network following the renationalization of the formerly privatized telecom company CANTV. CANTV also operates the largest mobile phone network, with two nationwide private competitors. The TV networks function as state-owned propaganda outlets. The transport infrastructure has deteriorated somewhat. It comprises 96,000 km of roads, 400 km of railways, 7,100 km of waterways, 281 harbors and 95 airports, all of which figures are below the South American average. About 94% of the population have access, albeit temporary and often only once a month, to at least basic water sources. Further, 100% have access to electricity, 96% have access to at least basic sanitation and 23% have access to safely managed sanitation.

Education is free in the public system, from pre-primary to higher and professional levels. The public network, with 23,000 institutions, covers 84% of the student population; private schools make up the remaining 16%. There are approximately 100 tertiary education institutions and 39 mostly public universities. Underpaid teachers at all levels have left their jobs in droves, and many have emigrated. Seven out of 10 of the 23,000 public institutions fail to meet the necessary conditions for a suitable teaching/learning environment. This has resulted in high dropout rates, teacher resignations and a decline in the quality of education. A study by the Catholic University (UCAB/SECEL 2022) found that over 50% of students underachieve or underperform in mathematics and verbal ability.

Government expenditure on health care was 2.47% of GDP in 2019, according to the most recent data available from the World Bank. This is 1.5 percentage points lower than the Latin American average. There are 306 level I – IV hospitals, along with numerous diagnostic centers and primary care stations, as well as 150 major private clinics. A staggering 70% of the hospitals lack regular access to water and electricity, while 56% of the hospital beds are inoperable. Laboratory capacity has plummeted to a mere 10% of its former state. Transplant programs have been discontinued, and there has been an 86% decline in dialysis and a 42% reduction in surgical procedures, according to Johns Hopkins (2022). Furthermore, 56% of overall health care expenditures are out-of-pocket, indicating that the system is de facto semi-privatized, as reported by Médicos Unidos por Venezuela (2020). World Bank data also reveals that there are 0.97 hospital beds and 1.73 physicians per thousand people. More than 50% of the country's physicians and 25% of nurses have emigrated recently. Among those who remain, only one-third of emergency doctors are specialists.

## 2 | Political Participation

Even after the regime/opposition-agreed renewal of the Supreme Electoral Council, one of the five branches of government established in the constitution, the regularly conducted elections are neither free nor fair. The authority's staff is still clearly biased in favor of the regime. The EU observation mission's report on the November 2021 regional elections recognized that they met most international standards but indicated that structural deficits remained. The Supreme Court had awarded the names and symbols of major opposition parties to regime-friendly factions and had disqualified opposition leaders, thus infringing on the Electoral Council's exclusive competence. Autocratic decisions were used to set the electoral calendar; voter, party and candidate registration were deficient; and campaign oversight and media access functions were biased in favor of the regime. After the electoral authority proclaimed the opposition candidate instead of Chávez's brother to be the governor-elect in the family's native Barinas, the Supreme Court, in yet another invasion of the electoral authority's exclusive competence, ordered fresh elections, which were again won by the opposition candidate.

The electoral process of the 2018 presidential elections was rejected by the majority of the international community due to significant irregularities. The opposition boycotted the 2020 parliamentary elections because of the complete absence of basic safeguards. Maduro inadvertently acknowledged that elections in the country were not free. Regarding the Mexico negotiations between the regime and the opposition, he stated, "free elections are only possible with all international sanctions lifted" (El País, 01/12/2022).

In Venezuela's autocracy, elected officials – whether allied with the regime or not – lack effective power to govern. In a positive step, Maduro eliminated the regional "protectors" he had formerly appointed as power brokers in states ruled by opposition governors. However, he still stripped the latter of their administrative powers relating to ports, airports, toll freeways and bridges.

On the other hand, the Law of Communal Cities, approved in 2021, will eliminate the competencies of mayors and governors through the establishment of a "communal" state. This top-down legislation establishes multiple levels of indirect elections: communal councils, which are the official Socialist Party units; these councils are aggregated in communal cities, which in turn form communal federations and communal confederations. This renders municipalities and states superfluous, creating a political system structure identical to that of the Socialist Party.

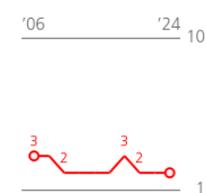
Free and fair elections

2



Effective power to govern

2



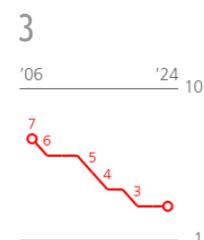
Freedom of association is de jure a constitutional guarantee, but severe restrictions persist. In a statement published on July 22, 2022, the U.N. Special Rapporteur on Freedom of Association said: “I am deeply concerned about the detention of several members of civil society, including trade union and opposition leaders, in early July. I urge authorities to guarantee the right to freedom of association and a safe environment for all dissenting voices.” Other severe violations of that right include the sequestering of opposition political parties and bans on their leaders by the Supreme Tribunal. In addition, academic freedom is under assault due to meager salaries and the stripping of financial and research autonomy from public universities.

The International Cooperation Law under discussion in the (illegitimate) National Assembly would deny civil society organizations direct access to support offered by the international community, as resources received from cooperation agencies would instead be managed by a fund linked to the government. The Permanent Committee on Foreign Relations of the Assembly approved the bill on December 14, 2022. The Inter-American Court of Human Rights (IACtHR) characterized the bill as “a mechanism to stigmatize organizations and persons that advocate human rights” because it requires registration procedures that are hard to comply with, as well as disclosures of beneficiaries in a way that could be subject to misuse. The IACtHR also criticized the way human rights defenders are treated, citing harassment, arbitrary detentions, censorship and media closures (Administrative Ruling 001-2021/22.12.2022). The 2021 Amnesty International Report found that government media outlets continued stigmatizing and attacking the opposition and human rights defender organizations, mainly through the PSUV vice president’s weekly program “Swinging the Sledgehammer.” Amnesty International (2021 – 2022) identified 62 social protests that had been violently attacked by police, the military or regime-friendly armed thugs.

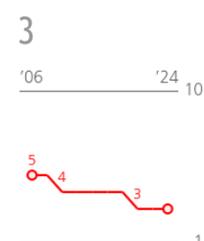
Art. 57 of the constitution guarantees the freedom of expression and the use of any means of communication and dissemination without censorship. However, in practice, freedom of expression has been under attack since the beginning of the Bolivarian Revolution. Independent TV channels have been shut down, while others have been co-opted or purchased by allies. Radio broadcast outlets have been closed, and newspapers have had to cease operations due to the government’s denial of paper imports. The right to information (habeas data) is protected under Art. 28 of the constitution, but specific legislation to develop this right does not exist. The Law Against Hate (2017) and the Law on Social Responsibility of the Media (revised in 2021), which are vaguely written, serve as tools to suppress dissent.

Public Space, an NGO, has documented 300 attacks on journalists, and the Telecommunications Commission has closed or banned radio stations or programs. The Supreme Court has awarded multimillion-dollar damages to PSUV leaders for alleged defamation. The Public Space document reports raids on the homes of journalists and kidnappings of relatives of targeted persons who managed to avoid detention as part of a repression strategy to force them to turn themselves in. The

### Association / assembly rights



### Freedom of expression



regime has also practiced online censorship and website/DNS blocking, but the civil rights community has largely learned to bypass such obstacles. In the 2022 Freedom on the Net report by Freedom House, Venezuela received a rating of 30 out of 100 (“not free,” with barriers to access, limits on content and violations of user rights). Internet freedom will be more precarious as the complex crisis continues. Infrastructure failures cause frequent interruptions in connectivity. Mobile connectivity (downloads) is 5.95 Mbps (139th of 141) and fixed broadband is 15.34 Mbps (138th of 178) (Speedtest Global Index December 2022).

### 3 | Rule of Law

While the constitution enshrines the principle of separation of powers, the system is autocratic in practice. The institutional checks and balances are meaningless because four constitutionally autonomous branches of government – the legislature, the judiciary, the electoral authority and the people’s powers – are mere appendages of the fifth, the executive. According to the International Commission of Jurists, judicial independence and impartiality are compromised. The European Electoral Observation Mission has recommended that Venezuela “enhance the separation of powers and the confidence in the independence of the Supreme Court of Justice.” Only 18% of the people express trust in the judiciary and 21% in the electoral authority, well below the respective regional averages of 25% and 27% (Latinobarómetro 2020). The legislature is not capable of checking the executive’s power. Strictly speaking, there are two National Assemblies. After the opposition boycotted the 2020 elections, the subsequently elected assembly has been dominated by the ruling party and is no more than a rubber-stamp body. The opposition continues to claim that the National Assembly elected in 2015 is the only legitimate one, but this grouping has even less leverage against the executive branch.

The judiciary functions as another rubber-stamping agency of the executive. The Supreme Court even overruled the separation of powers principle when it assumed the power to legislate in 2017. According to the International Commission of Jurists (ICJ) (15/3/2022), “Currently, most Supreme Court Justices are members of the United Socialist Party of Venezuela or former government officials. The government has co-opted the Supreme Court and turned it into an appendage of the executive branch.” The ICJ denounced the court’s lack of independence and impartiality before the U.N. Human Rights Council and called for the renewal of the mandate of the International Independent Fact-Finding Mission, which was later approved. In April 2022, parliament appointed 20 Supreme Court justices, an act that the ICJ denounced as being politically motivated and in violation of standards on judicial independence.

The judiciary is institutionally differentiated but not independent. Judicial functions are provided by a five-layer court system that includes the Supreme Tribunal, the superior courts of appeal, district courts, courts of first instance, and parish courts. The courts of special jurisdiction include military, tax and juvenile courts, as well as justices of the peace. The justice system is not independent, impartial, transparent, accessible or effective. Citizens have a low level of confidence in the judiciary.

Separation of powers

2

'06 '24 10



1

Independent judiciary

2

'06 '24 10



1

The World Justice Project (WJP) ranks Venezuela last out of 140 countries in its Rule of Law Index 2022. The country ranks second-to-last and last for its delivery of civil and criminal justice, respectively. Neither system is free from improper government influence, discrimination or corruption, and processes are not timely, effective or effectively enforced.

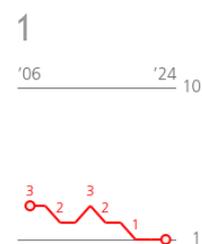
According to the U.N. Office of the High Commissioner for Human Rights, human rights violations by state intelligence agencies have occurred with little to no consequences. “The Venezuelan authorities have failed to hold perpetrators to account and provide reparations to victims in a context where judicial reforms announced in 2021 have failed to address the justice system’s lack of independence and impartiality,” reads the office’s September 20, 2022 press release. The office has identified 122 cases in which victims were detained by the Directorate General of Military Counterintelligence (DGCIM), and within that group, 77 individuals were subjected to torture. The report further notes that violations and crimes committed by the Bolivarian National Intelligence Service (SEBIN) and DGCIM persist to this day. The OHCHR also states that the organizational structures, dynamics and practices have remained unchanged and concludes that these actions carried out by high-level authorities have been part of a deliberate plan by the government to suppress criticism and opposition.

A 2022 Human Rights Watch Report also found evidence of impunity with regard to security force agents who had committed extrajudicial killings with the knowledge of high authorities. The “chain of impunity” works in Venezuela – illicit acts are committed, reported and even investigated, but are not brought to a final judgment. Human rights defenders who publish information on office abuse face harassment, persecution and arbitrary detention.

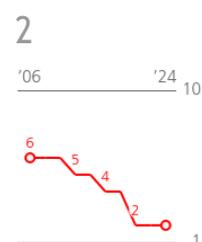
The People’s Defender Office (2021) has reported hundreds of complaints filed against state security forces for killings, death threats and torture, without judicial follow-up. Likewise, the Attorney General’s Department for Human Rights Protection website explains how to file a complaint but provides no information on cases prosecuted.

Title III, Chapter III of the constitution guarantees and protects civil rights and personal liberty against state actors. However, like other constitutional rights, it is merely a de jure fiction without value in political and social reality. The legislature and judiciary have eroded these constitutional safeguards by adopting and implementing laws and regulations on matters such as libel, privacy, surveillance and property. These laws often fail to meet or even contradict constitutional requirements. The absence of an independent and impartial judiciary, as well as the lack of a strong rule of law, hinders citizens from seeking redress for violations of their civil rights such as arbitrary detention, invasion of privacy, torture, or arbitrary and ad hoc expropriation.

#### Prosecution of office abuse



#### Civil rights



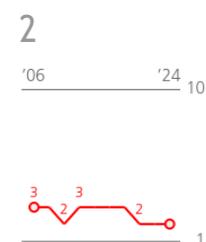
The Center for Justice and Peace’s (CEPAZ) 2021 report describes patterns of persecution against women by the Venezuelan government. Discrimination based on sexual orientation is illegal, but in practice, the military denies service to openly LGBTQ+ members. Venezuela ranks 74th out of 198 countries in the LGBT Equality Index. Some evangelical groups are aligned with the government and receive benefits, including funding for their community centers through the program “Mi Iglesia Bien Equipada” (“My Church Well Furnished”).

NGOs operate in a high-risk environment: Harassment, raids without a warrant and arbitrary detention are common occurrences. In June 2022, the Civicus Monitor criticized the ongoing suppression of civic space, and the ICC initiated an investigation into alleged crimes against humanity during the 2017 crackdown on protests. The repression of civil society organizations follows a distinct pattern: Human rights defenders are stigmatized in official media by high-ranking regime elites; they are then harassed by regime-sponsored individuals; raids are conducted without warrants; security forces carry out arbitrary detentions or even abductions without due process; and lengthy prison terms are endured while awaiting trial. A study by Amnesty International (Calculated Repression, February 10, 2022) identified a strong correlation between stigmatization and arbitrary detention.

#### 4 | Stability of Democratic Institutions

Under the current authoritarian regime, there are no truly democratic institutions with real power. The executive branch holds significant power and controls the legislative (currently the so-called Fifth National Assembly under the 1999 constitution), which merely serves as a rubber stamp. Both branches are widely considered illegitimate due to dubious elections (in 2018 and 2020, respectively), both of which the opposition had boycotted. In turn, the opposition still claims the Fourth National Assembly, elected in 2015 in mostly free and fair elections, to be the only legitimate government body and has successively declared its lawfulness until the next truly free and fair elections take place. De facto, however, the Fourth Assembly wields no real power. Along with the Fifth National Assembly, the three remaining branches of government – the electoral authority, the judiciary and the people’s power – also function as the executive’s rubber-stamping agencies. Venezuela’s 1999 constitution, although rooted in democratic principles, a social market economy and the rule of law, bears an inherent centralist and presidential bias. Addressing this power imbalance through constitutional reform, either following or, less likely, preceding a regime change, could provide a path toward a more balanced and accountable governance structure.

Performance of democratic institutions



The executive and legislative branches lack legitimacy due to their origin. The three remaining branches of government lack independence, having been degraded to mere appendages of the executive. Opposition officials elected at the regional and local levels – governors and mayors – do exist but lack effective power to govern. Given the absence of state institutions as guarantors of the rule of law, a host of civil society organizations committed to democracy have emerged. These organizations monitor civil rights violations, risking harassment, persecution and arbitrary detention.

Commitment to democratic institutions

2

'06 '24 10



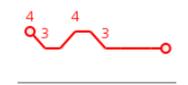
## 5 | Political and Social Integration

Venezuela's fragmented party system, with a dominant party in power and limited interaction between parties, is polarized, with one pole being dominated by a single party and the other fragmented. Voter volatility is high within the parties of the second pole. The parties are not socially rooted – even the United Socialist Party is no longer considered a “party of the poor.” Although they claim to have 7.8 million members, in the November 2021 elections, the Socialist Party obtained 2.6 million votes, which would amount to one-third of their avowed members. Parties do not represent socioeconomic, ethnic, territorial/regional or religious divisions; these divisions are more related to proximity to or distance from power than any other factor.

Party system

3

'06 '24 10



Traditional parties with significant historical legacies and which were founders of the democratic regime from the late 1950s to the late 1990s – such as the social-democratic-leaning Acción Democrática, the Social-Christian COPEI or the Communist Party – have lost their grassroots support and are now mere instruments of powerbrokers, with dwindling single-digit electoral results.

The landscape of political organizations is highly fragmented and polarized, with the official United Socialist Party and some minor allies on one end and a multitude of moderate to “hard” opposition organizations on the other. In the 2021 regional and local elections, the electoral authority “enabled” over 100 “organizations with political ends” (the constitution avoids the term “political party”). The Supreme Court had previously prohibited certain parties and leaders, thus encroaching upon the jurisdiction of the electoral authorities. Approximately 40% of participating voters cast ballots for the PSUV, while the remainder voted for the scattered opposition. The PSUV emerged victorious in 19 out of the 23 governorships and claimed two-thirds of the mayoralties.

The PSUV is present throughout the country, with party offices located everywhere. It is fully financed with public funds and controls the Patria system, which is responsible for the clientelistic distribution of cash handouts, food, gasoline assignments and domestic gas. According to surveys, levels of support for chavismo and the opposition forces are both in the low double digits, at 13% and 16%, respectively. Gen Z and millennial citizens are disengaged from the political parties.

Despite the persistent harassment of civil society organizations and their representatives, associational life still goes on. These groups' work is significant because they document human rights violations, which – in the event of regime change or criminal prosecution of perpetrators – could ultimately help build solid court-ready cases. The NGO Sinergia comprises about 60 special-interest umbrella groups, each composed of hundreds of organizations in the realms of health care, education, human rights, environmental protection, community development, habitat protection, social protection, religion and science.

Labor leaders not aligned with pro-regime unions are victims of harassment. The control of unions has shifted to top-down organizations created to handle collective bargaining negotiations. The International Labor Organization criticized the absence of social dialogue and tripartite consultation. Initially, Venezuela failed to comply with the recommendations of the Report of the Commission of Inquiry, which urged the government to promptly establish a forum for social dialogue. However, in April 2022, with the support of a high-level ILO commission, the government, employers and unions established a social dialogue roundtable to review progress in complying with several conventions on minimum wage setting, freedom of association and tripartite consultation. The ILO has recognized some progress in implementing an agreed action plan.

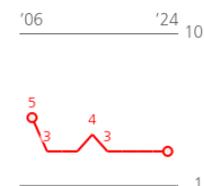
Social interests are widely represented, but civil society organizations need more clout to compel dialogue and solutions.

After having lived in an autocracy for nearly a quarter-century, more than two-thirds of Venezuelans (69%) still believe that democracy is preferable to any other form of government – the second-highest such value in the region after long-standing democracies like Uruguay (74%), and slightly more than Costa Rica (67%) (Latinobarómetro 2020). Only 18% express indifference toward the type of regime (“For people like me, a democratic or non-democratic regime is just the same”), and only 7% say that an authoritarian regime would be preferable. Part of the explanation may be that many Venezuelans see their political regime as an imperfect democracy. Survey data confirm this view, as 45% qualify the regime as a “democracy with significant problems.” On the other hand, 80% say they would never support a military government – the second-highest such value in the region – but over half of the sample (55%) say they would support a non-democratic government, except a military one, as long as it addressed the country's problems.

When it comes to assessing their own regime's performance, things change. Only 15% express satisfaction with the functioning of democracy, while 80% feel that those in power run the country for their own benefit, instead of for the people's. The level of public trust in institutions is low, except for the Catholic Church (71%). By contrast, the president is trusted by 24% of the population, the electoral authority by 21%, the military by 21%, the government by 19%, the parliament by 19%, the judiciary by 18%, political parties by 15% and the police by 13%. The data shows that only regime supporters express some trust in institutions, and even their general level of trust is relatively low.

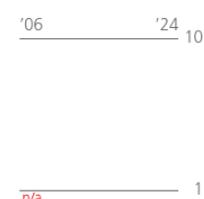
Interest groups

3



Approval of democracy

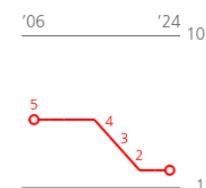
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Venezuela's society displays low levels of interpersonal trust, with only 5% expressing this compared to the regional average of 12%, 29% for the rest of the world and 70% for the Nordic countries (Latinobarómetro 2020/World Values Study, 2020). As a result, levels of social capital are also low. According to the Legatum Prosperity Index, Venezuela ranks 146th out of 147 countries in terms of social capital. Despite the presence of social self-organization in various areas, these efforts lack opportunities to be heard in public affairs. In April 2022, Foro Cívico, along with numerous trade unions, the Academy of Medicine, health organizations, the Business Association and social organizations, sent a memorandum to Maduro. The memorandum called for a new level of openness to international support in order to address the severe health and humanitarian crisis, collective bargaining for salary negotiations instead of unilateral imposition, freedom for civil rights movements, protection of private property, responsible financial and economic policies, and university autonomy. Amidst the challenging times of budgetary and monetary constraints to combat inflation, Maduro met with a delegation of civil society organizations. However, no changes were made, and the harassment of civil society movements has continued unabated.

Social capital

2



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Incompetent leadership, misguided policies, cronyism and unfettered corruption, along with brutal repression of dissent and association with criminal gangs and the world's leading autocrats, have thrown the country into a complex humanitarian, economic and financial crisis, prompting one-fourth of its population to seek a better future abroad. As a result, in less than one generation, the country has fallen from the top echelons of development in Latin America to the bottom. The country's HDI ranking has experienced a massive drop, from 70th in 1999 to 120th in 2021 (scoring 0.691), marking the most significant adverse change in the HDI reports. When adjusted for inequality, the score falls further by 14.3%. The Gender Inequality Index score is 0.492.

Question  
ScoreSocioeconomic  
barriers

2



With a Gini coefficient of 0.603 and an 81.5% poverty rate (down from 90.9% in 2020, according to ENCOVI 2022), Venezuela is the most unequal society in the region and one of the most unequal in the world. "Rich" households are concentrated in the capital, Caracas, which experiences considerably fewer power outages and other public service calamities than does the rest of the country. The ENCOVI survey of living conditions reveals that race and poverty, but not gender, increase the risk of educational exclusion and therefore limit socioeconomic opportunities. In the 18 to

24 age group, whites and non-poor individuals have twice as much access to education as do blacks and the poor. Additionally, the rate of enrollment in private educational institutions within this age group reaches 25%. Lack of internet access and gadgets pose the main obstacles to in-home education functions. A 56.2% share of the population was economically active in 2022, with formal employment accounting for 50% of this group and informal employment 44%.

Migration is depriving the country of talent and a significant share of its workforce. This began as skilled migration and quickly evolved into massive migration flows. During the low-intensity/highly skilled phase, the United States emerged as the primary destination, with 41% of these migrants holding university degrees, 41% having relinquished management positions, and 14% holding doctoral degrees. The large-scale migration wave began in 2016, predominantly with Colombia (2.5 million), Peru (1.5 million), Ecuador (0.5 million) and Chile (0.5 million) as destination countries. Economic reasons accounted for over 80% of the departures. Among the migrants, 57% were aged 15 to 24, with an additional 29% falling within the 30 to 49 age bracket. Of the migrants, 35% had completed their university educations, 15% had incomplete university educations, 31% had finished their secondary educations and 18% possessed lower levels of education.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	5.1	7.5	6.5	<b>5.3</b>
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	205.1	327.7	248.4	<b>159.5</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-

Economic indicators		2019	2020	2021	2022
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.8	1.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	1.6	0.3	0.6

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

The economic system outlined in the 1999 constitution (Arts. 112 and 299) is a social market economy without prejudice to the state’s power to regulate it. Article 112 guarantees free competition. In practice, however, the system functions as a command economy. The notions of the market and competition are incompatible with a command economy that serves the ideological beliefs and power aspirations of the ruling elite. Regardless, when faced with a choice between these beliefs and power, the ideological convictions have proved adaptable enough to support the most orthodox economic measures as long as they aid in maintaining control. The use of revolutionary language and absolute control of the media serves to mask such measures as genuine revolutionary accomplishments.

Free and fair competition is regulated – and also relativized – via the Anti-Monopoly Law, which, instead of promoting efficiency and productivity through free and fair competition, claims to guarantee the democratization of economic activities, fostering social equality. Consequently, producers are meant to work in a way that respects “the principles of complementarity, equitable exchange and solidarity” (Art. 2).

Price controls, complex bureaucratic authorization procedures for new products, and market access controls inhibit free competition. Furthermore, companies and individuals dedicated to commercializing goods and services must register (online) in the Unique Registry of Individuals and Companies that Develop Commercial Activities (RUPDAE). The 2022 Index of Economic Freedom reflected the problems associated with market access and competition by assigning a score of 24.8 and rank of 176th place (of 177), behind Cuba and followed by North Korea. Furthermore, the Organic Law on Foreign Productive Investment (2017) restricts the movement of FDI

Market  
organization

2



into the Venezuelan economy, giving the president discretionary powers to define strategic sectors for FDI. The 2020 Anti-Blockade Law allows the modification of joint venture compositions so that foreign investors can keep majority shares. Russian and Chinese FDI initiatives have used this power extensively in the hydrocarbon and mining sectors. Venezuela reappeared on the radar of international investors with initiatives such as the Special Economic Zones created in 2022 by Organic Law, which offer tax, customs, fiscal, judicial and commercial incentives to promote technology transfer and exports.

ENCOVI 2022 data reflect a 7.9 percentage point increase in formal employment, to a sum of 50%, and a corresponding 7.7 percentage point decrease in informality, falling to a 44% share (which remains significantly higher than the survey's lowest recorded value in 2014, at 36%).

The Anti-Monopoly Superintendency is a division of the Ministry of Commerce. Its homepage refers to a “chain of command” from President Maduro, through two vice presidents and the minister, through to the superintendent, indicating that the claimed “functional autonomy” in its mission is more fiction than fact. The agency’s function is to monitor the markets and enforce the Anti-Monopoly Law (2014), which aims at economic democratization. The law excludes “socio-productive organizations” (Constitutional Law on the Communal Economic System), state-owned and mixed-ownership enterprises of strategic importance, and public utility companies.

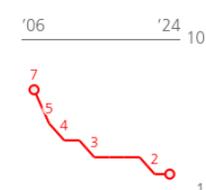
The superintendency’s homepage does not mention any reports, resolutions or investigation procedures, but does contain abundant official propaganda.

Venezuela mainly exports crude oil and minerals, while importing food and gasoline. Its primary trading partners are the United States, China, the European Union, Brazil and India. The country’s foreign trade reflects its significant economic decline, with exports dropping from \$232 billion in 2014 to \$19 billion in 2021, according to the WTO. Accordingly, the openness to trade (exports plus imports as a percent of GDP) also significantly decreased from 48% to 16%. This contraction was further accelerated in recent years due to U.S. sanctions implemented as part of President Trump’s policy of “maximum pressure” against the Maduro regime. However, the Biden administration is adopting a softer stance in this regard.

As a result, a turnaround in Venezuela’s trade is anticipated, as indicated by the IMF’s projections of export growth of 13% in 2022 and 17% in 2023, along with import growth of 11.7% and 10% for the same years. Venezuela has been a member of the WTO since 1995 and GATT since 1990. In ongoing negotiations, the country is involved with various groups, including the G-20, G-33 and NAMA-11. The simple average most-favored nation (MFN) applied tariff stands at 13.8%, with a level of 13.0% for agricultural products and 13.9% for nonagricultural products. Moreover, Venezuela has agricultural tariff quotas set at 22.6% and special agricultural safeguards at 30.7%.

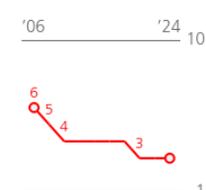
#### Competition policy

2



#### Liberalization of foreign trade

3



There are no significant barriers to trade in place. However, import licenses are required for food and agricultural products, as well as registration for medicines and food. The associated bureaucratic procedures are routine. In 2022, the authorities “eased” imports of about 7,000 products by exempting them from tariffs and controls, triggering consumption growth of higher-end merchandise and the emergence of a “bodegon” (luxury liquor and delicatessen shops) economy – meaning that the greater availability of certain consumer goods benefits only the wealthiest 10% of the population. For the rest, the country’s income distribution continues to be regressive.

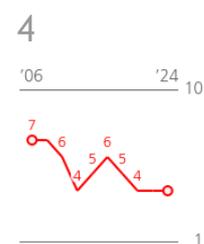
The banking sector comprises 26 institutions, including six state-owned entities, with a total of 2,000 branches, approximately 4,000 ATMs and around 400,000 sales outlets. Total assets amount to \$8 billion, with two-thirds held by state-owned entities and one-third within the private sector. These assets represent just under 10% of GDP. The non-independent financial regulators, the Central Bank of Venezuela (BCV) and the Banking Superintendency, oversee and control the banking system. In 2020, the BCV introduced new regulations regarding reserve requirements (85% of net operations and 31% of operations in foreign currency), information disclosure and interest rates for reserve deficits. Additionally, in December 2022, the Banking Superintendency issued new rules concerning disclosure requirements.

The banking sector bore the burden of the regime’s attempt (2020/21) to control hyperinflation, which primarily relied on monetary policy instruments such as foreign exchange injections, excessive minimum reserve regulations (85%) and an extremely high capital-to-assets ratio (CAR) of 157%. This CAR signifies the obligatory transfer of assets from loans to public sector securities, effectively destroying the financial intermediation function of the system. Bank credit now accounts for only 1% of GDP. Consequently, banks have shifted their focus to profitable custodial services and transaction commissions.

Maduro’s economic team has not yet shown the political determination to reinstate macroeconomic stability through the implementation of stringent spending limits and the re-establishment of effective control over the money supply. Consequently, the money supply (M2) plummeted to \$363 million in January 2021 before climbing to \$925 million in January 2022 and reaching \$1,700 million by November 2022. This escalation contributed significantly to a renewed and rapid increase in the inflation rate.

The share of nonperforming loans was 2.7% in July 2021, down from 5.9% in 2020. However, this partly reflects the effect of a new regulation under which loans granted before the pandemic that entered delinquency because of the COVID-19 crisis were not classified as past-due. The measure expired at the end of June 2022, raising the risk of a resurgence in the ratio later that year. The government continues to engage in interventionist policies toward banks, capping nominal interest rates and generating hugely negative real interest rates for deposits and loans. Any normalization of interest rates would harm loan performance and credit creation. A potential disorderly adjustment could trigger a banking crisis.

#### Banking system



Venezuela signed the Basel Accords in 1989 and ratified them in 1998. In 2014, the Financial Stability Board advised financial institutions that the country was “a non-cooperative jurisdiction concerning regulatory and supervisory standards on international cooperation and information exchange.” From a judicial perspective, Venezuelan regulators must be considered unfit to commit to the Basel process in pursuing financial stability.

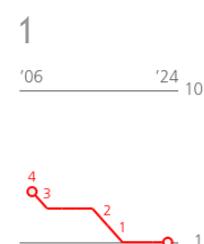
## 8 | Monetary and fiscal stability

The track record of the Maduro regime suggests that monetary stability was never a primary policy goal but that it was instead subordinated to the overarching goal of maintaining power. As long as the regime could monetize the massive budget deficits of a spendthrift government without jeopardizing that goal, it showed no interest in taking measures to promote stability. The regime never explored options for addressing the fluctuating cycles of the international oil market, such as establishing a sovereign fund, nor did it make any effort to gather the expertise or political will needed to develop and implement substantial reforms. Eight years of recession, four years of hyperinflation, and a currency in free fall – with 14 zeros removed in the course of three “monetary reforms” with grandiose names: the 2008 “Bolívar Fuerte” at a 1:1,000 ratio, the 2018 “Bolívar Soberano” at a 1:100,000 ratio, and the 2021 “New Monetary Expression” at a 1:1,000,000 ratio – offer ample support for this assessment.

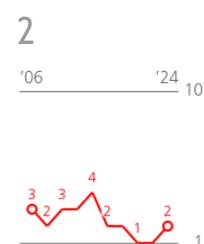
After a brief period of relative calm on the inflation front, the depreciation of the currency returned with renewed intensity in the last quarter of 2022. The Venezuelan bolívar fell from 8.57 to 17.49 per U.S. dollar (official rate) between the beginning of November and the end of the year and from 9.11 to 19.30 on the parallel market. The widening gap between the official and parallel rates provides short-term opportunities for windfall profits. However, unless the government takes decisive action to address the macroeconomic imbalances through significant reforms, flexible exchange rates will be no more successful in meeting foreign exchange demand than were exchange controls in the past. The International Monetary Fund (IMF) projects inflation rates of 220% and 150% for 2023 and 2024, as well as GDP growth rates of 6% and 6.5% (IMF/WEO October 2022).

The economy transitioned from a state of hyperinflation and recession to modest growth with merely high inflation in 2022 (inflation rates in 2021: 1,590%; 2022: 195%; 2023: 210%; GDP growth rates in 2021: 0.5%; 2022: 6.5%; 2023: 4.4%). Some viewed this as a positive change, although it was not achieved through a cohesive stabilization program. Instead, it resulted from ad-hoc measures and laissez-faire government policies, such as lenient tax and import regulations, reduced monetary expansion in the last quarter of 2021 and the first quarter of 2022, and increasing oil prices due to Russia’s invasion of Ukraine and the gradual lifting of

Monetary stability



Fiscal stability



U.S. sanctions. However, this course is not sustainable, as widespread protests against low salaries and the rapidly rising cost of living have grown more intense and oil windfalls are dwindling. As an initial concession, the government once again resorted to price controls. By December 2022, the initially predicted turnaround in the first half of the year, with growth forecasts of 20% (Credit Suisse) or 18.7% (BCV), had diminished to 6% (WEO/IMF) in the second half. Meanwhile, the BCV reported growth of 18.7% in September 2022.

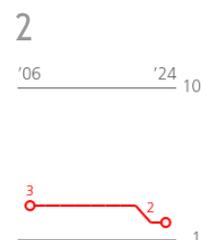
Unless existing macroeconomic imbalances such as spendthrift budgets and public debt, high unemployment rates, depleted asset markets, and current account deficits are addressed with consistent fiscal, monetary and exchange policy packages, the instability will persist. It is difficult to determine whether pragmatic or dogmatic positions will prevail within the regime leadership. As long as there are no steps away from socialist dogma toward a social market economy model, the quantitative reference indicators of fiscal performance will continue to register fundamental flaws, particularly the exorbitant public debt (240.5% of GDP in 2021, falling from 319.1% in 2020) and the fiscal deficit (4.5% of GDP in 2022).

## 9 | Private Property

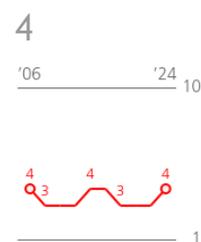
The constitution and the law protect private property rights de jure, but in practice, they are often violated by illegal state-initiated or state-supported occupations or arbitrary expropriation, approved by a submissive judiciary. Venezuela is ranked 129th out of 129 countries on the International Property Rights Index (with a score of 1.771). The country's still lower scores on the Judicial Independence (0.188) and Rule of Law (0.108) sub-indexes accentuate that assessment. The most recent Heritage Foundation Property Rights Index awarded Venezuela a score of 0 (on a scale of 0 to 100). As weak protections for private property rights correlate with poverty, the lack of reliable safeguards constitutes a structural barrier to eradicating inequality.

Venezuela's economic and social crisis was partly triggered and undoubtedly aggravated by a wave of arbitrary ad-hoc expropriations of about 1,400 private industrial and agricultural businesses. These businesses' subsequent performance under incompetent crony management was disastrous. The Anti-Blockade Law, which was adopted in late 2020, scraps the state-ownership dogma. This change allows for joint ventures and strategic alliances with private investors, who can take profits from state-owned enterprises (SOEs). In May 2022, Maduro announced that many SOEs would offer shares to be sold and traded on the stock exchange. Even the most emblematic and important SOE, PDVSA, ceded Chevron operational control of its upgrader facility in the petrochemical complex near Barcelona. Chevron was licensed by the U.S. Treasury in order to allow this. However, a dogmatic faction within the governing alliance has criticized Maduro's privatization of SOEs. They see it as a surrender to transnational interests that the working class must fight against.

### Property rights



### Private enterprise



The announcement that the regime and the opposition would resume negotiations in Mexico under Norwegian guidance, paired with news about the Chevron license, gave a boost to Venezuelan bonds that were then in default and gave rise to overoptimistic GDP growth predictions. As the euphoria about a turnaround hit the reality of moderate growth and high inflation, the privatization issue lost steam. It remains to be seen whether such opening initiatives will help create momentum for a broader and more coherent strategy focused on finding socially and economically balanced spheres of influence for state power and market forces – with as much state as necessary and as much market as possible.

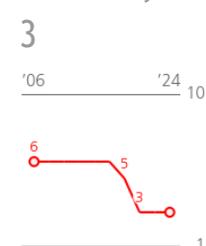
## 10 | Welfare Regime

The Venezuelan Social Security Institute provides a comprehensive welfare regime that includes retirement, disability, unemployment, accident, health and life insurance. The pay-as-you-go funding system is heavily state-subsidized. Contributions are compulsory within the formal sector (which includes 50% of the economically active population). As of January 2023, there were 5.5 million pensioners, with about 20% that had been included without previous contributions, and 5.1 million contributors. Pensioners receive flat payments aligned with the minimum salary, which amounted to about \$7 per month as of January 2023. Therefore, they would need 24 monthly payments to buy the basket of essential family goods and services (\$166, ENCOVI 2022).

To receive unemployment benefits, the worker must have paid contributions for two years. The benefits are calculated as a percentage of the salary received in the last 12 months and are paid for up to five months. The Institute provides precarious health care in 36 ill-equipped hospitals and 72 associated clinics, 59 primary health care stations, and six popular clinics. In December 2022, it reported that the system had served 4.3 million patients, 92,000 surgeries had been performed (300 per 100,000 population), and 42,000 births had taken place in 2022.

In addition to the entitlements provided by the Institute, the government grants ad hoc benefits in the form of cash handouts, food baskets, subsidies and student stipends. To access these benefits, citizens must register with the Patria (Fatherland) platform and obtain the Fatherland ID card, which allows the government to track them. In addition, frequent cash handouts are provided with pompous names that suggest they are propaganda tools rather than welfare policies – examples include the “Rebirth of Hope Bonus,” “Year of Victories and Joy Bonus,” “Strength and Hope Bonus,” and the “Bolívar Lives Bonus.” These are deposited in the accounts of about 6 million cardholders and are typically worth about one-third of the minimum salary, or just over \$2. The Fatherland Card has replaced the former patronage-based parallel welfare structure of the so-called social missions, which at its peak boasted over 40 programs in areas ranging from health care and housing developments to education and ecological projects.

Social safety nets



The Socialist Party-controlled Communal Councils (CLAP) distribute subsidized food boxes and gas cylinders. Fatherland cardholders receive a heavily subsidized gasoline allocation of 120 liters per month at a very low cost. Water, electricity and waste disposal services are also provided at extremely low prices. The food box program fosters both small-scale and large-scale corruption. As an illustration, Colombian businessman Alex Saab, who handled food imports for Maduro's government, was indicted for kickbacks and money laundering related to those transactions. He is currently awaiting trial in a U.S. prison.

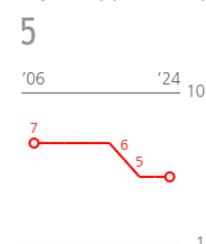
The country's legal code includes special equality of opportunity laws for women, persons with disabilities and ethnic/Indigenous groups. Inequality of opportunity based on gender, sexual orientation, religion or ethnicity exists, but these factors are not the main reasons for it. In general, educational opportunities have dropped slightly for both genders. Women enjoy somewhat higher enrollment rates than men, as do whites compared with non-whites. While the literacy rate is almost equal (97.1%), women are overrepresented in tertiary education. On the other hand, 64% of men are in formal employment, compared to 39.1% of women (ENCOVI 2022). Females represented 39.2% of the total labor force in 2022. Political dissidents are discriminated against with regard to access to public office.

Social differences are minor at the primary education level but more significant at the tertiary level. The extreme inequality of income distribution and resultant poverty levels are the most critical factors influencing exclusion from educational opportunities. Due to poverty, 50% of individuals lack access to preschool, which is a missed opportunity that is difficult to compensate for at subsequent levels. Within the age group of three- to five-year-olds, 68% of non-poor individuals have access to preschool, compared to 51% of the poor. For the 6 to 11 age group, the comparable ratio of school access is 100% to 90%. Among 12- to 17-year-olds, the ratio is 94% to 72%, while for 18- to 24-year-olds, it is 28% to 16%. Educational setbacks due to COVID-19 lockdowns have not been fully overcome by the 12- to 17-year-olds attending public schools. Additionally, poverty also limits access to higher education. In general, private institutions offer a higher quality of education compared to public schools (ENCOVI 2022).

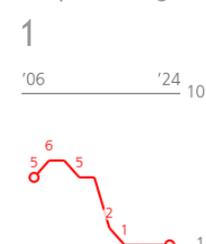
## 11 | Economic Performance

The slow thawing of frosty relations between the United States and Venezuela, with gestures such as a prisoner swap and the cautious easing of U.S. sanctions, have strengthened the Maduro regime both domestically and on the international stage. Emboldened by a more favorable context and the legal basis provided by the Anti-Blockade Law, Maduro ended the country's economic freefall by pragmatically resorting to orthodox neoliberal instruments. For instance, he effectively abolished exchange controls, reduced public spending and the monetization of deficits, injected

Equal opportunity



Output strength



foreign exchange, and eliminated the practice of squeezing out bank credit through extreme legal reserve requirements. The state boldly opened its strategic enterprises to private capital. Hyperinflation came to an end, and the economy began to recover. GDP per capita was estimated to have grown by 14% in 2021/2022, although this reflected a temporary rebound from the economic collapse of previous years. Early forecasts proved to be overly optimistic, but modest growth resumed in a continuing high-inflation context (229% in 2022). It is too early to determine if this turnaround is sustainable, though the IMF predicts steady growth accompanied by high inflation for 2023.

The most recent available quantitative indicators support the assessment above, with a total GDP (current prices) of \$69 billion in 2021 and \$82 billion in 2022, and a GDP per capita of \$7,108 (PPP) in 2022. The unemployment rate in 2021 was 6.5% (WB). IMF data show foreign direct investment of -\$761 million in 2022, a current account balance of 6% of GDP in 2022, a gross public debt of \$240.5 billion in 2022 and general government primary deficit of 4.5% of GDP. Total gross capital formation in 2020 was \$8.1 million, according to the World Data Atlas.

## 12 | Sustainability

As one of the countries with the highest levels of biodiversity in the world and some of the oldest geological formations with unique ecosystems, Venezuela has a long tradition of protecting areas covering a wide range of habitats. Approximately 57% of the territory has special legal status as a national park, natural monument or protected land. Furthermore, about a dozen constitutional provisions refer to the protection of the environment and habitats. The Ministry for the Environment was established in 1976 and was renamed the Ministry for Ecosocialism in 2008. Under this ministry's watch, the intensity of ecological protection spiraled downward as mineral exploitation of vast rainforest-covered areas and other lands expanded.

In 2016, the cash-strapped regime created the Orinoco Mineral Arc, an area of about 112,000 km<sup>2</sup> rich in mineral resources from coltan to diamonds and gold. It has a potential extraction value of up to \$2 trillion and was declared a Strategic Development Zone open to exploitation without the legally mandated previous impact assessments and without consultation with Indigenous residents. Unregulated and mostly illegal semi-mechanical alluvial mining operations have been conducted by Colombian ELN guerrillas and other gangs with the collusion of Venezuelan security forces, causing environmental degradation and the destruction of Indigenous communities' habitats. Satellite imagery shows that primal river basins have transformed into moonscapes. In its 2022 report, the Venezuelan NGO Clima21 reported a 170% annual increase in the deforestation rate in the Mineral Arc from 2016 to 2021. These mining activities also contributed to turning the Guayana region into a significant malaria hotspot.

Environmental  
policy

2

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Decaying equipment in oil production, transport and refinery installations has resulted in further severe environmental degradation, particularly due to an increase in oil spills from the refinery complex located on the Paraguaná Peninsula coast, as well as in the Lake Maracaibo and Maturin areas. Additionally, Venezuela ranks among the top 10 countries in the world with regard to gas flaring. In 2021, the flaring intensity reached approximately 40 cubic meters of methane per barrel produced, a volume equivalent to the total LNG exports from Trinidad & Tobago to Europe.

At the time of writing, an Organic Law on Renewable Energies was under discussion in the National Assembly. For the time being, there are no tax or other incentives in place to promote environmental issues. While the Ministry for Ecosocialism does not have a strong environmental policy record overall, there is also a bright spot. The ministry is on track with a significant UN-financed biodiversity project to design a platform for monitoring the implementation of the Cartagena Protocol on Biodiversity.

High-quality education is no longer available at any level in public or private institutions. Deteriorated physical structures, a lack of technical facilities, the widespread departure of grossly underpaid teachers, and an equally massive dropout rate among students who consider the continuation of studies to be useless have thrown the system into chaos.

In the Catholic University's 2022 Online Knowledge Assessment (16,000 tests, end-primary plus secondary), 61% of the participants failed the verbal ability test, and 68% failed the math ability test. A total of 11 million six- to 18-year-olds are expected to attend school, but only 69% actually do, and 81% of these students underperform in both the verbal and math skill areas. The scarcity of qualified teaching staff in STEM subjects – specifically mathematics, physics, chemistry and biology – is so severe that many students receive minimum passing grades without ever receiving proper instruction. The quality of Venezuelan universities, some of which were once highly ranked in Latin America, has also significantly declined. According to the 2023 QS University Ranking for Latin America, only four institutions, including three public and one private, made it into the top 100.

The Science and Technology Law (as amended in 2022) establishes contributions for knowledge formation funding of 0.5% to 2% of revenue payable by enterprises with a minimum gross revenue of 150,000 units of the Central Bank's highest-rated foreign exchange. Updated official quantitative information on education or R&D is unavailable. However, the country's score on the U.N. Education Index (2021) is 0.726; public expenditure on education amounts to 1.3% of GDP (2017); and on R&D, 0.3% (2014). The budget approved on December 14, 2022 (VEB 171 billion or \$8.5 billion as of mid-January 2023) allocates 4% of the total to university education, 11.4% to the Ministry of Education, and 4.6% to R&D. The most recent available data on R&D performance (RICYT/Red de Indicadores de Ciencia y Tecnología) are as follows: Public expenditure is 0.64% of GDP (2019); there are

Education policy /  
R&D

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0.44 researchers per 1,000 people (2020); there were 168 patents granted in 2019, all to non-residents; the invention coefficient – patents requested by residents/population – is 0.05, the lowest reported (2020); and the number of publications in SCI and SCOPUS is 10 and 16 per 100 researchers, respectively, with the country at the bottom of the list worldwide in both cases.

## Governance

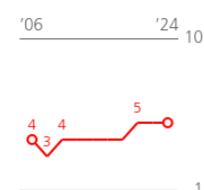
### I. Level of Difficulty

Venezuela represents one of the worst cases of Dutch disease observable today. It has depended on oil revenues for nearly a century, but the Bolivarian regime exacerbated the petrostate symptoms. Extremely high poverty rates and rising levels of inequality, a brain drain due to the lack of opportunities, a resulting lack of skilled labor, a crumbling infrastructure, a grossly underperforming education system, and a lack of R&D activity all constrain the regime's governance capacity. These predicaments did not exist when the Chavista regime came to power; they result from over two decades of dogma-beholden, incompetent and learning-resistant macroeconomic management characterized by state interventionism, arbitrary expropriations, the destruction of the price system and strangulation of the private sector by a small ruling elite that rotates positions among its members.

Driven by the dire living conditions mentioned above, a growing migration wave has resulted in approximately 7.5 million Venezuelans leaving their homeland. According to the IMF findings published on December 7, 2022, "the economies of host countries stand to increase their GDP by as much as 4.5 percentage points by 2030" – a significant loss for Venezuela that official statements and publications have never acknowledged. A study conducted by the United Nations Migration Policy Institute in 2020 revealed that between one-half and two-thirds of Venezuelan immigrants in Argentina, Chile, Costa Rica, Paraguay and Uruguay were university graduates. While the larger migrant communities in geographically closer countries like Colombia, Peru and Ecuador generally had lower average educational qualifications, there were still double-digit percentages of tertiary education graduates. Out of the total 7.5 million migrants, 21% had completed primary education level, 49% secondary education level and 30% had tertiary education degrees.

Structural  
constraints

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There is a long-standing tradition of civil society activity in the country. However, since the beginning of the Bolivarian Revolution, organizations' primary focus has shifted dramatically from neighborhood associations to the defense of human rights and the observation and monitoring of public policies, given the widespread lack of transparent official information. Groups concentrate on various areas such as economic and social development, social protests, crime, the environment, public administration, or instances of office abuse and corruption.

Alongside the regime's authoritarian degeneration and its ideologically based antipathy toward autonomous civil society organizations, the pattern of associativity in the country has fundamentally changed. On one hand, the regime establishment created its own dependent organizations, including about 3,200 communes and over 45,000 local food and production councils that do not produce anything but distribute subsidized food bags. On the other hand, many traditional civil society organizations have disappeared, even as new ones have emerged, mainly dedicated to the defense of human rights. Sinergia, the Venezuelan Network of Civil Society Organizations, now includes over 50 member organizations. Social capital is deficient in this "don't trust anyone" society with weak associativity indicators (only 5% of the population expresses social trust, according to Latinobarómetro 2021; a social capital score of 44.2 in the 2021 Legatum Prosperity Index 2021 ranking 147th out of 167 countries).

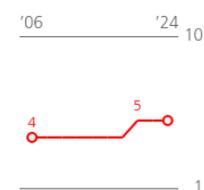
The primary societal fault line separates a comparatively united Chavista pole from a fragmented group of moderate-to-hardline dissenters. Most people consider themselves in between, with little inclination to take sides because they feel abandoned by both. Those in power praise their sunlit utopia and the government's wise leadership, while their opponents paint the picture of a perfect dystopian storm, decrying their antagonists as unfit to lead the necessary change. The objective, pressing, everyday needs of the people living under conditions of humanitarian emergency are not reflected in either pole's agenda.

The absence of functioning communication channels or platforms for dialogue with the out-of-touch leadership of both poles has resulted in a rise in protest actions that have sidelined parties and unions, even within large state-owned corporations in which workers often support the regime.

The Venezuelan Social Conflict Observatory reported 12,597 protest actions from January to September 2022, including 4,339 for social rights and 2,649 for labor rights. The Violence Observatory registered a total of 10,737 killings in 2022, resulting in a rate of 40.4 per 100,000. Venezuela continues to be one of Latin America's top three most violent countries.

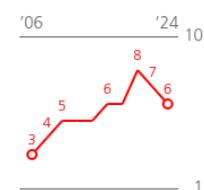
#### Civil society traditions

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#### Conflict intensity

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## II. Governance Performance

### 14 | Steering Capability

In an autocracy, the logical overarching strategic priority is the survival of the autocrat. Maduro has secured his rule vis-à-vis old powerbrokers within his coalition and the opposition and has resisted international gambits to oust him. In January 2022, he announced the beginning of a new stage in the country's transition to socialism based on the 3R.NETS Plan (2022 – 2030). The three R's stand for the orienting guidelines of resistance, revival and revolutionize, while NETS refers to the need to spread the word through all media outlets and channels.

The resistance pillar calls for continued support for the revolution despite international sanctions and the West's "economic war" against the country. Revival means going back to square one and rebuilding the Bolivarian Project, creating new economic and social structures. And revolutionize stands for the need to move quickly past habitual practices, creating new ways of action.

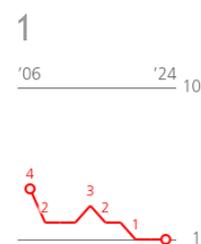
The concept of resistance justifies the continuation of social policies based on handouts rather than adequate salaries and entitlements, while the revival and revolutionize pillars clearly open the door for the ad-hoc use of instruments taken from the orthodox economic toolbox to address the severe macroeconomic imbalances, stimulate growth and relax the command economy by introducing market elements.

The autocracy has achieved its strategic priority of survival. Judging from the official discourse, the permanent anti-capitalist and anti-imperialist revolution has moved forward in a determined manner from one victory to the next in the transition to socialism: overcoming sanctions and the "criminal" dollar in the economic war, vanquishing the interim government and its supporters on the diplomatic front. In fact, the necessary minimum social and economic viability was ensured through the implementation of orthodox economic measures, which included effectively adopting the dollar as the currency, loosening exchange controls, implementing limited privatization, and initially establishing a covert reconciliation with the "Empire" following the energy crisis caused by the Russian war against Ukraine.

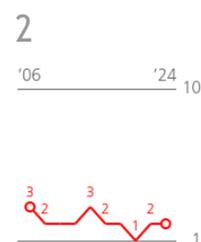
Propagandist newspeak can be found throughout the regime's communications, including speeches, statements, documents, reports, institutional sites and legislation. In order to avoid political risks associated with facts, this language employs euphemisms, circumlocution and the inversion of customary meanings. This is done to conceal the truth on one hand, while, on the other hand, using aggressive,

Question  
Score

Prioritization



Implementation



degrading and dehumanizing labels to stigmatize dissenters. The latter mode leads to the “legitimization” of the offensive actions taken against dissenters, which helps maintain control over an impoverished population. The “repression chain” operates via the initiation of public stigmatization by high-ranking officials in the state-controlled media, followed by arbitrary detention under baseless terrorism or libel charges, and finally imprisonment without due process.

The regime has managed to secure power, but its public policy goals remain more distant than ever. The difference between fact and fiction, between the current dystopia and the desired utopia, is vast. In January 2021, the Planning Ministry issued a document called “Venezuela in Numbers 2021 – Our Transition to Socialism – Radiographing Hope, the Fight and the Construction of the Fatherland Plan.” This describes quantified policy goals to be achieved by 2025 and identifies the associated tracking statistics. Just a few examples demonstrate the vast gap referred to above, contrasting the government’s plan with independent data. While the rate of extreme poverty is envisaged to fall to 1.5% by 2022 and 0% by 2025, independent observers estimated it at 53.3% in 2022 (ENCOVI 2022). The Gini coefficient was supposed to reach 0.27 by 2022 and 0.26 by 2023 but is externally estimated to be 0.603. The student population was expected to expand to 13.8 million by 2025 but was just 7 million in 2022. All homes were slated to have landline phone coverage by 2022, but the actual rate was 18.4% in 2020 (WorldData). As of January 2021, when about 6 million Venezuelans had turned their backs on their country in search of better opportunities abroad, the Planning Ministry’s Venezuela in Figures report avoided any reference to that fact, even in its demographic data.

Maduro’s position as the undisputed leader of the revolution gained further strength with the unexpected outcome of the November 2021 regional elections. In Chávez’s native state, Barinas, which Chávez’s family members had governed since 1998, Chávez’s brother, the sitting governor, lost the election. The Supreme Court – invading the turf of the electoral authorities – ruled the election null and void and ordered a repeat election in which the opposition candidate defeated Chávez’s son-in-law and former Foreign Minister Jorge Arreaza. In January 2023, Maduro dismissed another Chávez brother from his post as the CEO of PDVSA. He had been the only remaining Chávez family member in a high-level regime position.

Policy learning does not occur within an institutionalized framework; rather, policy changes primarily take place in an ad hoc manner due to economic and legitimacy pressures rather than as a result of systematic observation and consultancy. Starting in 2020, the regime has made some minor gestures of goodwill toward the opposition. For example, it has renewed the Electoral Authority, reducing its regime domination from 4:1 to 3:2, and resumed dialogue under Norwegian guidance in Mexico. Additionally, there has been notable flexibility shown in the monetary and economic domains. However, it is too soon to predict a lasting policy shift. Currently, the innovative Anti-Blockade and Special Economic Zones Laws offer some breathing

Policy learning

2

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space for potential economic opening up. Nevertheless, there are unfavorable underlying factors, including the absence of long-term policies to address persistent macroeconomic imbalances, bureaucratic-institutional barriers, and a still-unwelcoming investment environment. These factors limit market opportunities.

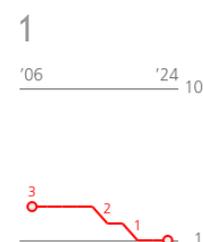
## 15 | Resource Efficiency

Assessing the efficiency of resource use in a public administration requires updated and reliable qualitative and quantitative data that are unavailable in Venezuela. Nearly all the existing tracking tools are published by international organizations and initiatives. The National Statistics Institute’s “updated” statistics date from a relatively distant past, given the sharp socioeconomic decline over the past 10 years. For example, demographic projections are based on the 2011 census, CPI data is from 2015, GDP data is from 2013, consumption data is from 2012, tourism statistics are from 2013, labor force data is from 2018; HDI data is from 2013, poverty statistics are from 2019, and there are no available statistics on the environment.

The country’s vast resource potential – from hydrocarbons and metals to hydropower, solar energy and wind energy farms, as well as agriculture, livestock and fishing – is grossly underused or even ignored. Vast numbers of skilled workers have turned their backs on the fatherland and are contributing to positive developments elsewhere.

Policymakers do not reveal the fact sheets – if they use any – that inform their decisions. For example, when they forecast that crude oil production will rise to 6.5 times its 2022 levels in just three years (from about 700 million to 4.6 billion barrels per day), they appear to be unaware of the fact that production in 1999 was five times the 2022 level, and output per worker in the industry was 20 times higher in 1999 than in 2022. Available tracking tools provide evidence of the administration’s inefficiency in the use of human, technical and financial resources: in the IMD World Competitiveness Yearbook 2022, Venezuela ranked 63rd out of 63 countries, with a rank of 63 for overall economic performance, 62 for government efficiency, 62 for business efficiency, and 63 for infrastructure. Worldwide governance assessment tools such as the U.N.’s Public Expenditure and Finance Accountability framework, Public Expenditure Tracking Surveys (PETS), or the World Bank’s Quantitative Service Delivery Surveys or Participatory Public Expenditure Reviews do not track Venezuela.

Efficient use of assets



The high rotation rate around top ministry and state-owned enterprise positions by a limited pool of high-ranking officials, many of them with a military background and only a handful with proven expertise, hampers the pursuit of consistent policy and business strategies based on teamwork. This in turn fosters visionless ad-hoc tactics. Maduro's cabinet includes 33 ministries and nine vice-presidencies. Since assuming office in 2013, he has appointed numerous ministers, with some individuals holding up to eight cabinet positions. PDVSA, the state-owned oil and gas company, has had five CEOs since 2017, two of whom were from the military, each pledging to implement the well-known revolutionary “three Rs” concept of revision, rectification and re-impulse announced by Chávez in 2008. These phrases imply the need for spontaneous action to correct previous mistakes.

The Federal Government Council – ideally a platform for coordination between horizontal and vertical powers – in practice functions more as a means of centralizing a decentralized government. The national government brings regional and local tariffs back together through the Harmonization of Municipal and State Tax Powers.

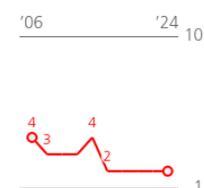
Venezuela's Anti-Corruption Law, as amended in 2022, meets international standards and provides a solid legal framework to combat corruption. However, that does not prevent the country from being perceived as one of the most corrupt in the world. Venezuela is a high-risk jurisdiction where adherence to the law tends to be the exception rather than the rule, allowing laws to be weaponized at the discretion of the elites as tools to repress dissent. The Comptroller-General's Office has disqualified opposition politicians from running for office on the grounds of alleged wrongdoing. In 2021, 28 opposition lawmakers were affected, with a disqualification period of 15 years, including Interim President Juan Guaidó.

The Comptroller General, the Public Prosecutor and the National Anti-Corruption Body are the agencies responsible for prosecuting corrupt practices. The Comptroller General's Office controls the electronic system for processing asset declarations by senior public officials. In general, there is little enforcement of corruption regulations. Besides the traditionally endemic bribery, characterized by excessive bureaucratic controls in which procedures can be fast-tracked through facilitation payments, corruption has taken on a strategic character that transcends greed and is a means of benefiting higher echelons, accommodating particular elites and securing their loyalty to Maduro. Corruption is the strategy used to buy the support of stakeholders via unlawful means. Many public contracts are issued under emergency procurement procedures, bypassing public tendering. A highly politicized judiciary stands by to “legalize” the tolerance of illegal activities.

In the 2022 Index of Public Integrity by ERCAS/CIPE, which assesses countries' capacities to control corruption, Venezuela scored 2.97 out of 10, ranking 111th out of 114. The country has experienced a decline “in nearly every component of the IPI” over the past decade. These components include judicial independence, administrative transparency, online services, budget transparency, e-citizenship and

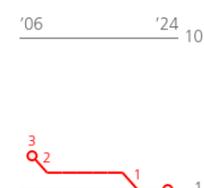
#### Policy coordination

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#### Anti-corruption policy

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press freedom. The score on the corresponding transparency index was 6.00 out of 100, with the country ranked 117th out of 129. The organization's corruption risk forecast for Venezuela is "declining," primarily due to the complete lack of judicial independence. As a result, Venezuela continues to have the lowest ranking in the region and income group.

Venezuela received a score of 0 in the Open Budget Survey 2021, indicating scant or no information available with regard to transparency, oversight and public participation in the formulation, approval, implementation and audit of the national budget. Additionally, in the 2022 UN e-Government Index, Venezuela's ranking dropped from 118th in 2020 and 55th in 2005 to 128th out of 193. Similarly, its ranking in e-participation declined from 172nd in 2020 and 22nd in 2005 to 178th. These rankings mirror the country's decline in the IPI.

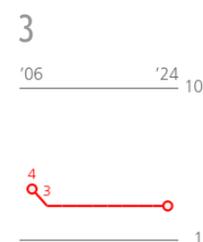
## 16 | Consensus-Building

There is no normative agreement on the general goals of development and transformation. While there is a broad public consensus on representative democracy being preferable to any other government system, that obviously excludes the ruling elite and their still-loyal followers who defend the Marxist-Leninist conception of people's democracy. Internally and externally strengthened by the termination of the interim government, the gradual revision of the failed U.S. strategy of "maximum pressure," and the rise of a more favorable "pink" regional environment, the regime now appears headed for greater resilience and stabilization.

The government and the opposition Unitary Platform have signed a partial agreement in Mexico on social matters, which was supported by Norway and welcomed by the U.N. Secretary General. Overall, this helps the regime to bolster its weak legitimacy. The regime's ability to make additional concessions toward achieving a more level electoral playing field will depend on its prospects for reentering international markets. Even in a fairer election, the regime could emerge as the winner due to the hopelessly disunited opposition.

There is also a broad public consensus on the benefits of a social market economy, although there are significant differences over the weight of the social dimension. Even some factions of the ruling elite align themselves closer to market principles, although not their staunchest supporters. The regime recognizes the importance of incorporating marketeconomic elements as a means of restoring its lost legitimacy in terms of output. The Anti-Blockade Law allowed the regime to introduce some monetary and fiscal pragmatism, effectively halting the economic decline. If the recent return to growth proves sustainable and is reinforced with further economic and pragmatic measures, the shift toward a market-oriented system could gather steam.

Consensus on goals



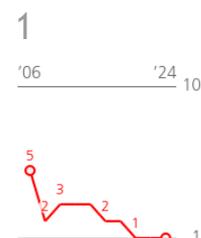
The issue here is not one of co-opting the governing anti-democratic actors, who will not voluntarily relinquish power. Rather, the problem is one of how to offer them incentives to accept rules establishing a more level playing field – for instance, in exchange for improved prospects, such as a return to international markets that would align with their economic interests. On the other hand, the “reformers” are struggling to find common ground on the kind of reforms desired. To date, they have largely seemed to focus on the next election, developing tactics accordingly. Even if the opposition were to gain ground, it is difficult to see what alternative it could offer.

The regime is not interested in depolarizing the political conflict. Populist autocracies need enemies, not adversaries. Some view it as a step toward moderation that the anti-democratic ruling actors have persuaded opposition sectors to accept cohabitation in exchange for superficial changes that would enhance their legitimacy. Now, however, the non-cooperative democratic actors are branded as anti-patriotic enemies. In an autocratic regime, the competition for power compels the opposition to challenge the rules of the game, which are heavily skewed in favor of the administration. The opposition cannot agree to be co-opted, and the survival-focused regime cannot accept fair rules that would pose a threat to its existence.

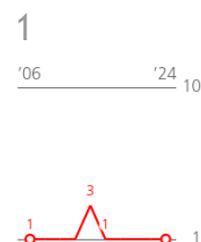
Venezuela’s participatory democracy constitution enshrines citizen participation in various ways, ranging from a voice in judicial, electoral and citizens’ power branches to a role in the formulation, financing, implementation and monitoring of public policies. However, in reality, such participation is more illusory and superficial than effective, as shown by the 2022 renewal of the Supreme Court. The National Assembly amended the law to increase its power by appointing court members in a way that the International Committee of Jurists described as “co-optation,” effectively transforming the court “into an appendage of the executive branch.” The regime typically rejects consultation with civil society and instead resorts to repression and harassment of civil society actors. Occasional consultations, such as a round table involving employers, unions, government representatives and civil society groups engaged in the initiative to renew negotiations between the government and the opposition, are rare exceptions.

International tracking tools rate citizen participation as nonexistent. The 2021 Open Budget Survey, which examines the budget practices of the executive, the legislature and the audit authority, ranks Venezuela second-to-last in the areas of public participation and transparency, with scores of 0 out of 100. The country also ranks fifth-to-last in the area of budget oversight, with a score of 13/100. The 2022 UN e-Government Index ranked Venezuela 178th out of 193 countries in terms of e-participation.

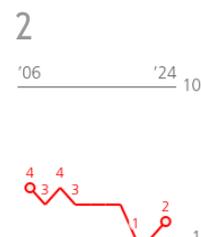
Anti-democratic actors



Cleavage / conflict management



Public consultation



Reconciliation between victims and perpetrators is unequivocally not included in the agenda of the ruling leadership. According to the September 2022 report of the U.N. Independent International Fact-Finding Mission on the Bolivarian Republic of Venezuela (FFMV), the Venezuelan authorities have not succeeded in holding perpetrators accountable or in providing reparations to victims. This failure occurs within a context where the announced judicial reforms have, since 2021, been unable to address the justice system's lack of independence and impartiality. Violations and crimes committed by SEBIN and DGCIM persist to this day. The same structures, dynamics and practices remain unchanged, while relevant officials continue to be employed by these agencies, and, in some instances, they have even received promotions.

Reconciliation

n/a

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n/a \_\_\_\_\_ 1

## 17 | International Cooperation

Venezuela has maintained strategic partnerships with China and Russia for over a decade, and long-term cooperation agreements with Iran and Türkiye were signed in 2022. These countries' support was crucial in bolstering the regime's resilience against crippling U.S. sanctions and the widespread international recognition of Guaido's interim government. China and Russia provided debt restructuring deals, Iran supplied vital gasoline shipments, and Türkiye became the primary partner for gold trade and refining. However, the country's trade relations do not necessarily reflect these strategic partnerships. According to the WTO, in 2022, Venezuela's top trade partners were the United States, the European Union, China, Colombia and Brazil, in that order.

Effective use of support

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Venezuela enjoys the status of a Comprehensive Strategic Partnership, the highest Chinese classification, along with six other South American countries. It is the largest loan recipient in the region, having been issued a total of approximately \$68.6 billion. However, there is little information about conditionality or the number of approved, terminated, abandoned or never-initiated projects. For instance, the communication satellite launched by China on Venezuela's behalf was lost in space after 12 years of service, and an agreed-upon technological transfer never took place. The conditions of these loans include contracts for Chinese companies and the use of Chinese technology, with most loans priced at LIBOR plus spread. In 2020, Venezuela was due to make a payment of \$3.1 billion, which accounted for about 57% of that year's budget.

Venezuela is Russia's key ally in the southern half of the American hemisphere. The Chávez administration switched from the United States to Russia as an arms supplier; the armed forces are now equipped mainly with Russian-made military hardware. The cooperation includes joint military drills with Iranian and Chinese units, as reported by the U.K.-based Iran International newsroom. Even the potential deployment of Russian bases is no longer a taboo and has been neither confirmed nor

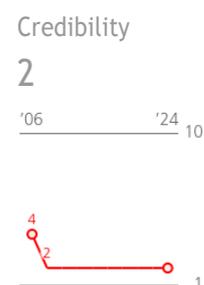
ruled out. When asked in 2022 if the potential deployment of military infrastructure to Venezuela was under consideration, Russian Deputy Foreign Minister Sergey Ryabkov said that he did not want to “confirm anything,” but added that he would “not rule anything out either” (TASS, January 22, 2022). Russia also cooperates by providing medical supplies and oil well services. There is also a small tourism component, with Venezuelan flagship carrier Conviasa operating direct charter flights from Moscow to Margarita. In addition, the two countries agreed to negotiate a debt restructuring deal and discussed the adoption of the Russian Mir card payment system in Venezuela.

Maduro visited Iran in October 2022 and signed a 20-year cooperation road map with President Raisi. The details were not disclosed. Apart from vital gasoline shipments, Iranian technical assistance has been crucial in avoiding the collapse of Venezuela’s refineries. According to a press release from the BBC on November 30, 2022, Iran provides armed surveillance and combat drones to the Venezuelan military. Iran expressed a critical view regarding Maduro’s rapprochement with Washington – President Raisi warned Maduro that the United States’ purpose was to gain access to the country’s energy resources.

In recent years, Türkiye has become a significant trading partner. Since 2019, numerous agreements have been signed by the two nations, eight of them during a visit by Türkiye’s foreign minister to Caracas in April 2021. Relations with Türkiye have been limited to strengthening commercial ties. Bilateral trade volumes reached \$1 billion in 2022. However, there is little evidence of a long-term strategy for building international alliances. Apart from China, Iran, Russia and Türkiye, the Venezuelan regime is reaching out to Algeria, Kuwait, Qatar and Azerbaijan.

Venezuela’s strategic allies praise it as a reliable partner, even though China and Russia – the country’s largest creditors – are losing patience over outstanding debt. Both have agreed to repeat restructuring schemes and grace periods but have become reluctant to extend fresh money. However, they consider the partnership to be essential, given Venezuela’s geographical position and rich resources, both of which serve their geostrategic and economic interests in the region.

A concerning situation arises regarding the country’s obligations to the international community as established by the numerous treaties, conventions and agreements it has ratified. Specifically, the country remains indebted to corporations that have been expropriated without compensation in concluded International Center for Settlement of Investment Disputes (ICSID) arbitration cases, with billions of dollars owed. Examples include Occidental Petroleum, Rusoro Mining and Conoco Phillips. It is worth noting that although Venezuela renounced its ICSID membership in 2012, cases initiated prior to the notice’s effectiveness were allowed to proceed. The country’s ability to regain access to international capital markets, a crucial step for sustainable recovery, will to a certain extent depend on how it tackles this issue, as a significant portion of its external financial debt consists of bonds issued under New York law.



Furthermore, the ILO has received a complaint denouncing “attacks, harassment and aggression against business and union leaders,” and in 2021 it approved a resolution urging Venezuela to respect the freedom of association. Regarding the ICC Prosecutor’s investigation of alleged crimes against humanity, the authorities agreed to “ensure the effective administration of justice.” When the UNHRC Fact-Finding Mission reported non-compliance, the ICC Prosecutor submitted a request in late 2022 to reopen his investigation. In addition, the IPU Governing Council urged the government in October 2022 “to put an end to the persecution of opposition MPs.”

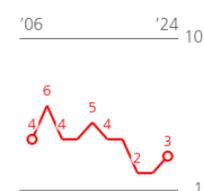
However, there is a bright spot concerning the country’s climate change commitments. The Ministry for Ecosocialism is on track with a significant UN-financed biodiversity project, designing a platform to monitor the implementation of the Cartagena Protocol on Biodiversity. However, the climate change downside is also significant. Venezuela committed to a list of quantified goals as a follow-up to the Paris Agreement. These included, among other things, capping gas-flaring, improving waste disposal and recycling, increasing renewable energy generation, and expanding mass transit systems. As of the end of 2022, some goals were farther away than before. The Global Gas Flaring Tracker Report (2021, WB) highlights Venezuela as the country whose flaring intensity increased most from 2012 to 2021. Yale’s 2022 Environmental Performance Index ranked Venezuela 153rd out of 180 with a negative 10-year change in terms of waste management and 65th out of 180 with a positive change in terms of recycling. The wind farms promised do not yet exist, and the expanded mass transit systems remain in the planning stage.

The “pink tide” that replaced center-right with center-left governments in South America, particularly in neighboring Colombia and Brazil, paired with the demise of the Lima Group’s, has ended Maduro’s isolation. His regional standing has thus improved without evidence of the infamous checkbook diplomacy. Venezuela’s South American neighbors host millions of Venezuelan migrants, primarily the country’s best-skilled workers, whose talents are contributing to these economies’ growth (IMF Country Focus, December 2, 2022), but who also pose a burden on housing and services. Key leaders such as Brazil’s Lula or Colombia’s Petro may be able to help persuade Maduro of the advantages of engaging in a constructive dialogue with the opposition, with the goal of finding a political resolution to the country’s ongoing multifaceted crisis, which would benefit the region as a whole.

The unprecedented influx of Venezuelan migrants across Latin America and the Caribbean has started to strain the hospitality of their host countries. Chile, Ecuador and Peru have reported attacks against Venezuelans. According to the Refugee and Migrant Needs Analysis conducted by the UNHCR and the International Migration Organization, 4.3 million out of the 6 million Venezuelan migrants in LAC “face challenges accessing food, housing and stable employment.” Interestingly, the People’s Power Ministry for Foreign Relations home page fails to address the magnitude of the issue in describing the country’s regional standing but does

Regional cooperation

3



commend the success of the “Return to the Fatherland” plan, which has brought back a total of 30,000 citizens since its inception over four years ago in 2018. Within the same context on that home page, Venezuela’s ambassador in Ecuador claimed in early 2023 that “Venezuelan migration” was a calculated maneuver by the right to exacerbate a humanitarian crisis.

New cooperation agreements in the areas of agriculture and energy have been signed with Cuba. An important step in relaxing regional tensions was the re-establishment of diplomatic ties with Colombia and the announced resumption of judicial cooperation between both countries. Although this cannot be seen as a return to the status quo ante, it does represent notable progress.

## Strategic Outlook

The upcoming 2024 presidential election will dominate the political agenda. Even though the exact date had yet to be established as of the time of writing, the campaign had already begun. For example, Maduro announced the “My Church Well Equipped” government program to evangelical pastors and ordered the country’s broadcast media to give them expanded access. Unlike the mainstream Catholic Church, Evangelicals have always supported the regime.

The fragmented opposition has yet to unite around a single coherent strategy. Most groups in Venezuela and abroad welcomed the designation of an independent commission of respected experts who will write guidelines for primaries to be held in June 2023. However, not all opposition forces want this; some would prefer to present a “consensus” candidate picked by party powerbrokers. It is unlikely that the different opposition factions in the country and the diaspora will commit to fielding a single contender supported by all. Maduro may thus be able to win an election even on a more level playing field, as the candidate with the most votes wins in the first and only round.

The international community welcomed the resumption of the Norwegian-supported Mexico dialogue between the regime and opposition groups as a step toward solving the political deadlock. Venezuela is no longer on the Crisis Group’s list of conflicts to watch. The mere existence of the talks fosters Maduro’s de facto recognition, and the allied legislature and judiciary can help him backtrack on concessions regarding election standards at any time.

As for the economy, it is too early to depend on a sustainable recovery based on the initial results of the laissez-faire shock applied in 2020/2021. As long as macroeconomic imbalances such as spendthrift budgets, high unemployment rates, high inflation rates and depleted asset markets are not effectively addressed through consistent and predictable fiscal, monetary and exchange policies, instability is likely to persist. However, widespread wage protests and mobilizations in January 2023 by public workers – who are in theory part of the regime’s base – illustrate the political risks inherent in adjustment packages.

Solutions to the complex humanitarian crisis should not be expected soon, nor should attractive conditions that would persuade a significant part of the diaspora to return home. The UN Office for the Coordination of Humanitarian Aid provides relief funded by donor nations, primarily the United States and the European Union, but that does not translate to an eradication of poverty and inequality. Progress in that direction – albeit relatively slow – will depend on implementing coherent and convincing economic policies that undergird sustainable growth, given that perceptible changes in poverty and inequality indicators take time even under optimistic forecasts because they are structurally ingrained.

In a friendlier regional and international environment, strengthened by de facto recognition and his newly earned position as the hegemon within his revolutionary movement, Maduro should take advantage of the occasion to implement a coherent adjustment package focused on the imbalances. With the tacit or outright backing of the opposition, a predictable policy mix would help convert Venezuela’s untapped potential into true opportunities, encouraging long-term investments and promoting sustained stability.