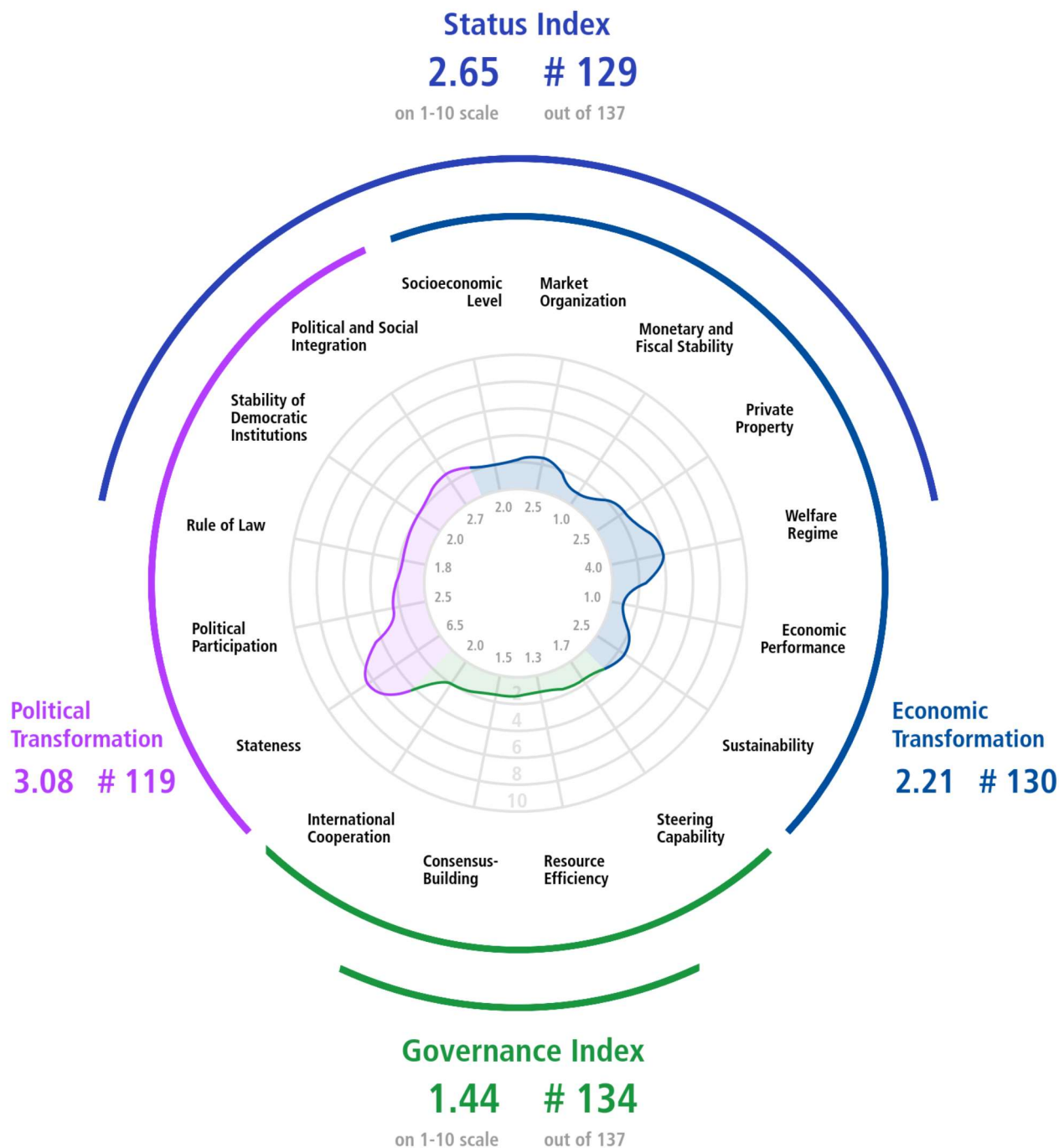


Venezuela



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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	28.4	HDI	0.711	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	-0.3	HDI rank of 189	113	Gini Index	44.8
Life expectancy	years	72.1	UN Education Index	0.700	Poverty ³	% 14.3
Urban population	%	88.3	Gender inequality ²	0.479	Aid per capita \$	10.0

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

By the close of the review period, Venezuela continued to have two presidents and two legislatures. The de facto power-wielding President Nicolás Maduro and the National Assembly elected in an unfree and unfair process in December 2020 had been recognized by about 20 countries, while nominal interim President Juan Guaidó and the legitimate National Assembly elected in 2015 had been endorsed by about 60 countries as of January 2021.

A petrostate in decay, the country is characterized by the amassing of political and economic power in the hands of an autocratic ruling elite, unfettered corruption, patronage networks, weak institutional arrangements and the brutal repression of dissent. Gross mismanagement of fiscal, monetary, budgetary and foreign exchange policies, as well as extensive graft, has thrown the country into a complex humanitarian crisis. Under President Maduro's watch, the economy came to a grinding halt, with the GDP plummeting by 86% and inflation topping 65,000% (in 2018). The IMF forecasts further GDP contractions of -10% in 2021 and -5% in 2022.

The complex humanitarian crisis has left over 1 million children between three and 17 years of age out of school, and about 350,000 migrant children and youth at risk of lagging behind. Severe structural constraints such as extreme poverty, the lack of a skilled labor force and a decaying infrastructure restrict the regime's governance capacity. But these constraints did not exist when the regime came to power. They are the result of irresponsible macroeconomic management characterized by excessive state interventionism, arbitrary expropriations, and the destruction of the price system and market rules, all of which resulted in the strangulation of the private sector. The share of citizens living under conditions of extreme poverty surged to 79.3% in 2019, and the proportion of the workforce deemed skilled labor dropped to 42.3%, a consequence of the decaying education and training system, as well as the massive exodus of well-educated and skilled Venezuelans who have fled the country's crisis.

With oil production down to a trickle, other products such as gold took center stage in generating foreign exchange. The quasi-legitimization of irregular gold mining in collusion with criminal syndicates, along with the stealth sale of the gold produced for cash, helped the regime's leaders survive but also implied that they are involved with criminal gangs. The regime has been effective in clinging to power, while evidently insensible to the complex humanitarian crisis affecting the population. Even the recent steps to loosen the tight controls on the economy, such as de facto dollarization and the stealth reprivatization plan via the Anti-Blockade Law, are intended to serve as lifelines for the cash-strapped regime rather than a move toward liberalization.

The country's strategic partners, including Cuba, Russia, China, Iran and Turkey, have provided the regime a real lifeline. Thus, the government has been extremely effective in the use of international support for its overarching strategic goal, namely securing and tightening its own grip on power. The support is not an integral part of a long-term socioeconomic development strategy. Russia, China and Iran consider Venezuela a bridgehead for their own longer-term geopolitical interests in the region.

At first sight, COVID-19 infection and fatality rates appear to be fairly low in Venezuela. However, the data is probably incomplete, and even so, the pandemic is exacerbating the ongoing humanitarian crisis in Venezuela. According to a report by the Center for Strategic & International Studies (CSIS), the already dismal humanitarian situation has further worsened over the course of the pandemic. The government did not act transparently, but rather with a mixture of misinformation and conspiracy theories, and used the state of emergency as cover for repressive measures against the opposition and to punish dissenters.

History and Characteristics of Transformation

By 2020, seven years of uninterrupted economic recession that had knocked out two-thirds of the country's GDP and saw oil production and exports shrink to a trickle had turned Venezuela into a decaying petrostate. Petroleum had taken center stage in the economy during the 1920s, spurring social and economic modernization. Democratization started in the mid-1940s, but a first attempt failed. Democracy was reestablished only in 1958, after another authoritarian period, with the democratic order consolidating over the course of the 1960s. Successive democratically elected and alternating governments formed in the context of an elite pact model called "puntofijismo" (1958 – 1998) pursued the diversification of the economy through the creation of state-owned basic industries and import substitution industrialization in a protected market, a model that entailed huge subsidies that rewarded inefficiencies. The positive results of that period include the construction of modern infrastructure, the emergence of a middle class, increased upward mobility, and significantly improved 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 led by 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 campaigning 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 re-centralization of the state, and the primacy of a state-regulated social market economy.

Chávez was re-elected in 2006 and 2012. His movement scored further victories at the polls in local, regional and national elections. However, he was unable to assume office in 2013 due to severe illness, from which he ultimately died in 2013. Maduro, his hand-picked successor, secured a razor-thin victory in the presidential elections of April 2013. In the legislative elections of 2015, the opposition secured a two-thirds majority in the National Assembly. Expectations that this would open the door to a gradual change were soon belied when the government urged a compliant Supreme Court to declare the National Assembly to be “in contempt” in order to bypass the legislative power.

The opposition initiative for a recall referendum on Maduro in 2016 was backed by 7.5 million voters but was ultimately blocked by the electoral authority. Massive demonstrations in favor of the referendum were brutally repressed, leaving more than 150 dead. The national elections that followed from 2018 to 2020 failed to meet constitutional requirements and were neither free nor fair. President Maduro was re-elected in May 2018 but was denied recognition by the opposition and a large part of the international community. The election of a constituent assembly consisting entirely of members of the Maduro-headed United Socialist Party of Venezuela (PSUV) in July 2018 was unconstitutional and was also denied recognition by the opposition and abroad. In January 2019, the National Assembly elected 36-year-old Juan Guaidó as its president for the 2019 – 2020 session. In a surprise move, the Assembly also formally declared Maduro’s de facto presidency to be “judicially ineffective,” and in accordance with constitutional provisions, assumed the executive power with Guaidó as interim president. While Maduro has been backed by his allies Cuba, China, Russia, Turkey, Nicaragua and a few other countries, Guaidó has been recognized by about 60 countries, including most of Latin America, the United States and the European Union.

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

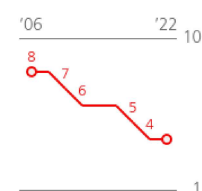
1 | Stateness

If, according to Max Weber, the (modern) state is a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory, Venezuela has – intentionally or not – experienced a further refeudalization, given the fragmentation of the once comprehensive state monopoly on the use of force. The boundaries between state and non-state actors have become even more blurred, placing a great burden on future redemocratization. The governing elite has de facto delegated parts of the state monopoly on the use of force to guerrillas; mining, drug and human-trafficking mafias; and regime-friendly urban gangs, the so-called colectivos. This is true in large areas of the border states as well as in specific neighborhoods of the big cities. Illegal gold, coltan and diamond mining in the “mineral arc” south of the Orinoco (about 112,000 km²) are mainly controlled by the Colombian National Liberation Army (ELN) guerrilla in collusion with Venezuelan military mafias. Transparency Venezuela (2020) estimates that only between 10% and 30% of the gold extracted is processed by the State Gold Mining Company (Minerven) and delivered to the central bank as required by law. The rest leaves the country in trucks and planes, or carried by human “mules.” Drug and human trafficking in Apure, Táchira and Zulia on the Colombian border, as well as in Sucre, close to Trinidad, are controlled by cartels in collusion with military-political mafias. The U.S. Drug Enforcement Administration (DEA, March 2020) has charged President Maduro and 14 current or former high officials with narco-terrorism and drug trafficking, among other criminal charges, offering millions of dollars as a reward for information leading to their capture.

Question
Score

Monopoly on the
use of force

4



All social groups agree about citizenship and accept the nation-state as legitimate. Access to citizenship is simple and without discrimination. However, in 2020, the Electoral Council deprived indigenous peoples, about 3% of the population, of their full citizenship rights by replacing the constitutionally enshrined direct, secret and universal vote with a second-degree suffrage process based on the show of hands. Although there is no systematic denial of citizenship on the formal level, the fusion of nation and chavismo in some sort of civil religion amounts to the denial of citizenship for dissidents, at least on the rhetorical level.

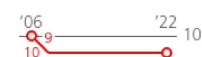
The legal order and political institutions are entirely free from religious dogmas. The majority of the Venezuelan population (about 90%) is Catholic, but neither the widely trusted Catholic Church nor evangelicalism, which is present in poor urban areas, are interfering in the legal structure or political institutions of the state.

The state's administrative structure still covers the whole territory and is easily accessible but has deteriorated even more in the past two years in terms of effectiveness and regulatory quality and implementation. The system of social missions, formerly a parallel administrative structure in the framework of a "new institutionality," has all but disappeared: the official mission website has not been updated in recent years, and the National Statistics Institute lists only eight programs, down from over three dozen, with little information or data on performance. The Food Distribution Mission was replaced by Local Supply and Production Councils (CLAP) managed by the ruling party (PSUV).

In recent years, about one-fifth of the population has fled the country, causing what is currently the most severe refugee crisis in the world outside of Syria. The massive emigration of trained workers, as well as staff recruitment and promotion practices based on political loyalty rather than performance, have exacerbated the poor technical conduct and capacity of public services. Venezuela's civil service is perceived as the least professional and most politicized in Latin America (OECD 2020: Government at a Glance. Latin America and the Caribbean). The judiciary consists of a five-layer court system: the Supreme Tribunal, the superior courts of appeal, the district courts, the courts of first instance and the parish courts. The courts of special jurisdiction include military, tax and juvenile courts, along with justices of the peace. The justice system is not independent, impartial, transparent, accessible or effective (UNHCHR Report 2020). Citizen confidence in the judiciary is at a low level (OECD 2020). The tax authority (SENIAT) meets professional standards. Tax system complexity is low (taxcomplexity.org); tax returns can be filed easily via the internet. Law enforcement is incumbent upon half a dozen national, 23 state and 114 municipal police departments, totaling about 115,000 agents. The public perceives

State identity

9



No interference of religious dogmas

10



Basic administration

3



the police forces as uniformed crooks rather than as law enforcers (trust in the police 18%, Latinobarómetro).

Mobile telephone and broadband services are provided by two private companies and the state-owned telecom firm CANTV, which also runs a landline network. Several cable TV operators provide internet access. The telecommunication networks cover the whole territory, but connectivity problems are frequent due to underinvestment, poor maintenance and power outages. The loss of the country's telecommunications satellite Venesat-1 in March 2020 degraded connectivity in rural areas. Intra- and interurban transportation is provided by a complex mix of private and public companies. Several big cities have subway networks. The system is in existential crisis due to controlled prices that do not cover costs, lack of spare parts or fuel shortages. The state-owned company BAER operates over a dozen international and domestic airports. Government-appointed military officers operate and control nine major ports and hydrocarbon terminals. Although over 90% of households are connected to water supply systems, only just over 20% have regular access to safe drinking water. Fully 95% use improved sanitation facilities (ENCOVI 2020).

Education is provided by a system of public and private institutions at the university, secondary, primary and pre-primary levels. There are over 90 universities and institutes of higher education and 28,000 primary and secondary schools. The country's general crisis has affected school attendance. Health care is also provided by public and private institutions covering the whole country. There are over 200 public hospitals and a dense network of primary health care stations (outpatient and diagnostic centers). Health care is in disarray due to the loss of human capital, supply shortages and the breakdown of medico-technical equipment.

According to a survey commissioned by the National Assembly on the impact of the COVID-19 pandemic in nine cities (October 2020), 40% of the households suffered daily and 28% weekly power outages, and 76% suffered weekly drinking-water supply disruptions (in some cases, there was not even water for washing hands). The reported disruptions cannot be attributed to the COVID-19 pandemic alone.

2 | Political Participation

Elections are called frequently at the national, regional and local levels, but often not regularly under the terms of office and schedules established by the constitution and the laws. The country's score on the Perception of Electoral Integrity Index is a very low 27, with the lowest values for electoral laws (12), procedures (16), campaign finance (16) and electoral authorities (19) (Electoral Integrity Project 2019, data referring to the presidential elections 2018).

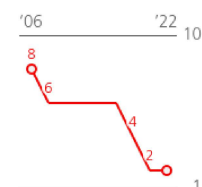
The conduct of the parliamentary election of December 2020 was irregular from the beginning to the end of the cycle, including aspects such as its schedule; regulation; the registration of voters, parties and candidates; observation; the voting itself; the vote count; the audit; and the proclamation of elected representatives. Most opposition parties decided to boycott the election, considering it not to be free and fair due to countless irregularities and lack of guarantees, but a handful of micro-parties agreed to participate and were allowed to run. Members of the leadership ranks of major opposition parties were suspended by the Supreme Tribunal and their parties with their symbols were handed over to groups of dissidents who had agreed to participate. The World Jurist Association declared the last parliamentary elections “null and void.”

The time limits for registration were too tight; the number of representatives was increased from 167 to 277, disrespecting the proportionality principle enshrined in the constitution; the rules were updated by the Electoral Council just two months before the election, violating the constitutional term of at least six months; millions of Venezuelans who live abroad were excluded from voting; a process based on the show of hands was imposed on the indigenous peoples, stripping them of their right to a direct and secret vote as enshrined in the constitution; there was no independent observation or audit; the ruling party set up checkpoints (“Puntos Rojos”) near the voting stations aimed at intimidating voters who depend on government handouts; and the government systematically used food assistance to pressure citizens to vote. Not all posts were filled according to the election outcome, as two micro-party leaders who failed to muster the necessary votes were let in through the back door by the Electoral Council, which added the votes cast for other micro-parties to their total.

As in other past elections, the official party and its allies had privileged access to the state-controlled media and public resources. Access to the over 14,000 polling stations was easy for rural and urban voters. Special biosecurity protocols for COVID-19 prevention were established and followed during the voting process, including obligatory face masks, social-distancing rules, and disinfectants for pencils and hands before touching the voting machines. The Electoral Council, the electoral management body which ranks as one of the five power branches set up in the constitution, was appointed by the Supreme Tribunal in violation of the procedure established in the fundamental law. The body is not impartial, as the majority of its members are known regime loyalists.

Free and fair elections

2



The election was condemned by a host of nations for its lack of freedom and fairness but recognized by resource-rich allies such as China, Iran, Russia and Turkey. Venezuela presents the lowest Global State of Democracies Indices in Latin America (0.25, lower than Cuba's 0.28).

Given the absolute concentration of power in the presidency and top party and military elite, elected representatives lack the effective power to govern. This is true of the judicial, legislative, electoral and people's branches of government, and of the regional and local authorities. Before the parliamentary election, Maduro announced that he proposed to have a National Communal Parliament Law approved, creating a body based on the unelected commune structure. This would be dominated by the ruling party, and would hence be a welcome instrument for keeping the National Assembly in check, even though the ruling party holds an overwhelming majority of 90% of the seats there.

The rights of association and assembly are constitutionally guaranteed but are not protected in practice. Practical restrictions on assembly and association include the criminalization of protest and arbitrary detentions of party leaders, and even of members of parliament in violation of their immunity from prosecution. The Supreme Court's June 2020 rulings ordering the takeover of major opposition parties by regime loyalists amounted to a direct attack on the freedom to form political groups.

The United Nations Independent International Fact-Finding Mission on Venezuela (Geneva, September 2020) documented 87 human rights violations against protesters, 36 instances in which protesters had been killed and instances of torture in detention. Protesters have often been charged with crimes based on "evidence" fabricated by security forces. The report concluded that the violations amount to crimes against humanity, and that Maduro and two of his ministers were aware of the crimes: "They gave orders, coordinated activities and supplied resources in furtherance of the plans and policies under which the crimes were committed." Referring to attacks on civil society, the UNHR experts said: "Venezuela must stop trying to control civil society organizations and stop publicly stigmatizing their leaders and criminalizing the work of civil society and human rights defenders."

The regime did not waste time in seizing the opportunity presented by the COVID-19 pandemic to invoke emergency powers, tightening its control and seeking to legitimize the already habitually brutal repression of social protests against failing services and supply shortages. In doing so, it argued that public safety concerns were at stake. Protests by health care workers against their inadequate working conditions were brutally repressed, and more than a dozen were detained for publicly criticizing the situation. People who tested positive for the coronavirus using rapid tests were forcefully quarantined in makeshift quarters without minimum facilities; most never received a confirmed test result. Venezuelan migrants who had lost their jobs in Colombia due to the pandemic and who returned to their country were corralled in temporary camps and characterized by official spokespersons as "bioterrorists" who

Effective power to govern

2

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Association / assembly rights

3

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were spreading the disease to the fatherland. As of January 2021, the system of rotating strict and flexible quarantine measures was still in place. Seven days of strict quarantine with most businesses closed were followed by seven days of flexible quarantine, during which most businesses were allowed to open.

The regime has succeeded in reducing the number of independent media outlets to almost zero. There are no independent print media or TV channels, and just a few independent radio stations survive. The regime monitors broadcast and social media, and threatens or persecutes critical journalists and users. The National Telecommunications Commission (CONATEL) controls the internet, restricting or disrupting access to websites or social media providers. In 2019, the Instituto Prensa y Sociedad Venezuela (IPYS Venezuela) recorded 1,032 incidences in which individual expression and information-access rights – both of journalists and ordinary citizens – had been violated, mostly by state actors. This number exceeded even that recorded at the height of the protests in 2017 (Humanists International).

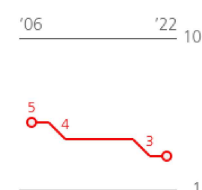
Human Rights Watch (HRW) found that authorities have harassed, detained, and prosecuted political opponents, including several lawmakers, journalists who have published reports critical of the government, and human rights lawyers who provide legal support to demonstrators protesting the lack of access to water, gasoline and medicines. Security forces have confiscated cellphones and laptops from journalists and forced them to erase photos or videos. According to the high commissioner for human rights, in Venezuela “journalists and human rights defenders critical of the government continue to face intimidation and public defamation,” and there are clear “restrictions on the freedom of expression,” including the “application of legislation against targeted groups, attacks against human rights defenders and the detention of journalists.”

Censorship – both state-enforced and self-imposed – has become increasingly prevalent in Venezuela. Direct attacks on journalists, restrictive legislation, lawsuits against media outlets and the government’s control of imports, including printing paper, have combined to stifle the climate and have led to growing self-censorship (Humanists International). The Reporters without Borders World Press Freedom Index ranks Venezuela at 147th place out of 180 countries.

Such measures have reportedly increased following the outbreak of the COVID-19 pandemic. Access to a web portal created by members of the opposition designed to spread information about the pandemic was blocked. Health care workers are warned not to reveal any information about cases or conditions in their individual workplaces, and not to criticize the government’s handling of the pandemic. Attacks on journalists have continued as the authorities have sought to control coverage of the COVID-19 pandemic. IPYS Venezuela reports that at least 146 journalists attempting to cover the pandemic faced obstructions during first four months of the year (Humanists International).

Freedom of
expression

3



3 | Rule of Law

The constitution of 1999 establishes five branches of government: in addition to the traditional structure of legislative, executive and judicial powers, there is an electoral and a people's power. However, their independence is only on paper. The principle of checks and balances is rejected by the regime as a bourgeois relic that must be overcome. The four other powers are executive appendages that rubber-stamp whatever actions are put before them to keep up appearances. A case in point: In October 2020, the Constituent National Assembly granted special rights to Maduro to confront the economic sanctions imposed by the United States without considering legal restrictions or following constitutional procedures.

In March 2020, Maduro declared a state of alarm, one of the types of states of exception established by the constitution. This was periodically extended. The Supreme Tribunal ruled that the extensions were constitutional without providing reasons for its ruling or publishing its ruling as required. The emergency measures taken under the state of alarm have included tax relief, and rules prevented employees from being dismissed, and tenants from being evicted. However, the need to control the pandemic was also used as a pretext justifying arbitrary government action and the violation of human rights. The Max Planck Institute for Comparative Public Law and International Law characterizes the Venezuelan regulation as a state of emergency without the rule of law.

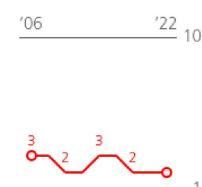
The judiciary is institutionally differentiated but by no means independent. Judicial functions are provided by a five-layer court system that includes the Supreme Tribunal, the superior courts of appeal, district courts, courts of first instance and parish courts. The courts of special jurisdiction include military, tax and juvenile courts, along with justices of the peace. The justice system is not independent, impartial, transparent, accessible or effective (UNHCHR Report 2020). Citizens have a low level of confidence in the judiciary (OECD 2020).

The judges of the Supreme Tribunal are designated by the National Assembly and are supposed to serve for 12 years. Since 2004, government has used its parliamentary majority to fill the court with loyalists. When the opposition gained a parliamentary majority in 2015, the lame-duck Assembly appointed 13 new judges to substitute for sitting judges who had “surprisingly” asked for early retirement. In the following years, the court acted as a tool for outmaneuvering the legislature. Lower courts are vulnerable to political manipulation, too – as of 2019, according to reports from the International Commission of Jurists, as many as 85% of all judges had provisional appointments and were subject to removal at will by the Supreme Tribunal's Judicial Committee.

The Supreme Tribunal's ruling declaring the legitimate National Assembly to be null and void, and its reversal when a dissident opposition group of representatives co-opted by the regime attempted to take control of the legislature (2017/2020), show beyond doubt that the judiciary functions as an appendage of the executive.

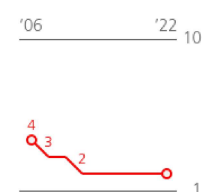
Separation of powers

2



Independent judiciary

2



Impunity is the norm for office abuse, be it in the form of nepotism, corruption or human rights violations. The nontransparent administration characteristic of authoritarian regimes makes it impossible to provide evidence for this. The Comptroller General's homepage, reviewed in January 2021, reported 924 penalties for abuses of administrative office committed between 2000 and 2012. No cases have been reported since.

The 2020 UN report on human rights in Venezuela included reviews of thousands of extrajudicial killings by security forces and concluded that "President Maduro and the ministers of the interior and defense were aware of the crimes," and that "Venezuela's judiciary failed to serve as a check on other state actors." The report urges accountability for crimes against humanity and demands an end to the impunity.

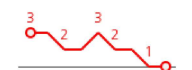
Formally, that is, constitutionally, civil rights are guaranteed. Art. 21 of the constitution explicitly states that "no discrimination based on race, sex, creed or social standing shall be permitted, nor, in general, any discrimination with the intent or effect of nullifying or encroaching upon the recognition, enjoyment or exercise, on equal terms, of the rights and liberties of every individual."

Some basic rights such as the free exercise of religion are, if not protected, then at least not actively violated by the state. But given a compromised judiciary, the absence of the rule of law, the politically motivated detention and torture including deaths in prison as a consequence of torture and the denial of medical assistance, the systematic violation of human rights, and countless extrajudicial killings (UNHCHR), there are no mechanisms and institutions to protect residents against violations of their rights. The country is still one of the most violent in Latin America, with a homicide rate of 45.6 per 100,000 residents in 2020, and de facto near-total impunity. While the rate has decreased by about 30% compared to 2019, likely due to COVID-19 containment measures, the Venezuelan Violence Observatory (Observatorio Venezolano de Violencia) reports that a growing share of killings is being carried out by security forces. The UNHCHR report recommends: "Other jurisdictions under their national laws, as well as the International Criminal Court, should also consider legal actions against individuals responsible for violations and crimes the mission identified."

Prosecution of office abuse

1

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Civil rights

2

'06 '22 10



4 | Stability of Democratic Institutions

Democratic institutions legitimized according to the existing constitution no longer exist.

In principle, the constitution provides a solid basis for democratic rule, which may be reestablished after a regime change. Thus, although the spirit and the letter of the constitution are at present absolutely disrespected, the shell of democratic institutions is still in place, and may be put to genuinely democratic use at some point.

Democratic institutions legitimized by origin have ceased to exist. Their illegitimate substitutes are used as a façade, at best. Rules are violated – for example, when the Supreme Court designated the members of the electoral authority – without even a pretense of constitutionality. Nevertheless, the oppositional National Assembly is still working informally and advocates for real democratic change. There are at least some opposition-controlled governorships left, and the idea of popular sovereignty is uncontested. The regime has used the COVID-19 pandemic as a pretext for tightening social control and intensifying the repression of dissent.

Performance of democratic institutions

2

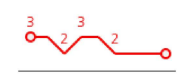
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Commitment to democratic institutions

2

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5 | Political and Social Integration

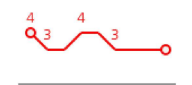
Under Venezuela's current party system, the ruling United Socialist Party of Venezuela (PSUV), a disciplined and well-organized cadre party, has hegemonized the political spectrum, even though its popular support does not exceed 25%. The highly fragmented opposition, ranging from mere regime appendages to groups favoring foreign military intervention, is supported by about one-third of the population, and independents make up more than 40% of the registered voters.

Party allegiance is defined mostly by proximity to the regime. Those benefiting from corruption and state capture join the PSUV, while those aiming at regime change lean toward the opposition, and anyone else is stuck in the middle. It should be noted, however, that there is a core of convinced "chavistas" who still support the regime for ideological reasons (10% to 15% of the electorate, at a rough guess) and who still adhere to the personalist myth established by Hugo Chávez. Considering this ideological element, the party system may also be described as polarized between chavistas and anti-chavistas, but this ideological divide only applies to a minority of the electorate. With regard to clientelism, it would be more adequate to speak of the extortion of voters in need of food assistance. The abuse of government aid for electoral purposes does not establish a durable clientelistic linkage.

Party system

3

'06 '22 10



Party allegiance is better explained by attitudes toward democracy and a market economy than by socioeconomic variables: PSUV supporters show significantly stronger delegative-authoritarian and statist-patronage tendencies than do opposition supporters. The participation of small opposition groups and their electorate in the (illegitimate) National Assembly elections, plus the uncommitted, creates a gray zone in the otherwise highly polarized system.

Interest groups such as unions; employer and professional associations; and social, student and environmental movements still exist, often polarized into regime and opposition camps, but they lack the clout to mediate between society and the political system. Several high-profile NGOs monitor public policies and the deteriorating living conditions of the people, keeping the public informed in cases where official information is absent, opaque or false. Their reports and records describe the reality in contrast to the post-truth-framed official propaganda.

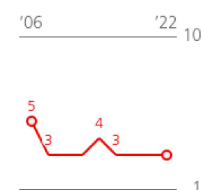
Associational life in general is weak and fragmented with the unions in particular expressing these characteristics. In 2018, the illegitimate Constituent National Assembly passed a law authorizing the creation of so-called Productive Workers' Councils (Consejos Productivos de Trabajadores), which are a top-down structure controlled by the Ministry of Labor, combining the function of unions with the control of production and distribution. They are directly connected to the militia, as one of their members must belong to the militia. Thus, what remains of the independent union movement in Venezuela is on the verge of extinction. The umbrella organization SINERGIA facilitates cooperation between different civil society groups. The paramedics' and doctors' organizations have been particularly vocal in denouncing the collapse of the health system during various periods of the COVID-19 pandemic.

Despite living in an authoritarian environment, Venezuelans express the highest level of support for democracy in Latin America; this share, at 77%, is significantly higher than among the citizens of proven democracies like Costa Rica and Uruguay, which follow in second and third place (Latinobarómetro, latest published data 2018). The public's attitude toward democracy as the form of government preferable to any other bodes well for the prospect of a peaceful regime change.

According to the 2018 Latinobarómetro survey, only 12% of Venezuelans were satisfied with their democracy. Institutions are not trusted, except the Catholic Church (74%). The police (12%), political parties (14%), the government (17%), the judiciary and the electoral authority (18%), the armed forces (19%) and the National Assembly (20%) are only trusted by small minorities. Finally, 86% are convinced that the country is ruled for the benefit of powerful groups. Only 12% think the country is ruled for the benefit of the people.

Interest groups

3



Approval of democracy

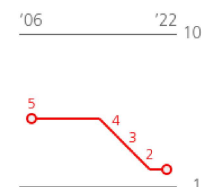
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The social capital dimension of the 2020 Legatum Prosperity Index showed a further sharp drop for Venezuela, with the country falling 14 positions to 143rd place out of 167 countries. The latest Latinobarómetro survey (2018) ranks Venezuela at the bottom of the table with 8% of respondents who agree with the sentence “you can trust most people,” in a region that is characterized as a whole by low interpersonal trust indicators. No data is available on the impact of the pandemic on social capital. There is no information about social initiatives or solidarity actions in Venezuela. If any such initiatives exist, they are likely directed toward Venezuelan migrants in the neighboring countries.

Social capital

2



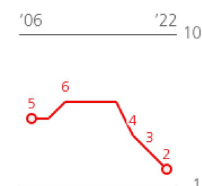
II. Economic Transformation

6 | Level of Socioeconomic Development

Venezuela’s ongoing crisis is multidimensional. The country is mired in a social, economic and humanitarian disaster of historic proportions. With oil production down to a trickle, the economy ruined and the physical infrastructure in tatters, GDP per capita has plummeted to a bare one-seventh of its peak value before the “revolution.” This has left the country as one of Latin America’s three poorest countries, above only Nicaragua and Haiti. By the end of 2020, the recession had continued for 28 trimesters and the hyperinflation for 38 months. From a Human Development Index score of 0.743 (92nd place) in 2017, the country declined steeply to a score of 0.711 (113th place) in 2019; the overall loss in the HDI score due to inequality is 17.8%.

Question
ScoreSocioeconomic
barriers

2



Official information on socioeconomic development is often unavailable and out of date. The few bits and pieces that are published are unreliable. The most reliable and up-to-date source of data has been the Survey on Living Conditions (Encovi) conducted since 2014 by three universities; the 2019 – 2020 sample, which is representative at the municipal level, includes roughly 10,000 households. The poverty rate has surged to 96% (41% chronic, 54% recent), and inequality has escalated to unprecedented levels, reflected in a Gini coefficient of 0.51. Over 70% of the heads of poor households are women. The country’s score on the Gender Inequality Index remained almost unchanged throughout the decade (2019: 0.479) and is now the second-worst in the region, ahead only of Haiti. Urban slums and most rural communities are at a clear disadvantage when it comes to economic opportunities. About 44% of the population 15 or more years of age is economically inactive, the highest such proportion in Latin America. A total of 46% of the workforce hold regular jobs in the public (24%) and private (22%) sectors, while 45%

works in the informal sector. The Legatum Prosperity Index ranked Venezuela at 150th place out of 167 countries, down from 31st when first measured in 2007.

A total of 43% of the households reported diminished incomes or loss of work due to the COVID-19 pandemic restrictions; the impact was significantly stronger in the two highest income quintiles. In comparing October 2019 with February 2020, the share of households that received transfers from the state rose from 23% to 52% in March/April 2020. On average, the value of the transfers received amounted to \$5.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	7.3	7.2	7.2	9.1
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	26.0	180.8	232.8	304.1
External debt	\$ M	176106.4	182938.1	185598.3	189305.6
Total debt service	\$ M	4490.6	4816.9	1156.2	926.7
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	1.3	-	-	-
Public health spending	% of GDP	3.7	1.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.2	-	-	-

Sources (as of December 2021): 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 market for goods and services is controlled by the government through price controls, the regulation of profit margins, foreign exchange controls, arbitrary expropriations and confiscations, import restrictions, and rationing of inputs (fuels, gas and water). The Superintendency for the Defense of Socioeconomic Rights (SUNDDE) enforces the Fair Price Law, often imposing arbitrary sanctions. State-owned companies and communal businesses get preferential treatment including access to foreign exchange.

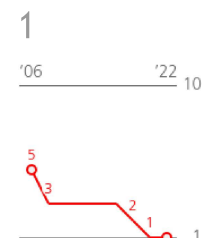
In October 2020, the outgoing unconstitutional Constituent Assembly approved an Anti-Blockade Law that allows the executive to circumvent constitutional provisions requiring parliamentary approval of international contracts and deals involving the country's resources, giving it unchecked control of state-owned companies. The law also protects international investors against international sanctions. Agreements and contracts are made confidential, and the executive is free to act without public bidding processes or scrutiny. A further step in the authoritarian direction signals that the regime elite may have learned that tightening state controls is counterproductive, but do not think that their base will understand steps toward even limited liberalization and privatizations.

The World Bank's Ease of Doing Business report ranks Venezuela at 188th place out of 190 countries, and at 190th place in the category of starting a business (20 procedures, 230 days and a cost of 211.8% of per capita GNI). In the Heritage Foundation's Index of Economic Freedom, Venezuela still ranks 179th out of 180 countries, just above North Korea. Regarding informality, the most recent Encovi study puts the share of the informal sector at 45% of total employment, which would mean a reduction relative to the Economic Commission for Latin America and the Caribbean (ECLAC) numbers from 2013 (49.4%). However, Encovi also states that 44% of the employable population is economically inactive.

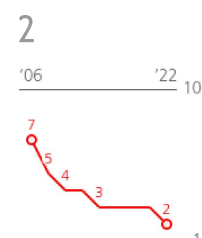
There is no recognizable competition policy. Procompetencia, the agency responsible for protecting competition, has disappeared from the public eye. The link to its webpage was broken as of the time of writing; its latest tweet dated from April 22, 2015. The Antitrust Superintendency enforces the Antitrust Law, which excludes state-owned companies and the communal economic system. It has not published any decision since its creation in 2014, and has disappeared from the public eye; the link to its webpage (<http://www.antimonopolio.gob.ve/>) was also broken as of the time of writing; its latest tweet was dated March 10, 2020.

Currently, Venezuela is searching for ways to bring private companies into the oil sector to raise production, which is at historically low levels. Generally, however, the private sector plays a minor role in the economy – there are almost no private companies of noteworthy size left in the country. According to the business

Market organization



Competition policy



association Fedecamaras, the number of private companies has decreased by 60% and those still existing are operating at only 30% of their capacity. Thus, there is only minimal economic activity and no appreciable competition to be regulated.

Venezuela's exports (mainly natural resources) and imports (mainly refined petroleum and agricultural products) are largely controlled by the state. Venezuela's foreign trade has been in steep decline in line with the economy as a whole. Exports of goods and services in 2019 reached a total value of \$17.8 billion, imports \$12.3 billion (WTO). Export volumes decreased (change over the previous year) by 28.4% in 2018 and 46.3% in 2019. Likewise, import volumes fell by 22% in 2018 and 50.75% in 2019. For the first three-quarters of 2020, the WTO registered exports worth \$4.1 billion and imports of \$4.4 billion. Concerning tariffs on imports, the simple average MFN applied tariff was 13.8% in 2019 (with 13.0% for agricultural and 13.9% for non-agricultural products). (The figures for the simple average final bound tariff were 36.5%, 55.8% and 33.6%, respectively.)

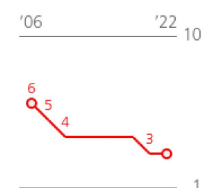
Venezuela has not presented the instrument of ratification for the WTO Trade Facilitation Agreement. The latest Trade Policy Review by the WTO was performed in 2002. No notifications have been received by the organization; the country's trade policy is opaque. The OECD Trade Facilitation Index score of 7.853 places the country's performance across all areas in the bottom group of Latin America and the Caribbean. Venezuela is a beneficiary of preferential trade agreements with nine countries, a member of two regional trade agreements (LAIA/Latin American Integration Association and GSTP/Global System of Trade Preferences among Developing Countries), and the WTO negotiations groups G-20, G-33 and NAMA-11. Three dispute cases involve Venezuela as a complainant, two as respondent and 31 as a third party.

The banking system consists of 29 institutions, 23 private and six public, with market shares of 23% and 77% respectively. About 3,000 agencies and nearly half a million card scanners offer the public easy access to electronic payment opportunities, a vital necessity given the cash-strapped financial system. The highest-value banknote is VES 50,000 or the equivalent of \$0.03, and the maximum amount that can be withdrawn from an ATM is VES 200,000 or \$0.12. The electronic payment maximum is VES 500 million, and the maximum for transfers is VES 700 million (\$302 and \$403, respectively, according to the official exchange rate on January 22, 2021).

The capital market regulation agencies – the non-autonomous central bank and the Bank Superintendent – suffocate the sector through interest rate caps, compulsory lending and extreme minimum reserve requirements that squeeze liquidity. The core activity of banks, financial intermediation, is severely limited by the regulatory framework and hyperinflation: depositors do not save and banks do not lend. As a consequence, three-quarters of their profits are generated by non-financial services. According to the October 2020 report of the Bank Superintendent, the total credit portfolio was a little over \$200 million at the official exchange rate at that moment.

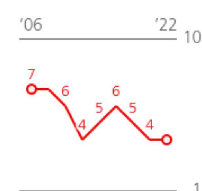
Liberalization of foreign trade

3



Banking system

4



Deposits totaled \$370 million, serving for mere transactional purposes. Solvency was 95.8%, coverage 75.7%, the share of non-performing loans was 4.5%, the ratio of productive assets to liabilities was 192.6%, return on equity was 5.85%, financial intermediation 15.6% and liquidity was 72.8%. The liquid assets ratio stood between 16% and 21% in 2020. There has not been much variation in this indicator during the past three years. Banks are adequately capitalized; the credit crisis is not due to non-performing loans, but rather to the tight regulatory framework and hyperinflation.

8 | Monetary and fiscal stability

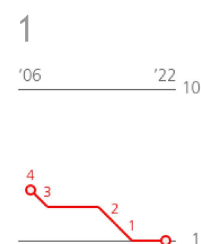
Three years of hyperinflation has offered ample evidence that the monetary authority – the formerly autonomous, competent and respected central bank that was stripped of its autonomy by the regime and politicized to the core – has been unable or unwilling to pursue the goals of price and monetary stability. The institute dutifully converged with the spendthrift regime’s ideologically justified approach to monetizing the exploding fiscal deficit. After having knocked three zeros off the bolivar in 2008, the central bank slashed another five zeros in August 2018. At that time, the exchange rate to the U.S. dollar was about 61 bolivars; as of January 2021, it had surged to 1.8 million bolivars. Cafeterias served a cup of coffee for 2.50 bolivars in mid-2018; by January 2021, the price had exploded to 1.3 million bolivars.

Recent developments such as the easing of exchange controls, the de facto dollarization of the economy, and the Anti-Blockade Law allowing for stealth privatizations may signal a new willingness to change course. That may be too little too late. On the other hand, the dollarization may be linked to the increase of organized crime activities in the Orinoco Mining Belt. The cash-strapped regime sold tons of the central bank’s gold to Turkey and Abu Dhabi for cash. In April 2020, it legalized gold mining in wide swathes of protected areas in Bolivar State. There have been reports of killings of indigenous people by irregular gangs and guerrillas in collusion with state actors. The central bank’s gold reserves dropped significantly in 2018 and 2019, but began to increase again in the third quarter of 2020.

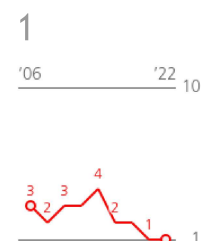
The COVID-19 pandemic did not affect monetary stability variables.

The regime’s cautious moves toward adopting the de facto dollarization of the economy as official policy, and toward reprivatizing ailing and bankrupt expropriated companies that had been productive when still in private hands, may pave the way for abandoning the ruinous “socialism of the 21st century” model in lockstep with Cuba. In the meantime, however, the unsustainable policies and their consequences have changed little. The current account balance was -\$1.7 billion in 2020, falling from \$5.4 billion in 2019, while general government gross debt increased from 181% (2018) and 233% (2019) to 304% of GDP (IMF DataMapper April 2021). External debt amounted to \$157 billion in 2020 (500% of GDP; IDB) up from \$148 billion in 2019. The fiscal deficit was 11% of GDP in 2019 and 7.9% in 2020 (UCAB data & forecast), while total reserves amounted to \$6.4 billion.

Monetary stability



Fiscal stability



Over the past 10 years, Venezuela has been continuously downgraded by international rating agencies, reaching a bottom in 2019. Since then, however, the outlook has been set at “stable,” meaning only that there is no further deterioration of the financial situation. Currently, government and state-owned oil-company bonds are traded at around 10% of their original value. The financial situation has been aggravated by international sanctions, which impede access to international financial markets and complicate the issue of debt restructuring.

Tax exemptions and extensions on tax filings and payments in the wake of the COVID-19 pandemic have reduced state revenues; international donations of equipment and protective gear contributed significantly to helping the struggling hospitals respond to the crisis. The IMF denied the regime’s request for a \$5 billion loan to fight the COVID-19 pandemic because there was no clarity on its recognition.

The impact of the coronavirus pandemic exacerbated Venezuela’s complex humanitarian crisis, especially regarding food insecurity, access to health care and restrictions on the activities of aid organizations. The pandemic also exacerbated the already expected collapse of the economy.

9 | Private Property

Property rights are in theory protected by the constitution, but due to the absence of the rule of law, they are neither respected nor enforced in practice. Arbitrary across-the-board expropriations without compensation have characterized the official policy regarding property rights. The ideologically motivated assault on property rights is a major cause of the country’s economic debacle. Sooner or later, the expropriated companies all collapsed due to the sacking of competent staff, politically motivated replacements and general mismanagement. The payments ordered in international arbitration cases have contributed significantly to the exploding external debt. Venezuela is the state with the second-highest number of arbitrations initiated before the International Center for Settlement of Investment Disputes (ICSID). More aggressive movements by investors to enforce international arbitration awards against Venezuela seem to have convinced the regime of the need to cooperate and negotiate settlements. The softening of exchange controls and the stealthy reprivatizations sanctioned by the recent Anti-Blockade Law are signals in that direction.

Property rights

2

'06 '22 10



The regime's command economy model, combined with massive across-the-board expropriations and the scaring away of human talent, has asphyxiated the private sector, even though scores of companies have managed to survive. In November 2020, the Employers Association declared that 60% of the country's companies had closed, and that the rest were operating at 30% of capacity. In 2019 and 2020, there were contradictory moves, evidencing factional competition in the ruling elite: steps toward an opening – including the flexibilization of exchange controls, the passage of the Anti-Blockade Law and reprivatization of expropriated companies (Agropatria) – but also moves in the opposite direction such as interventions in several food producers (Polar, Plumrose, Coposa) and the temporary tightening of price controls.

Venezuela ranks 188th out of 190 countries in the 2020 Ease of Doing Business Index, 179th out of 180 in the Heritage Economic Freedom Index, and 113th out of 140 in the World Economic Forum Global Competitiveness Index. The regime has not nationalized private companies or taken equity stakes due to the COVID-19 pandemic.

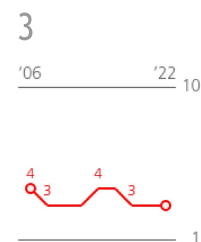
10 | Welfare Regime

The Social Security Institute covers risks associated with old age, health care, unemployment, invalidity and accidents, and additionally offers life insurance. The pay-as-you-go system is heavily subsidized with tax money, as dwindling contributions do not even come close to covering the cost of the growing benefit-receiving population.

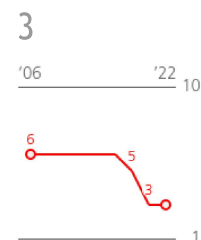
Full pensions are granted after 750 weekly contributions and at the age of 55 years for women and 60 years for men, but many were included as beneficiaries without ever having contributed. Non-citizens have equal access to the existing social safety nets. As of September 2020, about 5 million flat-rate pensions were being paid, roughly \$2 per month each. The Institute also runs primary health care centers and hospitals. The Institute's benefits are entitlements, while other benefits are based on a patronage system. Such benefits include cash transfers, subsidies, food programs and educational initiatives. Most of them are managed via the so-called Fatherland Card System created with the help of the Chinese telecom company ZTE, a step toward comprehensive social control.

Cash transfers include various bonuses with names such as “Dignified Fatherland” and “Anti-Economic War” (roughly \$2) and have been paid monthly to about 19 million Fatherland Cardholders since the beginning of 2020, discouraging work for minimum wage. Public cash transfers make up about 25% of the overall household income. Subsidies include fuels (gas, gasoline and diesel) which are rationed and heavily subsidized; their cost is negligible. Electricity, water, sewage and waste collection are free. The implicit subsidy for food boxes amounts to about \$7 per household monthly.

Private enterprise



Social safety nets

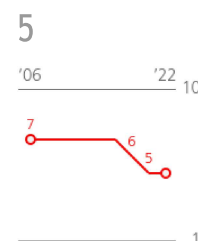


Regarding food programs, the School Lunch Program covers most public schools, and some schools offered takeaway lunches during the COVID-19 pandemic. The Food Box Program (CLAP) covers about 92% of the population (Encovi). Despite the coverage of that program, the World Food Programme reckons that roughly one-third of the population is moderately or severely food insecure. The regime has blocked the United Nations from bringing food aid into the country, because it insists on controlling distribution.

Concerning education, there are scholarships for university education (\$0.50/month) and support for labor market integration (900,000 beneficiaries, about \$0.50/month), both paid via the Fatherland Card System. The Sucre Educational Mission offers more than a dozen study programs at the university level with a 16-week introductory knowledge harmonization course.

There is no inequality of opportunity based on gender, sexual orientation, religion or ethnicity, but there is political discrimination and inequality as a consequence of the economic and complex humanitarian crisis. Open dissent turns citizens into enemies who are discriminated against in public sector employment and in access to subsidized services (HRW 2020). Educational exclusion has increased, as the goal of universal access to high-quality education has not been achieved. About 40% of school-aged children are unable to attend school regularly and the poor are unable to accumulate the educational capital necessary to overcome poverty. School attendance (between the ages of three and 24 years) is directly related to income distribution: enrollment shares are 61% in the bottom vs. 77% in the top income-distribution quintile. A total of 43% of 12- to 17-year-olds in the bottom quintile lag one to two years behind the average, compared to 29% in the top quintile. The inequality of opportunity is highlighted in the group aged 18 to 24 years: only 16% of the bottom quintile attend an educational institution in this group, vs. 44% of the top quintile (Encovi 2020).

Equal opportunity



11 | Economic Performance

Gross misrule and rampant corruption under the Maduro regime have thrown the country into a complex humanitarian crisis. There is no data regarding the impact of the regime's response to the COVID-19 pandemic, as the economy is in free fall anyway. The latter is reflected in all relevant indicators. In 2020, GDP per capita plummeted by -29.7%, following drops of -18.2% in 2018 and -27.1% in 2019 (ECLAC); the IMF forecasts further contractions of -10% in 2021 and -5% in 2022, and reports hyperinflation rates of 130,000% (2018), 9,600% (2019) and 3,000% in 2020, as well as a soaring public debt of 304% of GDP. The fiscal deficit mounted to 7.9% of GDP (2020, UCAB forecast), accompanied by low tax revenues of \$462 million (SENIAT, equivalent to 1% of GDP according to IMF). The unemployment rate has risen continuously over the past years, reaching 35.5% in 2018; the IMF projects an increase to 54.4% in 2020 and 57.3% in 2021.

Output strength



12 | Sustainability

The country boasts a Ministry of Ecosocialism and a Ministry of Ecological Mining Development. The agencies claim to “construct and consolidate ecosocialism” as the only option vis-à-vis the “predatory capitalist system.” But the practice is far from the discourse. Venezuela ranks 59th in the Yale Environmental Performance Index. A closer look shows the main problems: sanitation and drinking water, 94th; solid waste management, 133rd; greenhouse gas (GHG) intensity trend, 172nd; GHG per capita, 130th; sustainable nitrogen management, 146th. The higher overall rank is mainly due to very high scores in ecosystem vitality.

The 2020 UN report on access to justice and the situation of human rights in the mining area highlights the ecocide and ethnocide caused by illicit mining controlled by criminal organizations and the impunity enjoyed by security forces responsible for serious violations including torture, forced disappearances and killings. The environmental damage caused by illicit mining is devastating, it includes the destruction of large rainforest areas, most of them in theory protected as national parks, the contamination of freshwater sources with mercury used in gold mining and the destruction of the livelihoods of indigenous peoples.

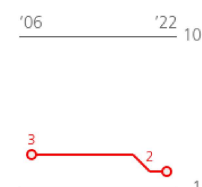
This is how the “construction and consolidation of ecosocialism” works in practice: CAMIMPEG, the Anonymous Military Company of Mining, controls the mining activities in the region and the transport routes with the support of the armed forces. A 2020 CSIS report on illegal mining in the mineral arc says the regime benefits directly from illicit mining. “The semi-official mining sector involves state-owned enterprises that source minerals from illicit mines and export them officially to other countries, most notably Turkey and the United Arab Emirates. Revenues from mining currently provide political elites with a financial lifeline and are of paramount importance to maintaining power.”

Environmental concerns are not recognized by the public as primary problems to be addressed, receive no consideration in practice, and are entirely subordinated to regime survival concerns.

The quality and coverage of education are deteriorating further. The complex humanitarian crisis has left over 1 million children between three and 17 years of age out of school, and about 350,000 migrant children and youth at risk of falling behind. For the 18 – 24 group, class attendance halved between 2016 and 2019, falling from 48% to 25%. Only 60% of the three- to 17-year-olds (not including roughly 1 million children who are out of school) attend school regularly; 40% attend irregularly due to the lack of water supply, power outages, transport problems or teacher absences. School lunches, a major incentive for school attendance, is regularly available in only 28% of schools (Data Encovi 2019 – 2020). The inequality is set to increase as private for-profit schools have been able to shift away from the classroom to online learning,

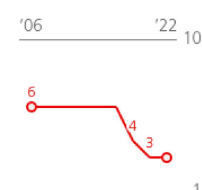
Environmental policy

2



Education policy / R&D

3



widening the knowledge gap between those who can pay for private education and those who have to enroll in public institutions that are unable to switch to online teaching.

Over 2 million university students did not attend classes in the public tertiary education sector.

Despite adverse conditions – underfunding, student and teacher desertion, crumbling campuses, attacks on academic freedom and university autonomy – three public universities and one private institution kept their positions on the top 100 list of the QS University Ranking for Latin America.

There is no reliable updated information on funding, enrollment, faculty or performance. The inequality-adjusted Education Index score dropped further to 0.638 (as compared to the HDI score of 0.711). Venezuela is one of the very few countries whose U.N. Education Index score has declined in recent years (2014: 0.725; 2019: 0.700). R&D expenditure remained stable at 0.3% of GDP, significantly lower than the military expenditure of 0.5% of GDP (2018, HDR 2018).

Governance

I. Level of Difficulty

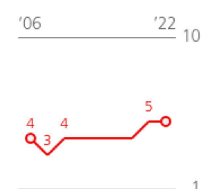
Severe structural constraints such as extreme poverty, the lack of a skilled labor force, and a decaying infrastructure restrict the regime's governance capacity. Venezuela features one of the worst cases of Dutch disease observable today; it has depended on oil revenues for nearly a century, but it was the Bolivarian regime that exacerbated the petrostate symptoms. Many of the current constraints did not exist when the regime came to power. They are the result of two decades of irresponsible macroeconomic management characterized by excessive state interventionism, arbitrary expropriations, the destruction of the price system and market rules that resulted in the strangulation of the private sector. The 2019 GNI per capita of \$4,615 PPP is lower than in the first year of the "revolutionary" government, and just over one-third of its value at the beginning of the Maduro administration in 2013 (World Data Atlas).

High levels of education began to spiral downward when the relentless mismanagement of leaders reading the country's situation in a parallel universe culminated in a complex humanitarian crisis. Extreme poverty surged to 79.3% in 2019 (Encovi 2018-2020) and the proportion of skilled labor dropped to 42.3% (HDR 2020), a consequence of the decaying education and training system and the massive exodus of well-educated and skilled Venezuelans who fled the country's crisis. Accordingly, the WB Policy Research Working Paper (9332/2020) on Venezuelan migrants in Ecuador confirms Venezuelan workers' high skills and high rates of employment, compared with Ecuadorans.

The COVID-19 crisis added to existing problems and constraints but did not fundamentally change the situation. As of mid-January 2021, there had been 118,000 confirmed cases and 1,090 deaths, with a fatality rate of 0.9% and a recovery rate of 94.6%. The average number of daily cases receiving treatment was 5,326, and the daily number of confirmed cases per million inhabitants was 4,171.

Structural
constraints

5



Along with the regime's authoritarian degeneration and its ideologically based antipathy toward autonomous civil society organizations, the pattern of associativity in the country has changed fundamentally. On the one hand, the regime establishment created its 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, 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.

In this complex humanitarian crisis, the organizations defending human rights have proven to be essential in monitoring and documenting human rights violations, and in assisting vulnerable sectors of society with the support of international agencies and organizations. Their well-documented reports will help the International Criminal Court determine in 2021 whether to open a full investigation into crimes against humanity committed by Venezuelan authorities.

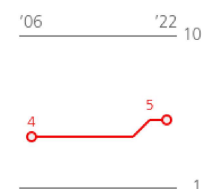
In June 2020, the authorities signed an agreement with the opposition that allows humanitarian aid to be delivered to the population, and to strengthen the response to the COVID-19 pandemic with the support of the Pan American Health Organization. Despite having found some common ground with the opposition and NGOs, the authorities increased their attacks on several humanitarian organizations, raiding their offices, confiscating equipment and detaining their staff. UN human rights experts condemned the crackdown: "Since November 2020, Venezuela has systematically stigmatized and persecuted civil society organizations, dissenting voices, and human rights defenders, and this must stop."

The conflict between the regime and the opposition continues to be a stalemate in which neither side accepts the other as a valid interlocutor. Both sides are supported by about half the population, split into more or less equal parts, while the other half does not support either of them. On the other hand, surveys signal that about four in five Venezuelans favor a regime change.

In 2019, the Venezuelan Observatory of Social Conflict registered the highest conflict intensity in a decade; in 2020 the intensity decreased substantially. Legislative elections and the opposition public consultation process organized in the first half of December 2020 aside, there were no large mobilizations of people. Violence in terms of homicides dropped sharply in 2020 to just over half the number registered in 2018 (12,000 vs. 23,000), with at least one-third of the homicides attributable to raids by security forces. In January 2021, the Special Forces killed 23 persons in a single raid in La Vega, Caracas. The COVID-19 pandemic did not affect the confrontational nature of politics. The restrictive measures imposed by the authorities in response to the pandemic contributed to a decrease in conflict intensity.

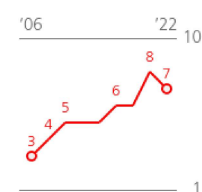
Civil society traditions

5



Conflict intensity

7



II. Governance Performance

14 | Steering Capability

The Maduro regime's overarching strategic priority is to keep and strengthen its grip on power, whatever it takes. It has been successful so far and is set to continue in that condition for the foreseeable time. Nevertheless, the strategic approach taken to pursue this goal is far from clear and consistent. Rather, the government acts mostly in an ad hoc manner, reacting to immediate pressures and developments such as the loss of the parliamentary majority in 2015, or Guaidó's move to assume the interim presidency.

By increasing repression, the regime has managed to keep the pauperized population in check. Staging an unfree and unfair election, it managed to recapture control of the legislature, capitalizing on the fragmentation of the opposition. Relying on the staunch support of its international allies Cuba, China, Iran, Russia and Turkey, it has found ways to resist the U.S. policy of maximum pressure and circumvent the sanctions. With oil production down to a trickle – primarily due to gross mismanagement, professional incompetence, underinvestment and the regime's history of scaring away talent – other products such as gold have taken center stage with regard to generating foreign exchange. The quasi-legitimization of irregular gold mining in the mineral arc in collusion with criminal syndicates and the stealth sale of the production for cash has helped the regime survive but has also implied a direct involvement with criminal gangs.

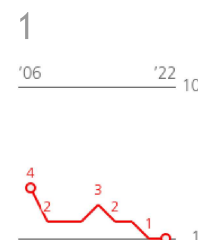
The COVID-19 pandemic had no impact on the regime's long-term strategy. Undermined by the complex ongoing humanitarian crisis, the health care system was completely unprepared to address the COVID-19 pandemic. The regime agreed to open the door for foreign aid in cooperation with national NGOs but made no further concessions whatsoever regarding the establishment of common ground with the opposition.

The regime has been effective in implementing its overarching strategic priority of clinging to power, showing no interest in arrangements to address the aggravating complex humanitarian crisis that affects the population. Even the recent ad hoc steps to loosen the tight controls on the economy, such as the de facto dollarization and the stealth reprivatization plan via the Anti-Blockade Law, are not a move toward liberalization but rather are intended to serve as lifelines for the cash-strapped regime. Such policies have been implemented in a system of autocratic lawmaking and decision processes; the violation of constitutional norms regarding cooperation between the branches of public power (Art. 136) and the socioeconomic order (Art. 299); the promotion of political instability; external sanctions; and legal insecurity.

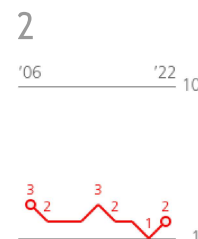
The COVID-19 pandemic had no impact on the implementation of the regime's policy priorities.

Question Score

Prioritization



Implementation



The dire need for financial and economic relief has finally forced at least some of the regime's inner circle to try to tell facts from fiction. While the ultra-interventionist model still dominates the leadership's discourse, liberal ideas have begun to find their way into practical policies by stealth. The Anti-Blockade Law enables the executive to close secret deals involving the privatization of public companies, circumventing transparency rules, parliamentary scrutiny and constitutional restrictions. Selective privatizations will produce foreign exchange revenues beyond the oil sector, and those revenues will be treated as extra-budgetary funds at the sole disposal of the executive. So as not to alienate ideological purists, the first vice president of the newly elected National Assembly announced she would introduce a law allowing the expropriation of the properties left behind by citizens who migrated abroad.

The regime did not signal any willingness or ability to improve institutional learning in response to the COVID-19 pandemic. The agreement signed with the opposition under UN auspices, which facilitates the distribution of humanitarian aid, has not to date been followed up by similar joint initiatives for the benefit of the suffering people.

15 | Resource Efficiency

The state's performance in making efficient use of available human, financial and organizational resources is utterly poor, as clearly evidenced by all indicators reflecting outcomes in education, health care, public security, utilities, transport and infrastructure. Public sector recruiting is entirely based on patronage and loyalty, with disregard for professional experience or competence. The public sector employs over half of the formal labor force in the administration and state-owned companies. In many public enterprises, such as the huge aluminum and steel corporations in Bolivar State, production is down to zero, but they still employ and pay thousands of workers. Oil giant PDVSA, the cash cow of governments for decades, is in free fall, with plummeting to just half a million barrels/day and the refineries down to zero, but the company still employs over 100,000 workers.

The bizarre management styles used by the regime's industrial leaders, who all too often are active or retired military officers, are reflected in the case of the country's biggest and most important corporation. Former PDVSA CEO and simultaneously Oil Minister Major General Quevedo's recovery strategy was a ceremony at which he and other senior oil ministry officials asked God to boost oil output. "This place of peace and spirituality," read a release by the Oil Ministry that was later scrubbed from its website, "was the site of prayer by workers for the recovery of production of the industry" (Reuters). Military officers run about 60 state-owned companies and have established hundreds of businesses that receive lucrative state contracts.

The lack of public access to information and data on the regime's budgetary policy, efficiency in the use of budget resources in pursuit of the proposed goals, and opportunities for the people to participate in the budget process defy analysis. The latest Comptroller reports and proceedings refer to 2017; the link titled "Fight against

Policy learning

2

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Efficient use of assets

1

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corruption” reproduces the texts of the United Nations and the Interamerican Conventions against corruption. The public debt has soared through the roof, hitting 232% of GDP. The Open Budget Survey 2019 ranked Venezuela at 113th place out of 117 countries, with transparency and public participation scores of 0/100 and a budget oversight score of 13/100. None of the budget documents is readily available to the public, and legislative and audit oversight is characterized as weak. The country’s score on the UN e-Government Development Index 2020 dropped to 0.5268 (rank 118 out of 193) and the score on the e-Participation Index has nearly halved since 2018 to 0.2381 (172/193), both far below the South American average. The COVID-19 response included tax relief and state compensation schemes.

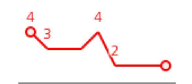
Most public administration units are exposed to the constant rotation of agency heads and the ensuing replacement of senior officials. The lack of continuity makes effective professional management impossible. Even well-intended user-friendly innovations such as the announcement of power rationing or water supply dates on social media are mostly not complied with. Governors and mayors have in practice been stripped of their functional and financial autonomy. Some functions have been transferred to the local supply and production councils, which are controlled by the official party structure.

The constitution establishes an institutional structure for policy planning and coordination: the Federal Council on Government, complemented by regional and local planning councils. The Federal Council on Government “is the organ charged with planning and coordination of policies and actions to develop the process of decentralization and transfer of powers from the national authority to the states and municipalities.” It consists of the cabinet ministers, the state governors, one mayor from each state and representatives of the organized society, and is presided over by the executive vice president. It is supposed to meet annually. The Council’s homepage is under construction, the mandatory meeting reports are unavailable, and there is no continuous information about regular meetings (except one in 2014). If the institutional design was functioning, it should facilitate coherent and participatory policy formation, implementation, monitoring and adjustment where necessary. But the approach to real policy formation is command style, ad hoc, and improvised with little or no relation to past decisions. To cite just one example, since the beginning of the economic downturn, President Maduro has presented one recovery plan after the other, dropping zeros from the worthless currency, vowing to reverse the trend, all of them to no avail. The response to the COVID-19 pandemic followed a similar pattern.

Policy
coordination

2

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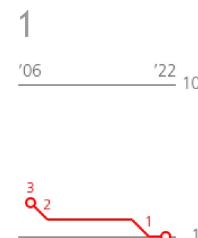


As in other matters, the constitutional and legal provisions establishing integrity mechanisms against corruption comply with the highest standards but are completely ignored in practice. The audit agency is not operational, party and campaign financing are regulated but not complied with in the case of the official party, access to information on public affairs is difficult or impossible, officeholders are not accountable as long as they demonstrate their loyalty to the regime, and the public procurement system is not based on bidding processes.

Corruption has been the regime's lifeline since its inception. Huge sums embezzled from public funding for colossal infrastructure, transport, hospital and factory projects that were never concluded are a major factor in the country's decline. The coincidence of the end of the oil price boom with the free fall of production due to utter mismanagement and the need for cash to secure the new civil and military oligarchs' loyalties forced the regime to collude with criminal gangs to reap benefits from drug lords and irregular mining in the mineral arc.

As a consequence, the U.S. Anti-Drug Agency has announced criminal charges against Maduro and over a dozen of his top lieutenants for running a drug partnership with the Colombian FARC guerrilla group. In January 2021, Swiss prosecutors announced in Zurich that Venezuela had become the biggest provider of questionable funds to Swiss banks. They had identified hundreds of accounts in 30 banks containing about CHF 9 billion they suspected had come from embezzled public funds in Venezuela (Le Matin Dimanche, Jan. 17, 2021).

Anti-corruption policy



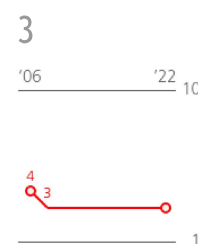
16 | Consensus-Building

There is no consensus on the type of political or economic order best suited to foster the country's development. While the regime elite intends to impose the Cuban model of a communitarian socialist state, the various opposition elites only agree on rejecting the Cuban model, while holding up the principles of representative democracy, separation of powers and accountable government. Venezuelans have been struggling to survive in the middle of a complex humanitarian crisis, are desperate for immediate change and most want President Maduro to go.

The regime's Fatherland Plan 2019 – 2025 aims at deepening the entrenchment of the people's democracy model. In the December 2020 public consultation organized by the mainstream opposition, about 6.5 million registered voters indicated that they supported free and fair elections as the path toward reestablishing democracy. More radical opposition sectors do not support the electoral path and have boycotted the consultation.

For public consumption, the regime elite sticks to the Cuban model set up in the 2019 – 2025 Fatherland Plan, involving a tightly regulated command economy and absolute social control with little or no breathing space for the private sector. But the

Consensus on goals



Anti-Blockade Law approved by the now extinct Constituent National Assembly allows the executive to secretly open the back door to private investments in strategic sectors, while conducting privatizations to generate urgently needed cash inflows without any oversight.

The mainstream opposition has presented the Country Plan, a road map toward economic recovery that contains significant elements of a market economy, such as the reestablishment of central bank autonomy, privatizations, the abolition of exchange controls and steps toward public service pricing.

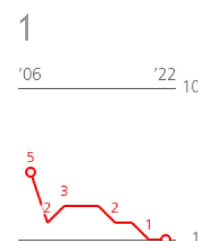
The response of civil society organizations has been of vital importance in mitigating the impact of the COVID-19 pandemic on the already desperate situation of vulnerable communities in the complex humanitarian crisis. The regime's reaction to such activities has been openly hostile and has sometimes resulted in harassment. In January 2021, six members of Azul Positivo were arrested and detained in Zulia State. Azul Positivo, a humanitarian organization primarily dedicated to aiding people with AIDS, has been active in combating the impact of COVID-19 on local communities.

The regime elites that control the state are the anti-democratic actors, backed by Chinese, Cuban, Russian and now also Iranian military, political and economic advisers. Further reforms allowing an escape from the ideological command economy straitjacket, such as the Anti-Blockade Law, may eventually be demanded by allies in order to secure their economic interests in the country. Reformers advocating democracy, such as opposition groups inside and outside the former parliament, have been completely sidelined again.

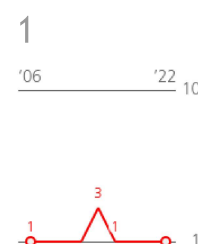
The populist ingredient in the regime's ideology requires feeding the friend-enemy binary of politics with a conflict-exacerbating rhetoric that facilitates identification. The opposition leadership, for its part, must defend the "we"-feeling, while at the same time drawing a clear line between "them" and "us." Bridging the conflict has hitherto proven impossible, as several approaches aimed at reaching some common ground via internationally sponsored negotiations have failed miserably.

Civil society participation is a constitutional requirement for filling positions in the branches of government not elected by popular vote. However, this has never been respected, even to keep up appearances. The concept of civil society is anathema to a regime that relies on the concept of "the people," which is equivalent to their loyal followers, however few they may be. Neither the "civil society" nor "the people" are involved in agenda setting, policy formation, deliberation and decision-making, policy implementation, or performance monitoring. Instead, the regime engages in repression and harassment of civil society actors (as reported in "Association / assembly rights" and "Freedom of expression").

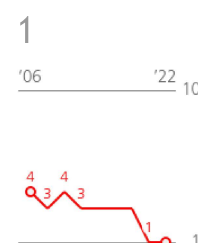
Anti-democratic actors



Cleavage / conflict management



Civil society participation



The National Assembly dominated by the mainstream opposition approved an Amnesty Law in January 2019 aimed at laying the foundation for national reconciliation. It provides guarantees for democratic reinsertion to create incentives for civilians and police officers as well as the components of the Armed Forces to refuse Maduro orders. The law did not produce any effect.

For its part, the president of the newly elected but unrecognized National Assembly pledged “national reconciliation” followed by the threat “there can be no forgiveness with forgetfulness, there can’t be any reconciliation with amnesia.” This assembly appointed a commission tasked with investigating the “crimes” committed by lawmakers of the legitimate National Assembly, headed by a former opposition representative now aligned with the regime. The radical sector of the opposition holds an identical no-forgiveness vision.

Reconciliation

n/a

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n/a 1

17 | International Cooperation

The country’s strategic partners, Cuba, Russia, China, Iran and Turkey, have provided the regime a real lifeline. In this sense, the country’s leaders have been extremely effective in the use of international support for their overarching strategic goal of securing and tightening their grip on power. The support is not an integral part of a long-term socioeconomic development strategy.

Cuba has been the ideological inspiration and tactical adviser of the Bolivarian Revolution from its beginning. It has been rewarded with generous oil shipments, on which it has become existentially dependent. For its part, it provides medical assistance as well as security and military consulting services, including Maduro’s international air transport and security detail. Russia is a military supplier and a privileged partner active in the Orinoco Basin heavy crude business, and has been helpful with oil shipments that circumvent U.S. sanctions. China is the regime’s largest creditor and the top importer of Venezuelan oil (circumventing U.S. sanctions via ship-to-ship (STS) transfers), as well as a provider of technology for social control. Iran’s gasoline shipments in defiance of U.S. sanctions were vital in mitigating the severe fuel shortages in 2020, and Turkey has recently entered the partner group as the main destiny for the country’s gold exports. Russia, China and Iran consider Venezuela to be a bridgehead for their longer-term geopolitical interests in the region. In December 2020, Venezuela approved Russia’s Sputnik COVID-19 vaccine, and signed a contract to purchase 10 million doses.

Effective use of support

2

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The Maduro regime does not demonstrate an interest in honoring its contractual commitments and obligations in the international arena. The IMF Board found Venezuela in breach of its obligation to provide data. The most recent WTO Trade Policy Review, normally due every six years, took place in 2002. The regime was reluctant to grant the UN Human Rights Mission unfettered access to victims and detention centers throughout the country. It was also reluctant to allow the delivery of health and protection materials by the Red Cross and the Pan American Health Organization (PAHO) for the country's response to the COVID-19 pandemic.

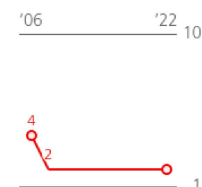
Venezuela is party to several hundred international treaties and conventions. However, in 2013, Venezuela withdrew from the American Convention on Human Rights. In 2017, Venezuela's membership in Mercosur was suspended in response to the "rupture of the democratic order." With regard to labor relations, there are currently several complaints under investigation by the ILO concerning non-observance of the Freedom of Association and Protection of the Right to Organize Convention, the Protection of Wages Convention, and the Discrimination (Employment and Occupation) Convention. According to the U.S. State Department, the Maduro regime has also attempted to misuse international law enforcement tools for politically motivated purposes.

The novel regional cooperation architecture sponsored by the Bolivarian Revolution's checkbook diplomacy, which broke down when the money ran out and when some allies lost elections, has not reemerged despite the return of friendly governments to power in Argentina and Bolivia. Relations with the Caribbean countries have been put under strain by about 200,000 migrants who fled to the islands, often as illegal boat people, and by Venezuela's renewed threats against Guyana in the Essequibo territorial dispute. An International Court of Justice (ICJ) hearing on the matter in 2020 was not attended by Venezuela. The Caribbean community issued a statement backing the maintenance of Guyana's territorial integrity, and firmly repudiating any act of aggression by Venezuela against Guyana.

Colombia and Brazil, the country's two other neighbors, are members of the Lima Group which supported Guaidó and has called the Maduro regime "illegitimate and dictatorial." Thus, there is obviously no cooperation taking place in the immediate regional environment, and there is also no common ground for any kind of cooperation as long as the authoritarian regime is in place. The regional organizations inspired and funded by Chávez – the Bolivarian Alliance of the Peoples of America (ALBA), the Union of South American Nations (UNASUR), and the Community of Latin American and Caribbean States (CELAC) – are no longer really operative, as Venezuela's checkbook diplomacy has run out of steam. For the time being, Venezuela is as isolated in the region as before.

Credibility

2



Regional cooperation

2



Strategic Outlook

The Socialist Party's predictable takeover of the National Assembly in the questioned December 2020 elections dealt a final blow to the mainstream opposition's strategy aimed at unseating Maduro as a condition for a settlement. With the regime's cohesion reinforced and the opposition falling apart, Venezuela's political crisis looks ever more intractable. The economic disaster and the humanitarian catastrophe cannot be effectively addressed until both sides abandon their zero-sum vision in order to find common ground from which to overcome the stalemate. An arrangement should be possible, as the government is aware that repression alone will not secure its survival, and the opposition will have to unite around a roadmap for a gradual transition.

Relief for the highly vulnerable population is the first task that needs to be addressed in the most depoliticized fashion possible. The regime has been reluctant to admit the existence of a humanitarian emergency and blocked the entry of an aid convoy organized by the opposition in 2019, but finally agreed to the joint distribution of aid under UN auspices in 2020. This represented a first, timid step toward the de-politicization of aid. Further steps in that direction, especially urging the authorities to stop harassing humanitarian NGOs, would facilitate the commitment of international aid organizations that have hitherto been reluctant to assist due to the political tensions.

Some signs of hope have emerged in the political arena. For one, U.S. Secretary of State Antony Blinken told Senate members that the government would seek to make sanctions more effective, while also considering more humanitarian aid to Venezuela. For another, Maduro said he was willing to "walk a new path" in the country's relations with the United States and was prepared to accept a recall referendum to be organized against him in 2022. And the president of the legislature elected in December 2020 said the National Assembly would be "the epicenter of national reconciliation." For the time being, the United States, the EU and the Lima Group continue to recognize the 2016 legislature and Guaidó's leadership as legitimate, but they will probably resort to quieter diplomacy in order to promote a settlement conducive to free and fair elections.

The Maduro regime is aware of the urgent need to solve the country's financial troubles and revitalize the sputtering economy. Its allies Russia and China are reluctant to pour more cash into Venezuela's ailing oil sector given the dwindling demand due to zero-carbon strategies. Consequently, the international community and multilateral actors must be involved. Easing the sanctions, for instance allowing oil-for-diesel swaps, would be a first step toward building confidence. In return, the regime could free political prisoners, a gesture it had already made in previous attempts at negotiating a settlement. Both the opposition and the government need to connect with the peoples' unprecedented suffering. That is a strong incentive for both sides to establish common ground, a condition for the involvement of multilateral institutions like the IMF, which in 2020 denied a loan request by the Maduro regime due to its disputed legitimacy. The devastated economy can only be revitalized if the foreign debt is restructured, clear rules established and transparent administration practices put in place.