



February 2021

VENEZUELA

Additional Tracking Could Aid Treasury's Efforts to Mitigate Any Adverse Impacts U.S. Sanctions Might Have on Humanitarian Assistance



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GAO@100 Highlights

Highlights of [GAO-21-239](#), a report to congressional requesters

Why GAO Did This Study

Venezuela has been experiencing an economic, political, and humanitarian crisis. The U.S. government has imposed sanctions on Venezuela's state oil company, government, and central bank, among others, in response to activities of the Venezuelan government and certain individuals. Treasury and the Department of State lead the implementation of the sanctions program, and USAID is primarily responsible for implementing humanitarian assistance for Venezuelans.

GAO was asked to review U.S. sanctions related to Venezuela. This report examines: (1) how the Venezuelan economy performed before and since the imposition of sanctions in 2015; (2) the steps U.S. agencies have taken to identify and mitigate potential negative humanitarian consequences of sanctions related to Venezuela; and (3) what is known about the impact of U.S. sanctions related to Venezuela on the U.S. oil industry.

GAO analyzed economic indicators, reviewed documents, interviewed agency officials, and spoke with representatives from selected humanitarian organizations and the U.S. oil industry.

What GAO Recommends

GAO recommends that Treasury systematically track inquiries made to its call center and email account, including the specific sanctions program and the subject matter of the inquiry to identify trends and recurring issues. Treasury concurred with GAO's recommendation.

View [GAO-21-239](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or GianopoulosK@gao.gov.

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Additional Tracking Could Aid Treasury's Efforts to Mitigate Any Adverse Impacts U.S. Sanctions Might Have on Humanitarian Assistance

What GAO Found

The Venezuelan economy's performance has declined steadily for almost a decade and fallen steeply since the imposition of a series of U.S. sanctions starting in 2015. For example, the economy declined from negative 6.2 percent gross domestic product growth in 2015 to negative 35 percent in 2019 and negative 25 percent in 2020. The sanctions, particularly on the state oil company in 2019, likely contributed to the steeper decline of the Venezuelan economy, primarily by limiting revenue from oil production. However, mismanagement of Venezuela's state oil company and decreasing oil prices are among other factors that have also affected the economy's performance during this period.

U.S. agencies have sought input from humanitarian organizations to identify the potential negative humanitarian consequences of sanctions related to Venezuela and taken steps to mitigate these issues. The U.S. Agency for International Development (USAID) and Department of State (State) have solicited input from U.S.-funded humanitarian organizations on challenges they face, including the impact of sanctions. The U.S. Department of the Treasury (Treasury) and State have also taken steps to mitigate negative consequences. For example, Treasury issued licenses permitting various types of humanitarian assistance transactions in Venezuela (see figure). Treasury also maintains a call center and email account through which organizations can receive assistance with compliance issues or other challenges related to sanctions. While Treasury officials told GAO they respond to individual inquiries, Treasury does not systematically track and analyze information from these inquiries to identify trends or recurrent issues. Without collection and analysis of this information, Treasury and its interagency partners may be limited in their ability to develop further actions to ensure that U.S. sanctions do not disrupt humanitarian assistance.

U.S. Humanitarian Assistance Supplies for Venezuelans



Source: U.S. Agency for International Development. | GAO-21-239

U.S. sanctions related to Venezuela have likely had a limited impact, if any, on the U.S. oil industry. Despite an overall lower supply of oil in the U.S. market from the loss of Venezuelan crude oil due to sanctions, crude oil and retail gasoline prices in the U.S. have not increased substantially. Many other factors in addition to the sanctions simultaneously affected the oil market and the price of crude oil and retail gasoline prices, including production cuts in January 2019 by the Organization of the Petroleum Exporting Countries and decreased demand for energy during the COVID-19 pandemic. According to industry officials to whom GAO spoke, U.S. refineries have adjusted to these changes by shifting to alternative sources and types of crude oil.

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Abbreviations

COVID-19	Coronavirus Disease 2019
EIA	Energy Information Administration
Energy	Department of Energy
E.O.	Executive Order
GDP	gross domestic product
IMF	International Monetary Fund
NGO	Nongovernmental Organization
NSC	National Security Council
OFAC	Department of the Treasury's Office of Foreign Assets Control
OPEC	Organization of the Petroleum Exporting Countries
PdVSA	Petróleos de Venezuela, S.A.
PRM	Department of State's Bureau of Population, Refugees, and Migration
State	Department of State
TFFC	Department of the Treasury's Office of Terrorist Financing and Financial Crimes
Treasury	Department of the Treasury
UN	United Nations
USAID	U.S. Agency for International Development
VAU	Venezuela Affairs Unit

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February 4, 2021

The Honorable Gregory W. Meeks
Chairman
Committee on Foreign Affairs
House of Representatives

The Honorable Andy Levin
House of Representatives

Venezuela has been experiencing an economic, political, and humanitarian crisis under the leadership of President Nicolás Maduro and the United Socialist Party of Venezuela. Maduro declared victory in a 2018 Presidential election that the Venezuelan National Assembly, as well as many outside observers, deemed unfree and fraudulent. Maduro began a disputed second term as President in January 2019, as the National Assembly declared the Presidency to be vacant and Juan Guaidó to be the lawful Interim President pursuant to the Venezuelan constitution. Outside observers have also expressed concerns over conditions in Venezuela, including human rights abuses, rampant violent crime, high inflation, and widespread shortages of basic consumer goods, medicine, and medical supplies. According to a recent household survey by a Venezuelan university, an estimated 96 percent of Venezuelans were living in poverty in 2019.¹ In addition, a February 2020 assessment by the United Nations (UN) World Food Program estimated that over 9 million Venezuelans, or roughly one-third of the population, lacked reliable access to a sufficient quantity of affordable, nutritious food. Many outside observers blame the Maduro government's mismanagement and corruption for these problems.

In response to these developments, the U.S. government imposed economic sanctions, starting in fiscal year 2015, on Venezuelan government officials and individuals who are contributing to the ongoing political and humanitarian crisis. According to the Department of the Treasury (Treasury), the Venezuela sanctions program seeks to limit the "illegitimate former Maduro Regime's" sources of revenue and to hold accountable any individuals who stand in the way of restoring democracy

¹The 2019-2020 National Survey of Living Conditions; *Encuesta Nacional de Condiciones de Vida (ENCOVI)*; Universidad Católica Andrés Bello; Caracas, Venezuela July 2020.

in the country, while ensuring the flow of humanitarian goods and services to the Venezuelan people.² As part of the program, Treasury has imposed sanctions on over 150 Venezuelans or foreigners connected to the Venezuelan government, while the Department of State (State) has revoked the visas of hundreds of Venezuelans. In addition, the U.S. government has imposed sanctions on the Venezuelan government, central bank, and state oil company, known as Petróleos de Venezuela, S.A. (PdVSA), among others. It has also placed sanctions on non-Venezuelan entities that conduct business with the government or PdVSA. While sanctions are targeted at the Venezuelan government, Maduro remains in power.

The U.S. government uses an interagency process, led by the National Security Council (NSC), to develop U.S. sanctions policy related to Venezuela. Treasury, in consultation with State, has primary responsibilities for implementing the economic sanctions and State imposes visa restrictions on targeted individuals. In addition, the Department of Energy (Energy) provides analysis on Venezuela's oil sector, among other things, and the U.S. Agency for International Development (USAID) provides information on humanitarian assistance in Venezuela.

You asked us to review information on the impact that U.S. sanctions have had on the Venezuelan crisis. This report examines: (1) how the Venezuelan economy performed before and since the imposition of sanctions in 2015; (2) the steps U.S. agencies have taken to identify and mitigate the potential negative humanitarian consequences of sanctions related to Venezuela; and (3) what is known about the impact of U.S. sanctions related to Venezuela on the U.S. oil industry.

To determine how the Venezuelan economy performed before and since the imposition of sanctions in 2015, we analyzed various economic indicators, such as gross domestic product (GDP) and oil exports data, to determine changes over time. We also interviewed agency officials from

²The U.S. interagency working groups related to Venezuela refer to the Venezuelan government led by Nicolás Maduro as the "illegitimate former Maduro Regime" as the United States officially recognized Interim President Guaidó as the legitimate leader of Venezuela on January 23, 2019, and accordingly derecognized the Maduro regime. For ease of reference in this report, we refer to the government led by Nicolás Maduro as the "Maduro Government".

Energy and Treasury, as well as relevant experts, about their views on the Venezuelan economy and the possible impacts of the U.S. sanctions.

To determine the steps U.S. agencies have taken to identify and mitigate potential negative humanitarian consequences of sanctions related to Venezuela, we interviewed agency officials from Treasury, State, and USAID to obtain information on challenges humanitarian organizations face in Venezuela and the actions the agencies have taken to limit the impact of U.S. sanctions on the delivery of humanitarian assistance. We reviewed all relevant licenses and interpretative guidance issued by Treasury on the provision of humanitarian assistance in Venezuela. We also reviewed project documentation from and interviewed all nine USAID implementing partners, as of August 2020, with projects in Venezuela, as well as other humanitarian organizations providing assistance to Venezuelans.

To determine what is known about the impact of U.S. sanctions related to Venezuela on the U.S. oil industry, we collected data from Energy on changes in the U.S. oil market and production of Gulf Coast refineries. We also obtained from Energy relevant formal assessments it had conducted on the impact of U.S. sanctions on the U.S. oil industry. We used the data and assessments to assess changes in the market since the imposition of U.S. sanctions in 2015. We also interviewed agency officials and oil industry representatives to understand the observed impact of sanctions.

We conducted this performance audit from October 2019 to February 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Venezuela and U.S. Relations

Venezuela has a population of over 28 million people and is located in South America, bordering the Caribbean Sea and the North Atlantic Ocean, between Colombia and Guyana. See figure 1.

Figure 1: Location of Venezuela in South America



Source: GAO (data), Map Resources (map). | GAO-21-239

The Venezuelan economy is highly dependent on oil revenues, which accounted for almost all export earnings and nearly half of the government's revenue in 2017, according to the Central Intelligence Agency's World Factbook.³ PdVSA, a state-owned company founded in 1976 when Venezuela nationalized its oil industry, explores for, produces, refines, and exports the country's oil and natural gas.

The United States has had longstanding diplomatic relations with Venezuela, but the relationship became strained during the presidency of Hugo Chavez (1999-2013) due in part to his anti-democratic policies and ties to criminal and terrorist groups. According to a report from the Congressional Research Service, Chavez's presidency was characterized by a concentration of power and open disregard for basic human rights guarantees. Following the death of Chavez in March 2013, Nicolás Maduro, the acting President and Chavez's handpicked successor, won the presidential election in April 2013 by a small margin and, according to the Congressional Research Service Report, continued implementing anti-democratic policies. Maduro's re-election in 2018, which State deemed fraudulent and unconstitutional, led the United States and, as of October 2020, 57 other countries to recognize the National Assembly

³The year 2017 is the latest period for which the Central Intelligence Agency's World Factbook has data. The Venezuelan government no longer releases official statistics on the economy.

President, Juan Guaidó, as the constitutional interim President of Venezuela.⁴ Nevertheless, Maduro remains in power and has the support of the security forces. In March 2019, The United States suspended embassy operations in Caracas, Venezuela. The United States maintains diplomatic relations with Guaidó and the democratically elected National Assembly through the Venezuelan Embassy in Washington, DC, and the Venezuela Affairs Unit (VAU) operating out of the U.S. Embassy in Bogotá, Colombia.

Before it suspended diplomatic operations in Venezuela in March 2019, the United States was Venezuela’s largest trading partner. U.S. exports to Venezuela have historically included petroleum and refined petroleum products, machinery, organic chemicals, and agricultural products. Crude oil made up the majority of U.S. imports from Venezuela, which made Venezuela one of the top five suppliers of foreign oil to the United States prior to the imposition of sanctions on PdVSA in January 2019.⁵

According to Energy officials, crude oil refineries along the U.S. Gulf Coast are some of the most sophisticated refineries in the world with the ability to process heavy crude oil grades. Venezuelan crude oil, like other heavy grades, was typically less expensive than other non-heavy crudes due to its density and proximity to U.S. refineries. In 2017, U.S. refineries imported 618,000 barrels per day of Venezuelan crude oil—approximately 8 percent of total crude oil imports during the year.

U.S. Sanctions Related to Venezuela

Treasury, in consultation with State and the Department of Justice, and with input from other agencies, has authority to administer economic sanctions related to Venezuela to, according to Treasury, protect the U.S. financial system from abuse and support U.S. policy goals.⁶ Treasury stated that the Venezuela-related sanctions program is designed to limit the “illegitimate former Maduro government’s” sources of revenue to hold accountable individuals who stand in the way of restoring democracy in

⁴Juan Guaidó was sworn in as National Assembly President on January 23, 2019.

⁵An Energy official stated that U.S. imports had been decreasing prior to 2019 due to declines in Venezuelan crude oil production.

⁶Treasury implements sanctions by taking actions such as designating persons for the application of sanctions. These sanctions may include blocking such designated persons’ access to U.S.-based assets, prohibiting U.S. persons from engaging in any transactions or dealings with them, prohibiting them from engaging in financial transactions in the United States, and restricting access to U.S. financial services.

Venezuela, corrupt officials, and human rights abusers.⁷ The legal authorities for these sanctions come from several sources, including executive orders, as well as the Venezuela Defense of Human Rights and Civil Society Act of 2014. See table 1.

Table 1: Selected U.S. Sanctions Authorities Related to Venezuela since 2014

Sanction Authority	Enacted	Description
Venezuela Defense of Human Rights and Civil Society Act of 2014 ^a	December 2014	This law, among its provisions, requires the President to impose sanctions (asset blocking and visa restrictions) against foreign persons whom the President identifies as responsible for significant acts of violence or serious human rights abuses, or anyone who has ordered the arrest or prosecution of a person because of the person's legitimate exercise of freedom of expression or assembly.
Executive Order 13692	March 2015	This order targets (for asset blocking and visa restrictions) persons determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have participated, in or in relation to Venezuela, in actions or policies undermining democratic processes or institutions; serious human rights abuses; actions that prohibit, limit, or penalize freedom of expression or peaceful assembly; and public corruption. It also targets any person who is a current or former leader of any entity engaged in any of those activities, as well as current or former government officials, or persons who "have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of" persons blocked pursuant to the order.
Executive Order 13808	August 2017	This order prohibits, among other things, certain financial transactions, including those related to specified debt or equity of the Venezuelan government and Petróleos de Venezuela, S.A (PdVSA), with certain exceptions, by a U.S. person or a person within the United States.
Executive Order 13827	March 2018	This order prohibits all transactions related to, provision of financing for, and other dealings in any digital currency, digital coin, or digital token issued by, for, or on behalf of the Government of Venezuela wherein U.S. jurisdiction is implicated.
Executive Order 13835	May 2018	This order prohibits, among other things, certain transactions by a U.S. person or within the United States related to: the purchase of any debt owed to the Government of Venezuela (including PdVSA), such as but not limited to accounts receivable; any debt owed to the Government of Venezuela that is pledged as collateral; and the sale, transfer, assignment, or pledging as collateral by the Government of Venezuela of any equity interest in any entity in which it has a 50 percent or greater ownership interest.
Executive Order 13850	November 2018	This order targets (for asset blocking and visa restrictions), among other things, persons determined by the Secretary of the Treasury, in consultation with the Secretary of State: to operate in the gold sector of the Venezuelan economy or in any other sector of the Venezuelan economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State; or to have engaged in certain corruption-related activities or to be an immediate adult family member of such a person. ^b

⁷The sanctions program targets, among others, those responsible for corruption and undermining democratic processes in Venezuela. Therefore, we refer to the sanctions in this report as Venezuela-related sanctions.

Sanction Authority	Enacted	Description
Executive Order 13857	January 2019	According to State, this order recognizes the swearing-in of interim President Juan Guaidó and amends the above-mentioned executive orders to redefine “Government of Venezuela” to ensure that the Maduro regime remains the focus of U.S. sanctions.
Executive Order 13884	August 2019	This order, among other things, blocks the property of the Government of Venezuela and provides additional authority for designating individuals and entities that are owned or controlled by, or that have acted or purported to act for or on behalf of, the Government of Venezuela, as well as individuals and entities that provide certain support for persons blocked under Executive Order 13884 that are included on the Specially Designated Nationals and Blocked Persons List maintained by the Department of the Treasury.

Source: GAO analysis of Departments of Treasury and State documents. | GAO-20-239

Note: The sanction authority summaries contained in this table are not comprehensive. For the full scope of each authority, please refer to the specific statute or executive order on the Department of the Treasury’s Office of Foreign Assets Control’s website: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>

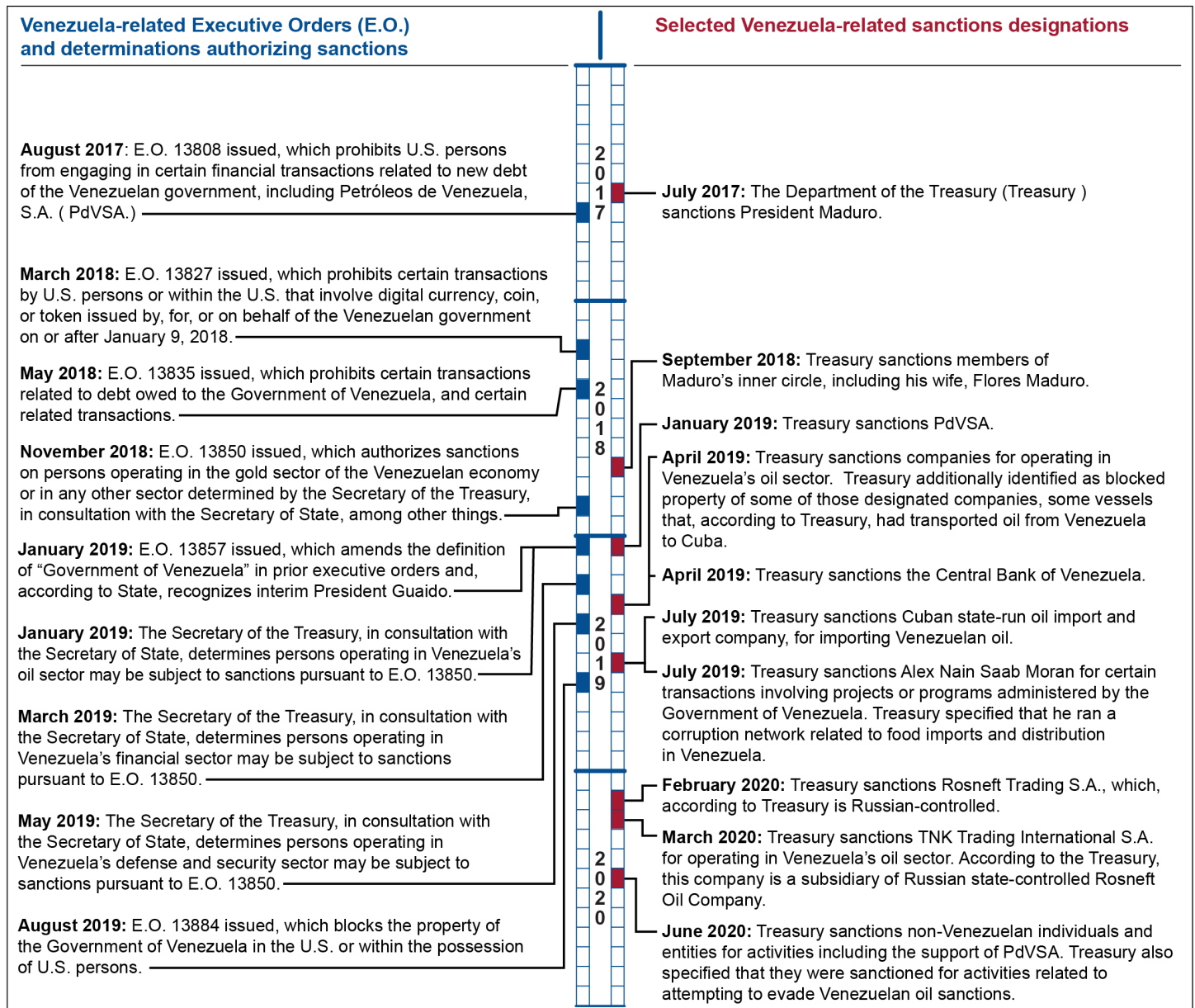
^aPub. L. No. 113-278, 128 Stat. 3011. In 2016, Congress and the President extended this act through 2019. Pub. L. No. 114-194, 130 Stat. 674. In December 2019, Congress and the President extended this act through 2023 in the Venezuela Emergency Relief, Democracy Assistance, and Development Act of 2019. Pub. L. No. 116-94, Div. J, Title I, § 183, 133 Stat. 2534, 3048.

^bSectors of the Venezuelan economy specified under Executive Order 13850 by the Secretary of Treasury include the oil, defense and security, and financial sectors.

Since March 2015, the United States has authorized and subsequently imposed sanctions on entities and individuals affiliated with the Maduro government, including the Venezuelan central bank, the Venezuelan development bank, and PdVSA.⁸ Treasury also has identified several key sectors of the Venezuelan economy as subject to sanctions, including the oil industry. As of June 1, 2020, Treasury had imposed sanctions on over 150 Venezuelans or foreigners with ties to Venezuela, and State had revoked the visas of hundreds of individuals and their families. This includes sanctions on Venezuelan officials, including President Maduro, and certain members of his family. See figure 2 for selected sanctions imposed on Venezuela since 2017.

⁸The U.S. imposed sanctions on Venezuelan persons prior to 2015 pursuant to other authorities, according to Congressional Research Service reporting, relating primarily to terrorism and drug trafficking.

Figure 2: Timeline of U.S. Executive Orders Related to Venezuela and Selected Sanctions Designations, 2017-2020



Source: GAO analysis of information from the Departments of State and the Treasury. | GAO-21-239

Notes: Not included in this figure, through E.O. 13692 (issued March 2015) the U.S. President declared a national emergency with respect to the situation in Venezuela, and authorized certain actions under the Venezuela Defense of Human Rights and Civil Society Act of 2014.

The executive order summaries contained in this figure are not comprehensive. For the full scope of each executive order, please refer to the specific orders on the Department of the Treasury's Office of Foreign Assets Control's website:

U.S. Agencies' Roles for Venezuela-Related Sanctions

The U.S. government uses an interagency process, led by the NSC, to discuss and develop U.S. policy related to Venezuela, including sanctions implementation. NSC-led working groups on Venezuela meet regularly and frequently discuss sanctions issues, as well as political, economic, and humanitarian issues. These working groups consist of representatives from Treasury, State, Energy, the Intelligence Community, and USAID, among others.

- **Treasury:** Treasury, through its Office of Foreign Assets Control (OFAC), administers and enforces U.S. economic and trade sanctions, including those related to Venezuela. OFAC maintains a list of Specially Designated Nationals and Blocked Persons to which it adds individuals and entities designated under Venezuela sanctions authorities. The entities may include companies owned or controlled by, or acting for or on behalf of, designated persons in Venezuela. OFAC also issues guidance on specific issues related to the sanctions programs, including on sanctions related to Venezuela.⁹ It also issues general licenses authorizing transactions otherwise prohibited by sanctions, including certain humanitarian-related transactions, and specific licenses to individuals or entities to conduct otherwise prohibited activities on a case-by-case basis. Treasury also stated that it conducts outreach on sanctions issues to various parties, including nongovernmental organizations (NGOs).
- **State:** State imposes visa restrictions on targeted individuals. In addition, State provides consultation to Treasury on the administration of certain economic sanctions. State also builds international support for implementation of economic sanctions and provides foreign policy guidance to Treasury and others on sanctions implementation, among other things. State additionally conducts outreach on sanctions issues to a wide range of interested parties including nongovernmental organizations, companies, diaspora groups, and others.
- **Energy:** Energy's Office of International Affairs provides information from the Energy Information Administration (EIA), about the global oil market in general and Venezuela's oil industry in particular, to support the NSC-led interagency working groups on Venezuela. According to EIA, it provides data, forecasts, and analyses to promote policy-

⁹OFAC publishes this guidance on its website in response to public requests or proactively to address a complex topic.

making, efficient markets, and public understanding of energy and its interaction with the economy and the environment.

- **USAID:** USAID is the primary provider of U.S. humanitarian assistance to Venezuelans on behalf of the U.S. government. According to a USAID official, USAID provides information to the NSC-led interagency working groups on Venezuela on humanitarian developments in the Venezuela crisis, and works to ensure that any potential actions they discuss will not negatively affect assistance programs in country.

The Humanitarian Crisis in Venezuela and the U.S. Foreign Assistance Response

Prior to the ongoing political struggle between the Maduro government and the Guaidó-led interim government, Venezuelans were experiencing a steep economic recession that has caused a severe humanitarian crisis. A high inflation rate has affected the purchasing power of consumers and the ability of businesses to import necessities. As a result, Venezuelans face chronic fuel and medicine shortages. More than 5 million citizens, over 17 percent of the population, have fled the country to seek relief from the crisis elsewhere, according to the Regional Inter-Agency Coordination Platform for Refugees and Migrants from Venezuela.¹⁰ In 2020, the UN aimed to reach 7 million Venezuelans in need of humanitarian assistance in the country. The arrival of the Coronavirus Disease 2019 (COVID-19) in Venezuela in March 2020 further intensified the urgency and need for humanitarian services to address public health concerns, such as a lack of qualified medical professionals and a limited supply of personal protective equipment.

To address the humanitarian crisis, the U.S. supports a number of efforts, led by USAID and State's Bureau of Population, Refugees, and Migration (PRM), under the Venezuela Regional Crisis Response. These efforts include humanitarian programming for Venezuelan migrants, refugees, and host communities in the region and vulnerable Venezuelans inside Venezuela. State and USAID regional response efforts include health, food, and protection support services in neighboring countries, such as Brazil, Colombia, Ecuador, and Peru. USAID humanitarian programming in Venezuela includes activities such as healthcare support services; water, sanitation, and hygiene; and food assistance. USAID works with a

¹⁰The Regional Inter-Agency Coordination Platform for Refugees and Migrants from Venezuela calculated the total based on data provided by countries hosting Venezuelan refugees and migrants as of October 5, 2020.

variety of local and international partners to deliver supplies and services to communities throughout the country.

As of September 2020, USAID had obligated over \$563 million in U.S. funding for the Venezuela Regional Crisis Response since fiscal year 2017.¹¹ For the purposes of our report, we focused on USAID humanitarian assistance provided to Venezuelans within Venezuela. As of September 2020, USAID had obligated over \$104 million for humanitarian assistance activities within Venezuela.

The Venezuelan Economy Has Declined Steadily for Almost a Decade, but Has Fallen Steeply since the Imposition of U.S. Sanctions Starting in Fiscal Year 2015

The Venezuelan economy's performance has been in decline since 2012, but that decline has been much larger since 2015. U.S. sanctions related to Venezuela likely contributed to this steeper decline. According to experts we interviewed and literature we reviewed, U.S. sanctions have had a negative impact on the already declining Venezuelan economy, although it is difficult to isolate the effect of sanctions from other relevant factors. In addition to the imposition of U.S. sanctions, various other factors have also contributed to the decline of the Venezuelan economy, including lower world oil prices and mismanagement by the Venezuelan government.

The Venezuelan Economy Has Declined for 8 Years, with a Steeper Contraction since 2015

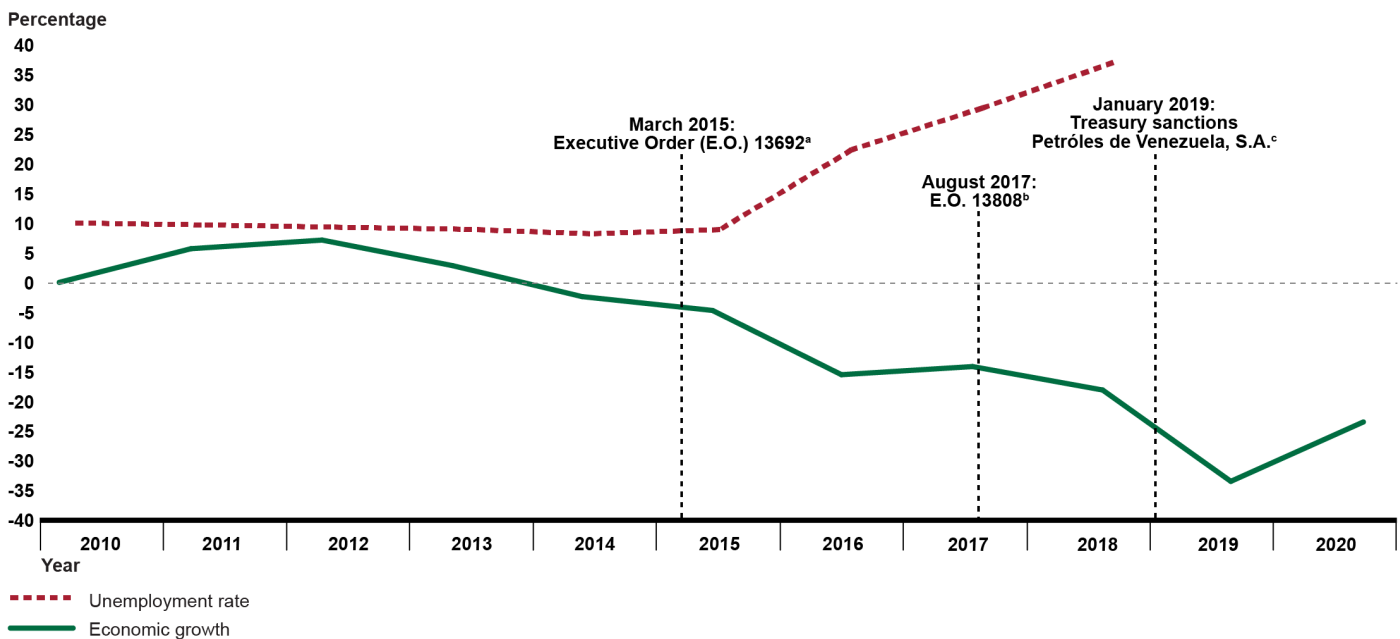
After experiencing some growth in 2011 and 2012, mostly due to higher world oil prices, Venezuela has been in continuous economic decline since 2012. Much of the economic decline is the result of the country's decreased oil production and domestic crude oil refining capacity and other internal factors such as PdVSA mismanagement. According to Treasury officials, reduced revenues for investment and operation, in the context of a hyperinflationary environment, further exacerbated the decline of the oil industry and the economy as a whole. A decrease in crude oil and petroleum liquids production means that PdVSA has less oil

¹¹State's PRM also provides humanitarian assistance to Venezuelans. According to State, PRM assistance focuses on Venezuelans living outside of Venezuela and their host communities. As of September 2020, State has obligated over \$437 million in U.S. funding for the Venezuela Regional Response since fiscal year 2017.

available for export, which leads to decreases in net oil export revenues, the main source of Venezuela’s revenues.¹²

Since 2015, the Venezuelan economy has undergone a much larger contraction. The economy declined from negative 6.2 percent in 2015 to negative 35 percent in 2019 and negative 25 percent in 2020.¹³ The decline in economic activity decreases the demand for labor and increases the unemployment rate. From 2010 through 2015, the unemployment rate was stable at 7.7 percent on average, but from 2015 to 2018, it rose from about 7.4 percent to 35 percent.¹⁴ See figure 3.

Figure 3: Annual Venezuela Economic Growth and Unemployment Rates, 2010-2020



Source: International Monetary Fund. | GAO-21-239

¹²Petroleum liquids are defined by EIA as all petroleum including crude oil and products of petroleum refining, natural gas liquids, biofuels, and liquids derived from other hydrocarbon sources (including coal to liquids and gas to liquids).

¹³The International Monetary Fund (IMF) has provided estimates of Venezuela’s GDP since 2018 due to the lack of official data.

¹⁴The International Monetary Fund (IMF) has not published unemployment rates for Venezuela since 2018, and rates for 2016 through 2018 are estimates due to the lack of official data.

Note: The United States has also imposed other sanctions related to Venezuela during this period that this figure does not depict.

^aExecutive Order 13692 targets (for asset blocking and visa restrictions) persons determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have participated, in or in relation to Venezuela, in actions or policies undermining democratic processes or institutions; serious human rights abuses; actions that prohibit, limit, or penalize freedom of expression or peaceful assembly; and public corruption. It also targets any person who is a current or former leader of any entity engaged in any of those activities, as well as current or former government officials, or persons who “have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of” persons blocked pursuant to the order. For the full scope of this executive order, please refer to the Department of the Treasury’s Office of Foreign Assets Control’s (OFAC) website:

<https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

^bExecutive Order 13808 prohibits, among other things, certain financial transactions including those related to specified debt or equity of the Venezuelan government and Petróleos de Venezuela, S.A (PdVSA), with certain exceptions, by a U.S. person or a person within the United States. According to the Department of State, the exceptions are intended to minimize the impact on the Venezuelan people and U.S. interests. For the full scope of this executive order, please refer to OFAC’s website: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

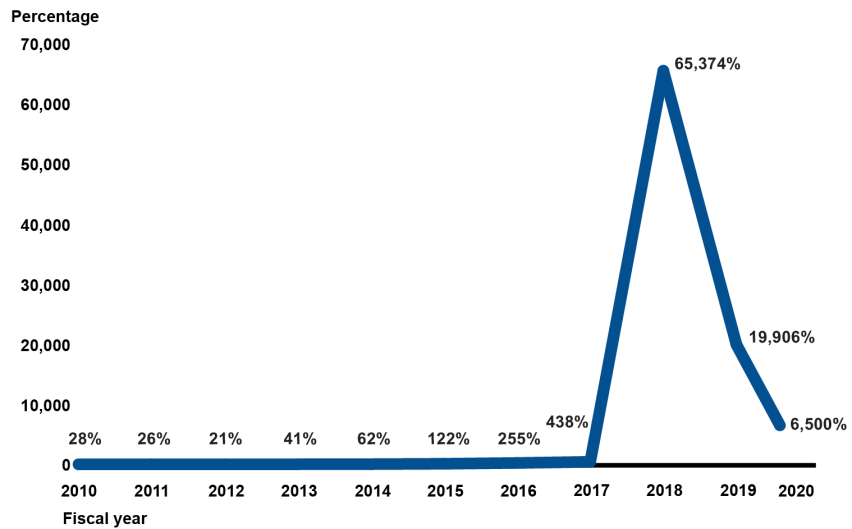
^cThe Secretary of the Treasury imposed sanctions on PdVSA after determining, in consultation with the Secretary of State, that persons operating in Venezuela’s oil sector may be subject to sanctions pursuant to Executive Order 13850.

Since 2010, Venezuela’s inflation has increased dramatically, often doubling every year. In 2010, the inflation rate was 28.2 percent; by 2017, it had reached 438 percent.¹⁵ This was an average monthly increase in the price of goods and services of 36.5 percent. In 2018, Venezuela experienced hyperinflation, which peaked at 65,374 percent. By 2020, the inflation rate had decreased, but remained extremely high at 6,500 percent.¹⁶ See figure 4.

¹⁵IMF’s data on inflation rates are estimates based on data published by the Central Bank of Venezuela, as well as data from several analysts and the National Assembly of Venezuela.

¹⁶Hyperinflation refers to very high levels of inflation, defined as an average monthly inflation above 50 percent.

Figure 4: Annual Venezuela Inflation Rate, Fiscal Years 2010-2020



Source: International Monetary Fund. | GAO-21-239

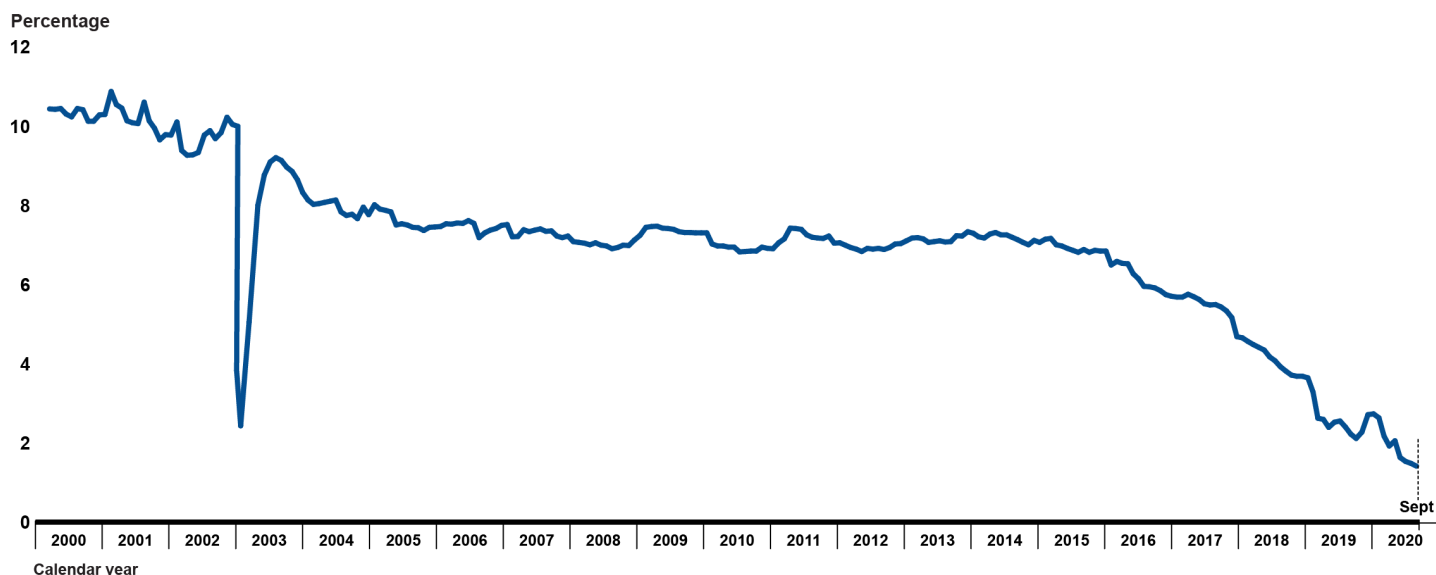
Some experts consider shortages of basic goods and services as the main reason for the drastic price increases in Venezuela. The Maduro government and its predecessor have implemented exchange rate controls and price regulation to control inflation, according to experts. According to an expert economist, Maduro’s government also printed more money to have cash for government expenditures, but that also further increases the price of goods and services, which leads to higher inflation. However, these policies have not succeeded, and instead have reduced the amount of imports by the private sector.¹⁷ By regulating prices and limiting the amount of dollars that the private sector can exchange, the Maduro government limited private sector profits. These developments have caused many companies, including American ones, to close operations in Venezuela. The reduction in imports has also led to product shortages in the country, which disproportionately affect poor Venezuelans since they cannot afford to obtain products at black market prices.

Venezuelan crude oil production has also been decreasing for 20 years, with a much steeper decline since 2017 (see fig. 5). As a result,

¹⁷In 2019, the Venezuelan government relaxed some of the controls to allow U.S. dollars into the Venezuelan economy, according to researchers.

Venezuela's share of Organization of the Petroleum Exporting Countries (OPEC) crude oil production has decreased from 10.1 percent in 2000 to 2.1 percent in 2020.¹⁸

Figure 5: Venezuela Oil Production as a Share of Organization of the Petroleum Exporting Countries Production, 2000-2020

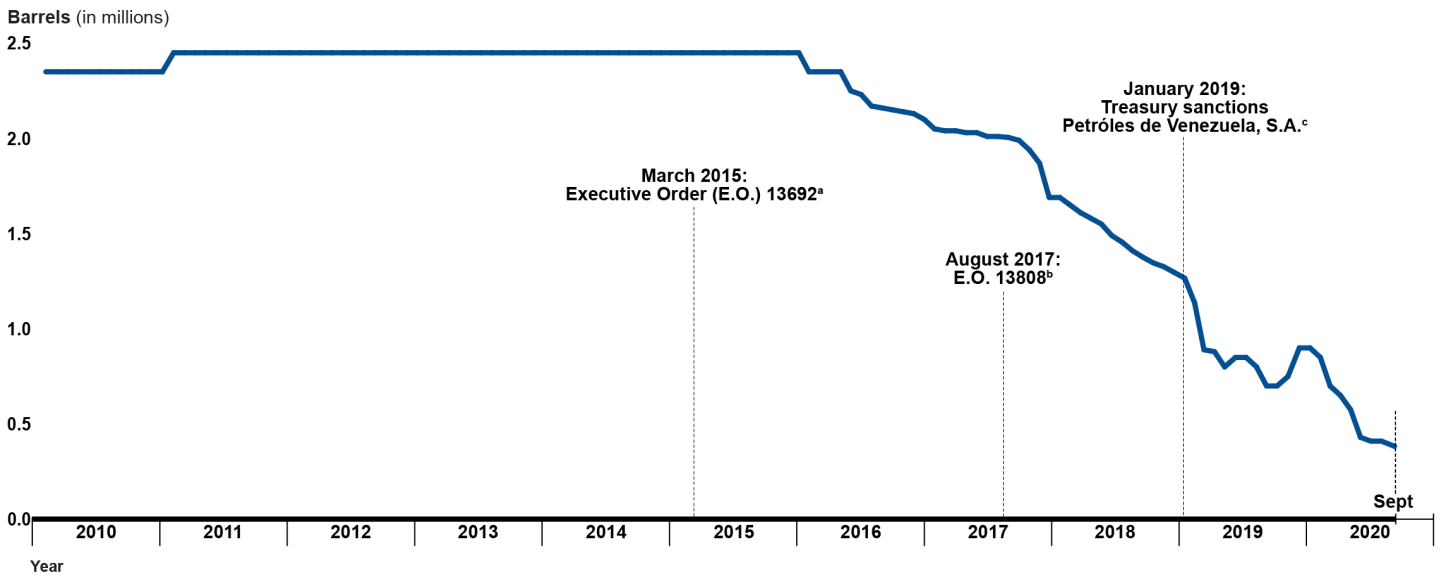


Source: Energy Information Administration. | GAO-21-239

As shown in figure 6, Venezuelan crude oil production from 2011 to 2015 remained consistent at 2.5 million barrels per day. By September 2020, crude production had declined to 340,000 barrels per day, a decrease of 86 percent from 2015 levels.

¹⁸Venezuela experienced a substantial drop in oil production in 2003, caused by a major labor strike at PdVSA, which resulted in the Chavez government replacing a large number of technical staff with military personnel.

Figure 6: Venezuela’s Monthly Oil Production in Millions of Barrels Per Day, 2010-2020



Source: Energy Information Administration. | GAO-21-239

Note: The United States has also imposed other sanctions related to Venezuela during this period that this figure does not depict.

^aExecutive Order 13692 targets (for asset blocking and visa restrictions) persons determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have participated, in or in relation to Venezuela, in actions or policies undermining democratic processes or institutions; serious human rights abuses; actions that prohibit, limit, or penalize freedom of expression or peaceful assembly; and public corruption. It also targets any person who is a current or former leader of any entity engaged in any of those activities, as well as current or former government officials, or persons who “have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of” persons blocked pursuant to the order. For the full scope of this executive order, please refer to Department of the Treasury’s Office of Foreign Assets Control’s (OFAC) website:

<https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

^bExecutive Order 13808 prohibits, among other things, certain financial transactions including those related to specified debt or equity of the Venezuelan government and Petróleos de Venezuela, S.A. (PdVSA), with certain exceptions, by a U.S. person or a person within the United States. According to State, the exceptions are intended to minimize the impact on the Venezuelan people and U.S. interests. For the full scope of this executive order, please refer to OFAC’s website:

<https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

^cThe Secretary of the Treasury imposed sanctions on PdVSA after determining, in consultation with the Secretary of State, that persons operating in Venezuela’s oil sector may be subject to sanctions pursuant to Executive Order 13850.

Sanctions Likely Contributed to Venezuela's Economic Decline since 2015

Beginning in 2015, the United States imposed sanctions targeting individuals undermining democratic processes or institutions in Venezuela and those committing human rights abuses, among other things.¹⁹ In 2017, the United States imposed broader economic sanctions that prohibited U.S. persons from engaging in certain financial transactions, such as those related to specified new debt of the Venezuelan government, including PdVSA.²⁰ Additionally, in January 2019, Treasury imposed sanctions on PdVSA after determining that persons operating in the Venezuelan oil sector may be subject to U.S. sanctions.²¹

According to experts we interviewed and literature we reviewed, U.S. sanctions have had a negative impact on the already declining Venezuelan economy, although it is difficult to isolate the effect of sanctions from other relevant factors. The U.S. sanctions likely contributed to the decline of the Venezuelan economy, mainly by further limiting its revenue from crude oil exports. Venezuelan crude oil production prior to the announcement of U.S. sanctions on PdVSA in January 2019 was at 1.2 millions of barrels per day, and had declined approximately 47 percent from 2010 crude oil production levels. Since January 2019, however, production has dropped further and, as of September 2020, stood at 324,000 barrels per day, a 59 percent decrease compared with the average production for 2019.

Due to the U.S. sanctions, fewer buyers are willing to purchase Venezuelan crude oil and those who do will only purchase it at a heavy discount. In addition, Venezuela now has to transport its crude oil to countries farther away than the United States, which increases transportation costs. As a result, the Maduro government is collecting less oil export revenue by selling less crude oil at a higher cost and a lower price. Sanctions have also affected the availability of diluents needed to blend Venezuelan heavy crude,²² which Venezuela previously imported from the United States. According to EIA, Venezuelan heavy crude is blended with these diluents before it can be shipped via pipelines to

¹⁹Exec. Order No. 13,692, 80 Fed. Reg. 12,747 (Mar. 8, 2015).

²⁰Exec. Order No. 13,808, 82 Fed. Reg. 41,155 (Aug. 24, 2017).

²¹Notice of OFAC Sanctions Actions, 84 Fed. Reg. 3,282-01 (Feb. 11, 2019).

²²Venezuelan crude oil is classified as heavy, indicating the weight of the crude oil compared to water. Relatively heavy crude oils require additional processing before being shipped via pipeline or refined into high-value products, such as gasoline and diesel.

export terminals, and then exported or refined domestically. The loss of U.S. diluents has forced Venezuela to obtain diluents from Russia and China, but it has not been able to obtain the same quantity as prior to sanctions.²³

Decreasing Oil Prices and Mismanagement of PdVSA Are Other Factors Affecting the Performance of the Venezuelan Economy

In addition to the imposition of U.S. sanctions, various other factors have also contributed to the decline of the Venezuelan economy, including lower world oil prices and government mismanagement.

- **Low oil prices:** Venezuela's economy and the Maduro government's budget depend heavily on crude oil sales, with over 90 percent of the country's hard currency coming from oil exports. Decreases in oil prices, along with decreases in production, reduce the money available for government expenditures and social programs administered through PdVSA, hampering the overall economy.
- **PdVSA Mismanagement:** PdVSA's mismanagement and lack of maintenance for its facilities have also led to decreases in oil production and refinement.²⁴ Venezuela's oil production had been declining before sanctions, due to a lack of investment in upstream facilities, refineries, and export terminals. Experts we spoke to have cited lack of investment in maintenance and poor managerial skills at PdVSA as contributing to this decline. Presidents Chavez and Maduro also have used the profits of PdVSA to assist their presidencies, by directing funds toward allies of the Venezuelan government. While PdVSA diverted resources away from oil production to politically motivated activities, such as funding social programs, it allowed its mechanical and technical infrastructure to deteriorate.²⁵ The company also lost valuable expertise during a 2002 strike when it fired thousands of employees (about 40 percent of its personnel), including many management and technical experts. Those dismissals have continued to affect the company's production.²⁶

²³Charles Waine, "U.S. Sanctions Debilitate Venezuelan Oil Output," *Petroleum Economist* (2019).

²⁴Rocio Cara Labrador, "Venezuela: The Rise and Fall of a Petrostate," *Council of Foreign Relations* (2019).

²⁵The Maduro government needs large investment capital, but it is unavailable, as sanctions have hindered its financing options, according to one expert.

²⁶GAO, *Energy Security: Issues Related to Potential Reductions in Venezuelan Oil Production*, [GAO-06-668](#), June 27, 2006.

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- **Debt obligations:** Previous financial commitments have further reduced the amount of oil revenue available to the government. The Maduro government has long-term loan repayments in oil to countries such as China and Russia, according to experts. While the Venezuelan government has repaid some of its debts, it still has a substantial debt outstanding and less oil available for sale. According to the IMF, Venezuela in 2019 had a general government gross debt of 233 percent of its GDP, compared with 11 percent in 2015.²⁷
 - **Subsidized domestic petroleum consumption:** Domestic consumption accounts for 400,000 to 450,000 barrels of oil per day, which is heavily subsidized. The amount of oil used for domestic consumption and debt repayment leaves Venezuela with a small amount of excess crude oil available to sell for profit.²⁸
 - **COVID-19:** World events in 2020, including overproduction of oil and world economic recession due to COVID-19, have also decreased world oil prices and affected Venezuela's economy.²⁹
 - **Unreliable electricity:** Despite having one of the largest water reservoirs and hydroelectric plants in the world, Venezuela's lack of maintenance of the country's electric-power system has rendered it unreliable and led to frequent blackouts throughout the country. These blackouts further reduce domestic production and hinder economic activity, including the productivity of crude oil production facilities and refineries. According to experts we interviewed, blackouts have increased in frequency and duration since the United States began imposing sanctions on Venezuela.

²⁷According to IMF, gross debt consists of all liabilities that require payments or payment of interest or principal by the debtor to the creditor at a date or dates in the future.

²⁸Francisco Monaldi, "The Collapse of the Venezuelan Oil Industry and Its Global Consequences," *Atlantic Council*, (2018).

²⁹In March 2020, the Organization of the Petroleum Exporting Countries (OPEC) and Russia failed to reach an agreement to reduce oil production, which resulted in overproduction of the commodity and contributed to lower world prices. However, this was a short-term supply shock.

U.S. Agencies Made Efforts to Identify and Mitigate Negative Consequences of Sanctions on Humanitarian Assistance, but Treasury Does Not Track Certain Humanitarian Inquiries

Treasury, State, and USAID Seek Input from Humanitarian Organizations to Help Identify Negative Consequences of U.S. Sanctions on Humanitarian Assistance

Treasury

Treasury officials stated they conduct a variety of outreach activities to gather information from humanitarian organizations on the impact of U.S. sanctions. These activities include:

- **Roundtables:** Treasury conducts roundtables and workshops with humanitarian organizations to collect information about challenges they face due to U.S. sanctions and to educate humanitarian aid organizations about the regulations surrounding U.S. sanctions programs, including Venezuela. Officials stated they also meet with non-profit organizations and financial institutions on an ad hoc basis. Treasury uses these meetings and roundtables to identify the need for and issue licenses for humanitarian activities to minimize negative impact on organizations, according to officials.
- **Regional Coordination and Outreach:** OFAC maintains an attaché in Bogotá, Colombia, who coordinates with local State and USAID

officials. The OFAC attaché stated that he engages extensively with officials from these two agencies to receive feedback from USAID implementing partners, as well as officials from the Departments of Energy, Commerce, and Homeland Security to report on the impact of sanctions in NSC-level discussions and to develop Treasury's response.³⁰ Officials stated that Treasury's Office of Terrorist Financing and Financial Crimes (TFFC) is in frequent contact and coordination with foreign government counterparts on issues related to economic sanctions, including the administration of humanitarian aid.

State

According to State officials, they use their regional diplomatic presence and involvement in humanitarian and development programming to engage with humanitarian organizations and report on U.S. sanctions' impact.

- **Diplomatic presence:** State engages frequently with humanitarian organizations and USAID implementing partners in the region to address the impact of sanctions on humanitarian activities, primarily through the Venezuela Affairs Unit (VAU) in Bogotá, Colombia, according to officials. The VAU has a dedicated position focused on social conditions and humanitarian issues that coordinates with USAID, NGOs, and U.N. agencies to assess socioeconomic conditions inside Venezuela and the humanitarian impact of U.S. sanctions.
- **Humanitarian offices and bureaus:** State officials stated that they track humanitarian challenges and their causes through reports from State's PRM, the Bureau of Conflict and Stabilization Operations, the Bureau of Western Hemisphere Affairs, and USAID. State officials reported that diplomatic cables and intelligence analyses may also include reporting on the impact of U.S. sanctions in the energy and humanitarian sectors.

USAID

According to USAID, the primary provider of the U.S. government's humanitarian response efforts in Venezuela, it solicits input from its implementing partners in several ways on operational environment and

³⁰Implementing partners are humanitarian organizations with which USAID has awarded a contract, grant, or cooperative agreement. USAID had nine agreements for humanitarian assistance inside Venezuela as of August 2020. These partners were a mix of larger public international organizations, international NGOs, and smaller local humanitarian organizations.

program implementation, which may include the impact of U.S. sanctions. They include:

- **Partner reporting:** USAID requires the majority of its implementing partners to provide project updates on any challenges affecting them, which may include the impact of sanctions on the delivery of humanitarian assistance.³¹
- **Informal communication and outreach:** USAID officials stated they frequently communicate with implementing partners through emails, regional meetings, and phone calls. While these communications often focus on operations and logistics, officials and partner representatives stated the discussions also offer opportunities to report implementation challenges. For example, in February 2020, USAID, in coordination with State, asked implementing partners via InterAction, an alliance of international NGOs and partners in the United States, about the potential impact on humanitarian operations of a possible decrease in the availability of fuel, diesel, electricity, or domestic airline service.

In addition to these individual agency actions, Treasury, State, and USAID utilize the interagency working groups on Venezuela led by the NSC as a primary venue to discuss the potential negative impact of U.S. sanctions on humanitarian assistance and develop strategies to mitigate them. As of November 2020, participants in the relevant NSC Policy Coordination Committees stated that they meet, on average, weekly to discuss Venezuela. According to officials, these discussions include reviews of the Venezuela sanctions program for likely negative consequences, pre-emptive mitigation measures, and modifications of existing exceptions and authorizations in response to negative impacts on humanitarian assistance. All three agencies stated that they share assessments, reporting, and insights on sanctions policy and humanitarian activities. For example, State and Treasury officials stated they conduct assessments that consider the humanitarian impact as part of their evaluation of possible individuals and entities subject to sanctions. State provides reporting on current events in Venezuela and the surrounding countries. USAID provides information on challenges faced by its implementing partners providing humanitarian assistance and input

³¹Implementing partner formal reporting requirements vary based on terms of the assistance agreement, with all nine assistance agreements, as of August 2020, requiring a final report. Eight of the nine assistance agreements for Venezuela humanitarian assistance have specific programmatic reporting provisions requiring additional reporting.

on mitigation measures, such as exemptions and licensing for humanitarian efforts.

Treasury and State Have Made Efforts to Mitigate the Negative Consequences of Sanctions on Humanitarian Assistance

Treasury and State have taken several steps to help mitigate the negative consequences of U.S. sanctions to humanitarian assistance. These steps include:

- **Exemptions:** Executive Order 13884 blocking the property and interests of the Government of Venezuela in the United States or that come into control of a U.S. person includes an exemption for official business of the U.S. government and transactions related to the provision of articles such as food, clothing, and medicine intended to relieve human suffering.³² Further, Treasury has codified language from a previously issued general license³³ into sanctions regulations authorizing all transactions for the conduct of the official business of the U.S. government by employees, grantees, or contractors, provided that the transaction is not prohibited by any other U.S. sanctions program administered by OFAC.³⁴
- **General licenses:** OFAC has issued 38 general licenses under its Venezuela sanctions program as of December 2020, some of which explicitly authorize humanitarian assistance and trade activities (see table 2).³⁵ These licenses cover transactions related to the export or re-export of agricultural products, the purchase of petroleum products, and the payment of education and health providers, among other things. For example, a general license permitting all transactions related to medical products would allow U.S. persons and entities to engage in the purchase or sale of medicine and medical devices without needing to apply for specific permission. OFAC issued some

³²Exec. Order No. 13,884, 84 Fed. Reg. 38,843 (Aug. 7, 2019).

³³General License 14, issued January 28, 2019, authorized all transactions that are for the conduct of official business of the U.S. government by employees, grantees, or contractors, provided that the transaction is not prohibited by 31 C.F.R. Chapter V. The license was revoked on November 22, 2019, once the language was codified in the regulations.

³⁴See 31 C.F.R. § 591.509.

³⁵OFAC identified these general licenses as being specific to humanitarian assistance. OFAC has authorized additional general licenses that could apply to humanitarian related activities, but we did not include them in this report because some have expired and some are authorizations for activities not specific to humanitarian assistance and related trade. For the full scope of general licenses issued, please refer to the published licenses on OFAC's website: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

of these licenses in conjunction with the imposition of sanctions and others once issues were identified.

Table 2: Selected General Licenses Issued by OFAC Authorizing Humanitarian Assistance Activities in Venezuela

	License Description	Original Date Issued	Most Recent Update
General License 4C	Authorizes certain transactions related to the exportation or re-exportation of agricultural commodities, medicine, medical devices, or replacement parts and components	August 25, 2017	August 5, 2019
General License 10A	Authorizes the purchase of refined petroleum products from PdVSA in Venezuela by U.S. persons for personal, commercial, or humanitarian uses	January 28, 2019	August 5, 2019
General License 20B	Authorizes certain international organizations to engage in certain official business transactions involving Banco Central de Venezuela and the Venezuelan government ^a	April 17, 2019	January 21, 2020
General License 26	Authorizes emergency and certain other medical services	August 5, 2019	N/A
General License 29	Authorizes certain transactions involving the Venezuelan government that support nongovernmental organization activities, including: humanitarian projects to meet basic human needs; democracy building; education; non-commercial development projects (health, agriculture, water); and environmental protection	August 5, 2019	N/A
General License 34A	Authorizes transactions involving certain government of Venezuela persons if they are U.S. citizens, permanent resident aliens of the United States, U.S. visa holders, former employees and contractors of the government of Venezuela, and current employees and contractors of the government of Venezuela who provide health or education services	September 9, 2019	November 5, 2019

Legend: OFAC = Department of Treasury's (Treasury) Office of Foreign Assets Control; PdVSA = Petróleos de Venezuela, S.A.

Source: GAO Analysis of Treasury data. | GAO-21-239

Note: OFAC often updates general licenses after their initial release. It denotes subsequent versions of a Venezuela-related general license with the original number followed by an alphabet letter, in order from A to Z. For the full scope of each license, please refer to the published license on OFAC's website: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>. OFAC has authorized additional general licenses that could apply to humanitarian related activities, but we did not include them in this table because some have expired and some are authorizations for activities not specific to humanitarian assistance and related trade. For example, we did not include General License 14, which authorized all transactions for the conduct of the official business of the U.S. government by employees, grantees, or contractors, provided that the transaction is not prohibited by any other U.S. sanctions program administered by OFAC, because it has been revoked and codified in regulation. See 31 C.F.R. § 591.509.

^aInternational organizations authorized by the license include humanitarian organizations such as the International Committee of the Red Cross, the International Federation of the Red Crescent and Red Cross Societies, and the United Nations.

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- **Specific licenses:** OFAC issues specific licenses to humanitarian organizations and other private entities for individual exemptions of activities otherwise restricted under sanctions and not exempted or authorized. OFAC officials stated that they review requests for specific licenses on a case-by-case basis and prioritize requests for specific licenses that pertain to the delivery of humanitarian assistance. OFAC has issued two specific licenses for humanitarian operations in Venezuela as of September 2020, according to officials. The first license was issued to a Colombian company owned by PdVSA that sells grain and fertilizers, some of which it exports to Venezuela. General License 4C covers some, but not all, of this company's activities, according to OFAC officials. The second license unblocks Central Bank of Venezuela funds held at the Federal Reserve Bank of New York for the Guaidó government to use to combat COVID-19 in Venezuela. OFAC officials attributed the low number of specific licenses to the broad nature of the general licenses available under the Venezuela-related sanctions program.
 - **FAQs:** OFAC issues Frequently Asked Questions (FAQ) that accompany sanctions actions, often to clarify exempted and authorized transactions. A FAQ, for example, may clarify specific types of permitted transactions in Venezuela, such as the importation of agricultural products, and highlight the licenses that provide these permissions. OFAC makes these FAQs available publicly on its website.
 - **Public advisories and guidance:** Treasury publishes public advisories and guidance to increase awareness of the various exemptions in executive orders establishing sanctions, as well as the authorizations provided by licenses for humanitarian assistance, according to officials. For example, Treasury issued a statement in April 2020 underscoring its commitment to the global flow of humanitarian aid, including to Venezuela, during the COVID-19 pandemic. OFAC also issued guidance in August 2019 that listed exempted activities and associated general licenses for humanitarian assistance and support to Venezuelans. State's Office of the Spokesperson also issued press releases and public announcements accompanying sanctions actions that emphasized U.S. government support for the humanitarian response. For example, following the January 2019 sanctioning of PdVSA, State released a fact sheet that underscored the U.S. response and commitment to humanitarian assistance to Venezuelans.
 - **Regional assistance:** Officials stated that Treasury's TFFC works with foreign governments to respond to specific questions and

challenges related to humanitarian aid in Venezuela. State's VAU and Treasury's OFAC attaché in Bogotá provide assistance to humanitarian organizations operating in the region to resolve issues as they occur, and to educate foreign financial institutions on the exemptions OFAC provides, according to officials. They also advise private sector companies interested in conducting transactions that fall within the humanitarian exemptions.

- **Compliance hotline:** OFAC maintains a compliance call center and email account, jointly referred to as the OFAC hotline, through which the public can submit sanctions-related compliance inquiries.³⁶ Treasury officials stated the call center and email account are the primary methods through which OFAC receives and responds to inquiries regarding humanitarian assistance concerns with sanctions. According to Treasury officials, organizations receive a call or email response back from an OFAC compliance officer providing individualized guidance. OFAC officials stated that they prioritize responding to humanitarian inquiries received through both the call center and email account.

According to USAID officials, Treasury instructed USAID implementing partners to use the compliance hotline to submit inquiries regarding Venezuela sanctions and seek assistance mitigating any challenges. While OFAC officials told us they use the compliance hotline to help resolve individual inquiries, we found that OFAC does not systematically collect and analyze information about inquiries made to the call center and email account, including those related to Venezuela or humanitarian activities. We requested data on the volume of inquiries related to such activities. OFAC officials estimated that it was a small amount, but could not provide a precise figure. According to OFAC officials, users of the compliance call center select from six general categories to submit their concerns or questions.³⁷ None of the six categories, however, is specific to Venezuela or humanitarian activities, and OFAC officials do not

³⁶The public can submit inquiries to the OFAC call center by telephone (1-800-540-6322) or through a dedicated email account (ofac_feedback@treasury.gov).

³⁷The six categories are Russia, Iran, Sanctions, Specially Designated National Match, Terrorist Finance Tracking Program, or General. According to OFAC, the main purpose of the categories is to provide callers with some basic information before voicemail records their inquiry for a compliance officer to review. OFAC hopes that this information about certain provisions or general licenses available will answer most routine questions, allowing more time for compliance officers to respond to requests or inquiries that require a more complex response.

otherwise categorize and analyze the inquiries they receive through the call center.³⁸ OFAC officials told us they do not systematically track calls or emails based on the existing categories or through any other identifying information. OFAC compliance officials stated they believe weekly meetings with hotline personnel are sufficient for discussion of sanctions issues, and complex inquiries are elevated to specialists for resolution.

Federal internal control standards state that management should use quality information to achieve agency objectives, make informed decisions, and evaluate agency performance in achieving key objectives.³⁹ Without systematically collecting and analyzing data on the content and frequency of inquiries to the hotline reporting humanitarian assistance challenges for Venezuela, Treasury may limit its ability to identify trends or recurrent issues that could inform further efforts by Treasury and its interagency partners to mitigate any adverse impacts of sanctions on humanitarian assistance.

³⁸OFAC does not categorize or analyze inquiries submitted to the email account.

³⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014), 59-60.

Humanitarian Organizations Report That They Continue to Face Challenges in Assisting Venezuelans

USAID Implementing Partners Have Faced Banking Difficulties Due to Financial Institutions' Concerns over U.S. Sanctions

All nine USAID implementing partners⁴⁰ we spoke with reported instances of banks closing their accounts or delaying or rejecting transactions⁴¹ due to concerns over U.S. sanctions.⁴² Venezuela sanctions prohibit U.S. individuals or businesses, including banks, from dealing in the property of designated Venezuelan entities, including banks and governmental bodies. Treasury provides licenses to authorize humanitarian-related transactions, but banks may still seek to minimize risk by limiting services for any transactions involving Venezuelan entities, according to Treasury officials. Banking difficulties such as these can hamper partners from accessing and routing the funds they use in Venezuela to implement programs and conduct operational activities, such as paying personnel and importing supplies.

Treasury officials stated that humanitarian organizations most often cite delays in transferring operational funds to Venezuela as a primary challenge associated with U.S. sanctions. Officials noted that such delays occur in all conflict and high-risk jurisdictions, even where there are not U.S. sanctions programs, because banks conduct increased due diligence to comply with their own internal risk-based approaches on money laundering and terrorist financing. Treasury officials stated that OFAC's compliance division regularly communicates with financial

⁴⁰We interviewed all nine USAID implementing partners, as of August 2020. We also interviewed several representatives from other humanitarian organizations involved in humanitarian efforts not funded by USAID.

⁴¹GAO has previously reported on similar banking access challenges faced by humanitarian organizations, see GAO, *Humanitarian Assistance: USAID Should Improve Information Collection and Communication to Help Mitigate Implementers' Banking Challenges*, [GAO-18-669](#) (Washington, D.C.: September 2018).

⁴²International financial transactions, including the transfer of U.S. humanitarian assistance funds, rely on a system of banking relationships to transfer funding awards from USAID and State to U.S. implementing partners. USAID and State deposit funds into the U.S. bank accounts of partners, who then are responsible for transferring the funds to recipient countries for project implementation. When performing overseas money transfers, U.S. banks and financial institutions must comply with relevant regulations that implement U.S. sanctions.

Humanitarian Groups Noted that U.S. Sanctions May Indirectly Worsen Existing Challenges for Humanitarian Assistance

institutions and provides guidance and supporting documents to clarify existing exemptions and authorizations. State officials noted they also communicate with financial institutions, in conjunction with Treasury. USAID officials stated that they encourage engagement with Treasury on banking issues in their regular discussions with implementing partners.⁴³ However, State, Treasury, and USAID officials all described limitations in their ability to respond to these challenges since the U.S. government cannot compel banks to conduct transactions.

Humanitarian organizations face a range of other challenges to providing assistance in Venezuela. Many of these challenges are associated with the economic and political crisis facing the country, and humanitarian groups we spoke to suggested U.S. sanctions may indirectly exacerbate some of them. These challenges include gas shortages and electrical outages, supply chain and labor disruptions, security concerns, and the politicization of humanitarian aid.

While factors such as lack of maintenance of the electrical grid and oil refineries were cited as the primary causes of electricity and gasoline shortages according to State officials, U.S. sanctions on PdVSA may exacerbate fuel and electricity shortages by limiting revenue for the Maduro government.⁴⁴ Eight USAID implementing partners reported that gasoline shortages affect their operations in Venezuela and six partners reported challenges because of electricity outages. Gasoline shortages limit the delivery and transport of supplies, according to partners. Partners also reported frequent electricity and internet outages prevent access to online financial and banking systems that are the principal means of conducting transactions in Venezuela. The shortages and frequent outages are due, in part, to the government cutting imports of refined oil products and domestic investment to operate the energy sector, including the electrical grid, as PdVSA's oil sales and revenues have declined. U.S. sanctions have contributed to the revenue decline by making it more

⁴³One of the nine partners we spoke to said that it avoided banking challenges by building a legal team that works closely with Treasury to navigate banking issues. This organization also began its activities after sanctions came into force, which enabled it to establish its operations with sanctions in mind.

⁴⁴State officials reported that most of the electricity produced in Venezuela comes from a poorly maintained hydroelectric grid. According to these officials, prolonged drought, mismanagement, and lack of maintenance of oil refineries, among other problems, are primary factors causing electricity and gasoline shortages.

difficult for PdVSA to market its oil, according to a report from the Congressional Research Service.

Eight of the USAID implementing partners also reported that Venezuela's economic decline and instability, likely made worse by U.S. sanctions, have complicated supply chain logistics and labor supply. According to partners, the severe economic decline in the country has led to a shortage of local suppliers and qualified staff for program implementation. Partners reported that procuring essential supplies, such as medicines, and skilled labor has become increasingly difficult as businesses and workers leave the country. Importing supplies and bringing in personnel have now become critical to successful implementation (see fig. 7).

Figure 7: Supplies Imported by U.S. Agency for International Development Partners in Venezuela



Source: U.S. Agency for International Development. | GAO-21-239

USAID implementing partners stated that increased criminal activity threatens the security of transporting materials and personnel into the country, most of which are routed through nearby Colombia. Some USAID partners reported incidents of intimidation and theft of relief supplies by armed paramilitary groups, criminals, and even law

enforcement. Portions of the Maduro government's income have been cut off as a result of U.S. sanctions, and without that revenue to pay military officials and sustain social welfare programs, the government, according to reports from NGOs, has become increasingly dependent on paramilitary groups, known as "colectivos," for support. While criminal activity existed in Venezuela long before U.S. sanctions, these armed pro-government groups are contributing to a further increase, according to a report from the Congressional Research Service.⁴⁵

U.S. officials and USAID partners also acknowledged that the Maduro government has used the imposition of sanctions to politicize humanitarian aid. State officials noted that the Maduro government restricted reliable data collection on food security. It also froze NGO registrations, rejected their visa requests, and denied them priority fuel access. USAID partners reported the Maduro government has limited their exports and imports, denied authorization to operate in Venezuela, and imposed currency controls that make cash transactions difficult. Some partners we spoke to also expressed concerns that their perceived ties with the United States posed a security risk for their operations in Venezuela, such as persecution or reprisal by the Maduro government against members of the organization.

⁴⁵Congressional Research Service, *Venezuela: Background and U.S. Relations*, R44841 (Washington, D.C.: August 26, 2020), 12.

U.S. Sanctions Related to Venezuela Have Likely Had Limited Impact on the U.S. Oil Industry

U.S. Sanctions on PdVSA Have Likely Had Little Impact on U.S. Oil Supply, Prices, and Exports

Available information does not indicate that U.S. sanctions related to Venezuela have had a substantial impact on overall U.S. oil supply,⁴⁶ prices, and exports, particularly compared with the impact of other factors affecting the world oil market during the same period. In January 2019, Treasury imposed sanctions on PdVSA after determining that persons operating in the Venezuelan oil sector may be subject to U.S. sanctions. These sanctions effectively ended all imports of crude oil from Venezuela to the United States, and almost all exports of petroleum products (such as diluents, gasoline, and diesel fuels) from the United States to Venezuela. However, despite the loss of imports from Venezuela, the U.S. supply of crude oil increased and crude oil prices decreased in the first year after these sanctions because many other important factors were simultaneously affecting the U.S. oil market.

Impact on U.S. Oil Supply and Prices

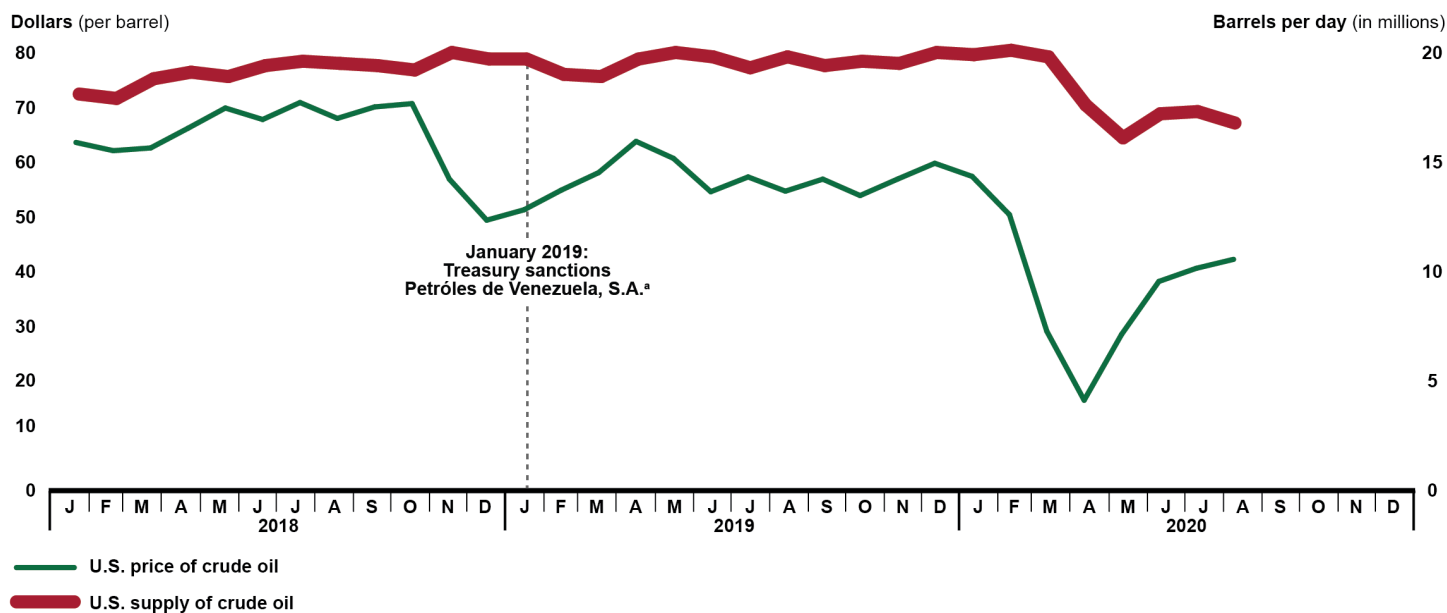
U.S. sanctions on PdVSA in 2019 had the effect of removing Venezuela as a source of crude oil for refineries in the United States. In 2018, the United States imported 506,000 barrels per day of crude oil from Venezuela, which accounted for 6.5 percent of all U.S. crude oil imports and 2.7 percent of total U.S. crude oil supply. After 2018, U.S. imports of Venezuelan crude oil declined precipitously, to a total of 81,000 barrels per day in 2019, and essentially ceased by 2020. By imposing sanctions on PdVSA, which in effect eliminated Venezuela as a source of crude oil, U.S. sanctions in 2019 should have reduced overall crude oil supply to the U.S. and caused upward pressure on the price of U.S. crude oil, all else being equal. However, there is no indication that sanctions alone resulted in a substantial change in U.S. crude oil supply or prices.

As shown in figure 8, the price of crude oil declined just prior to the imposition of sanctions on PdVSA. According to the EIA, this price change was due to a buildup of crude oil inventory that was caused by

⁴⁶Oil supply indicates the gross amount of petroleum products added to the market for domestic consumption. We calculated oil supply as the sum of domestic production, imports, and adjustments. (Adjustments account for measurement error or unusual industry conditions such as hurricane dislocations.)

market conditions prior to the U.S. sanctions on PdVSA. In 2019, the monthly supply of U.S. crude oil briefly decreased just after the imposition of sanctions on the Venezuelan oil sector, while the monthly price briefly increased before declining, as shown in figure 8. According to the EIA, the changes in supply and in prices just after January 2019 may be attributable to sanctions, but also to production cuts by other OPEC member countries and lower-than-expected U.S. production. Overall, the price of crude oil was, on average, lower in 2019 than in 2018, and declined even further in 2020. Average U.S. crude oil supply was higher in 2019 than in 2018, due to increasing domestic production, but declined in 2020.

Figure 8: Monthly U.S. Supply and WTI Spot Price of Crude Oil, 2018-August 2020



Source: Energy Information Administration. | GAO-21-239

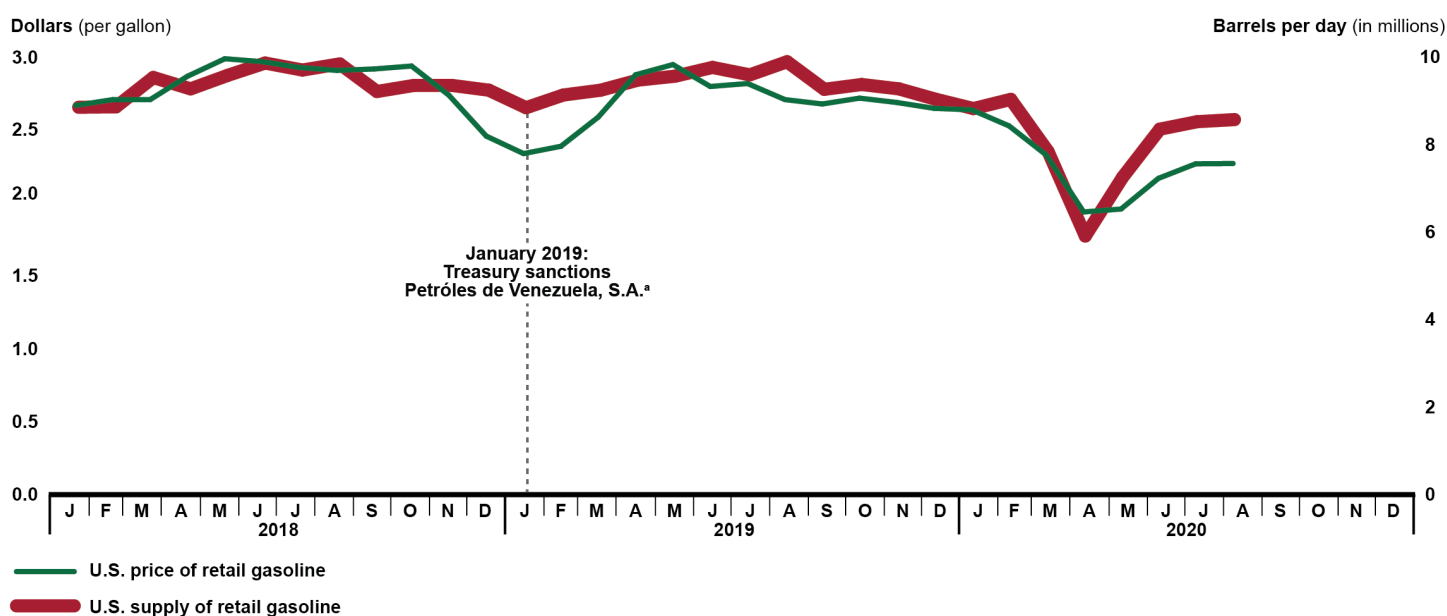
Note: The crude oil prices above are for West Texas Intermediate (WTI), a crude stream produced in Texas and southern Oklahoma and traded in the domestic spot market at Cushing, Oklahoma, which serves as a reference or “marker” for pricing a number of other crude streams. The U.S. supply of crude oil is computed as follows: domestic production, plus imports, plus adjustments.

^aIn January 2019, the Secretary of the Treasury imposed sanctions on Petróleos de Venezuela, S.A. after determining, in consultation with the Secretary of State, that persons operating in Venezuela’s oil sector may be subject to sanctions pursuant to Executive Order 13850.

U.S. retail gasoline prices followed the price trends of the U.S. crude oil market. As figure 9 shows, U.S. retail gasoline prices increased in the first 4 months following imposition of sanctions on PdVSA. These increases

were likely due to OPEC production cuts and lower-than-expected U.S. production, along with sanctions. Retail gasoline prices were, on average, lower in 2019 than in 2018, and declined even further in 2020. Average U.S. retail gasoline supply was slightly lower in 2019 than in 2018, and further declined in 2020.

Figure 9: Monthly U.S. Price and Supply of Retail Gasoline, 2018-August 2020



Source: Energy Information Administration. | GAO-21-239

Note: The retail gasoline price listed above is a weighted average price calculated by the Energy Information Administration (EIA). Every Monday, EIA collects information on prices from a sample of approximately 800 retail gasoline outlets. It uses the price data to calculate weighted average price estimates using sales and delivery volume data from other EIA surveys and population estimates from the U.S. Census Bureau. Monthly and annual averages are simple averages of the weekly data contained therein. The supply of gasoline listed above is all finished motor gasoline, which includes both conventional and reformulated motor gasoline. This supply approximately represents consumption of finished motor gasoline.

^aIn January 2019, the Secretary of the Treasury imposed sanctions on Petróleos de Venezuela, S.A. after determining, in consultation with the Secretary of State, that persons operating in Venezuela's oil sector may be subject to sanctions pursuant to Executive Order 13850.

The sanctioning of PdVSA coincided with additional factors affecting supply and demand in global oil markets, making it difficult to determine the exact impact sanctions had on overall availability or price of crude oil or retail gasoline. The factors that could have affected U.S. crude oil supply and put downward or upward pressure on U.S. crude oil prices include:

-
- Iranian crude oil production declined in 2018 and 2019 after the United States re-imposed sanctions in November 2018 on the purchase of Iranian crude oil.⁴⁷ These sanctions resulted in increased global demand for and price of non-Iranian oil, which put upward pressure on U.S. crude oil prices.
 - OPEC implemented production cuts in January 2019 due to increasing global inventories. As a result, U.S. annual imports of crude oil from OPEC countries (excluding Venezuela) declined by 32.6 percent, or 677,000 barrels per day, from 2018 to 2019.
 - U.S. annual domestic field production of crude oil increased by 11.7 percent, or 1.3 million barrels per day, from 2018 to 2019, due to expansion of U.S. shale oil extraction, according to EIA.

By 2020, additional factors were affecting the U.S. oil market, including:

- In January 2020, new International Maritime Organization (IMO) regulations for maritime fuel resulted in increased demand for low-sulfur fuel oil.⁴⁸
- In March 2020, an OPEC agreement to cut oil production expired, and a lack of cooperation within OPEC resulted in overproduction of crude oil until May 2020.
- The general economic slowdown induced by COVID-19 led to an abrupt drop in demand for petroleum products.

These developments in 2020, particularly the COVID-19 pandemic, further outweighed any impact the U.S. Venezuela-related sanctions had on the U.S. supply and price of crude oil, according to industry representatives with whom we spoke.

Impact on U.S. Oil Exports

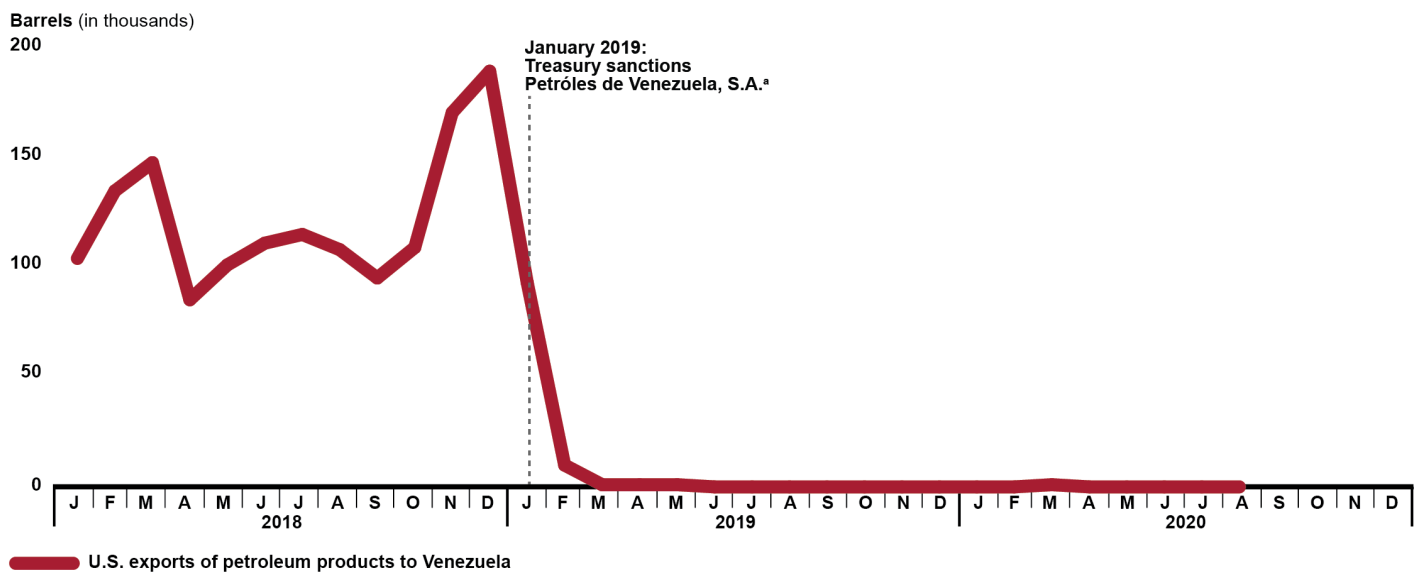
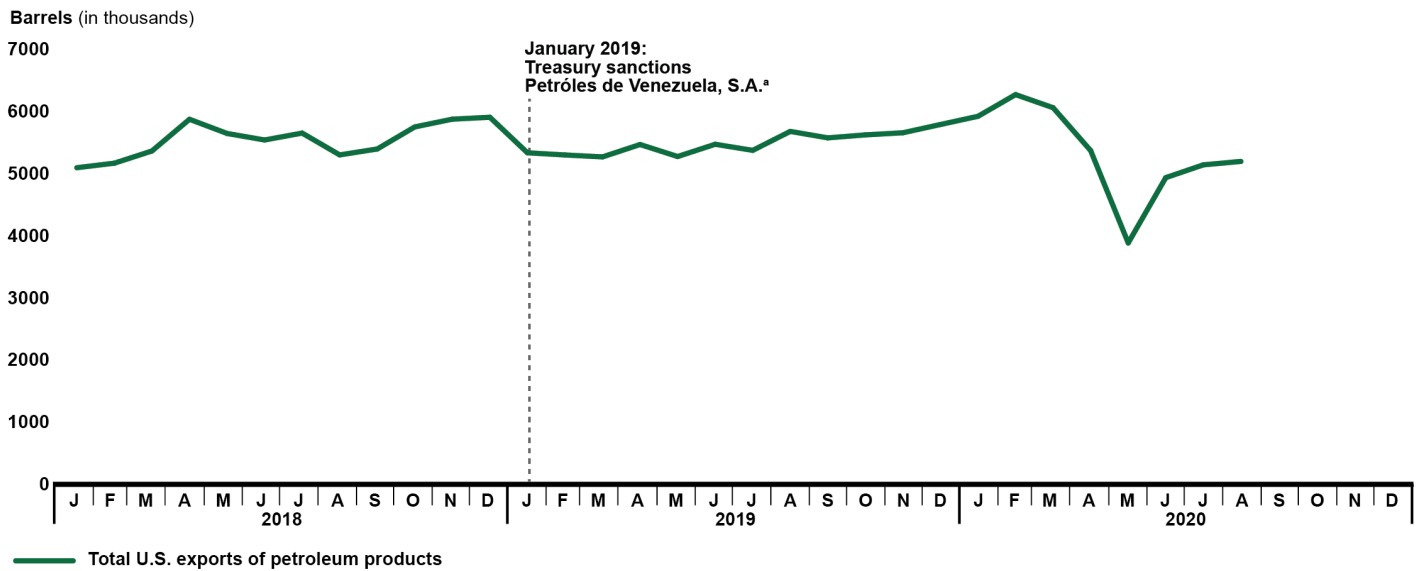
U.S. sanctions related to Venezuela also had limited effect on the market for U.S. oil exports. Figure 10 depicts recent U.S. exports of petroleum products to Venezuela, as well as total U.S. exports of these products. Monthly exports of petroleum products to Venezuela almost entirely ceased by March 2019. Nevertheless, total U.S. exports of petroleum

⁴⁷Exec. Order No. 13,846, 83 Fed. Reg. 38,939 (Aug. 7, 2018).

⁴⁸According to the EIA, these new regulations (IMO 2020), which went into effect on January 1, 2020, limit the sulfur content in marine fuels that ocean-going vessels use to 0.5 percent by weight, a reduction from the previous limit of 3.5 percent established in 2012. These limits should increase the comparative advantage of Gulf Coast refineries, which possess infrastructure for refining high-sulfur crude oil into lower-sulfur products, such as diesel.

products remained steady until April 2020, likely because exports to Venezuela have always been a small percentage of total U.S. petroleum exports. For example, exports to Venezuela were only 2.2 percent of U.S. petroleum exports in 2018. U.S. sanctions related to Venezuela, therefore, appear to have had a small impact on U.S. oil exports compared with other contemporaneous factors.

Figure 10: Monthly U.S. Exports of Petroleum Products, 2018-August 2020



Source: Energy Information Administration. | GAO-21-239

Note: Petroleum products include unfinished oils, liquefied petroleum gases, pentanes plus, aviation gasoline, motor gasoline, naphtha-type jet fuel, kerosene-type jet fuel, kerosene, distillate fuel oil, residual fuel oil, petrochemical feedstock, special naphthas, lubricants, waxes, petroleum coke, asphalt, road oil, still gas, and miscellaneous products. Petroleum products come from the processing of crude oil (including lease condensate), natural gas, and other hydrocarbon compounds.

^aIn January 2019, the Secretary of the Treasury imposed sanctions on Petróleos de Venezuela, S.A. after determining, in consultation with the Secretary of State, that persons operating in Venezuela's oil sector may be subject to sanctions pursuant to Executive Order 13850.

U.S. Gulf Coast Refineries Have Shifted to Alternative Sources and Types of Crude Oil Partly Due to Venezuela Sanctions

Although we did not find evidence that sanctions had significant impacts on the overall U.S. oil market, they may have disproportionately affected certain U.S. refineries. Many Gulf Coast refineries have invested significant money⁴⁹ to be able to process heavier, cheaper⁵⁰ crude such as Venezuelan crude and other crude oils from South and Central America.⁵¹ Due to these investments, Gulf Coast refineries typically have among the world's highest profit margins.⁵² Partly in response to U.S. sanctions on PdVSA, Gulf Coast refineries have sought alternative sources and types of crude oil. According to industry representatives we talked to, with the loss of Venezuelan crude, these refineries have switched to using non-Venezuelan sources of crude oil, which has reduced their profits. However, these impacts are likely minimal compared with other factors occurring simultaneously in the oil markets.

In 2018, Gulf Coast refineries imported an average of 498,000 barrels of Venezuelan crude oil per day, which accounted for 5.3 percent of crude oil supplied to the Gulf Coast.⁵³ Gulf Coast refineries have not imported any Venezuelan crude oil since May 2019. To replace Venezuelan crude oil, Gulf Coast refineries increased their use of domestic crude oil and

⁴⁹The investment decisions of refiners often depend on the location of the refinery and its cost of transporting oil. By adding specialized equipment, refineries can optimize or upgrade their facilities to process different types of crude oil. However, adding capacity to or significantly modifying a refinery configuration requires significant capital investment.

⁵⁰Venezuelan crude oil is classified as heavy, indicating the weight of the crude oil compared to water. Relatively heavy crude oils are typically priced lower than lighter crude oils, because they require additional refinery processing to produce high-value products such as gasoline and diesel. Heavy crude oils are also considered less valuable since not all refiners have the equipment necessary to process them.

⁵¹In 2018, 98.4 percent of Venezuelan crude oil imported into the U.S. was refined in the Gulf Coast. The largest element of the U.S.-Venezuela petroleum trade relationship prior to sanctions was crude oil classified as heavy.

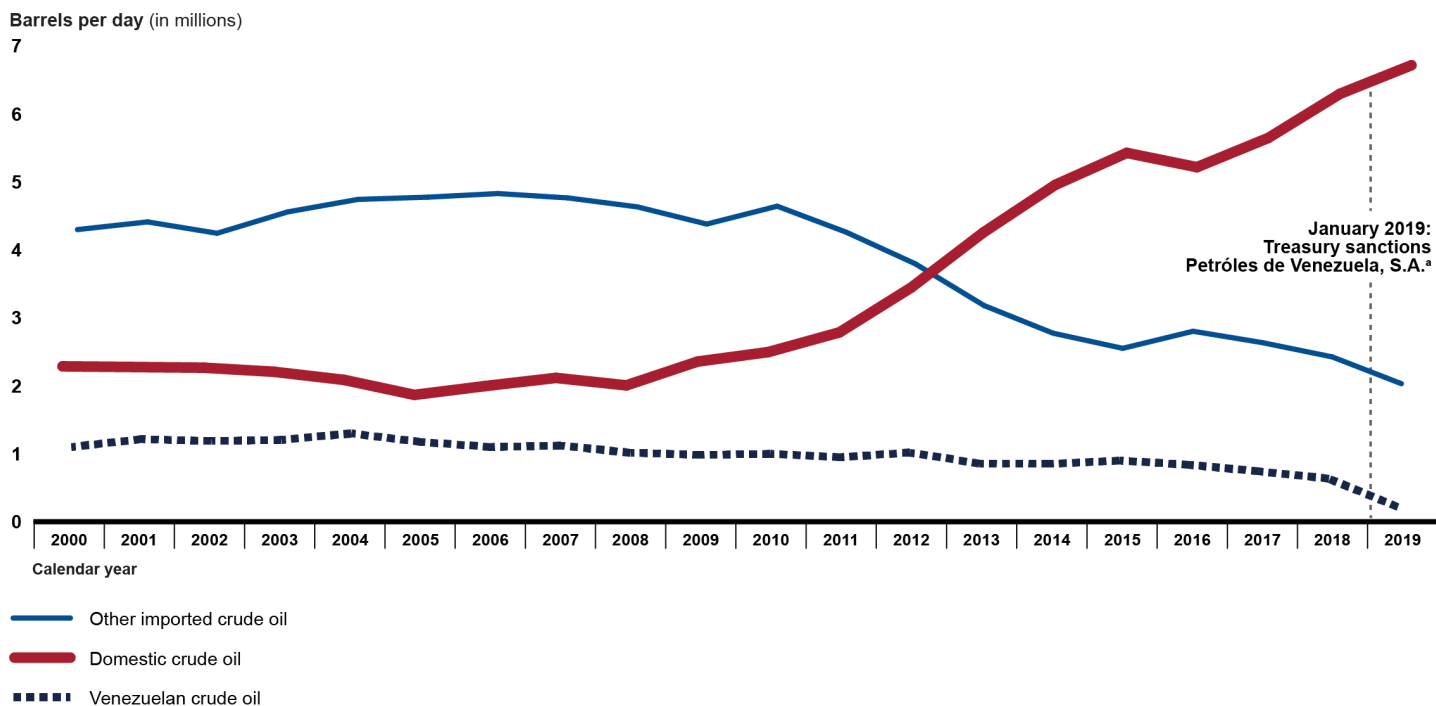
⁵²Profit margins for refiners (also known simply as refining margins) are partly determined by how much refiners pay for the crude oil used in their refining processes, which makes up the largest cost component, and by the price customers pay for their refined products, such as gasoline.

⁵³For the purposes of this report, we measure supply of crude oil to the Gulf Coast as Gulf Coast refinery receipts of crude oil. This definition allows us to distinguish between domestic and foreign crude oil supplied to the Gulf Coast.

imported more crude oil from countries such as Canada and Colombia, according to industry representatives. Despite the use of these other sources, total supply of crude oil to the Gulf Coast declined by 3.4 percent from 2018 to 2019.

Sanctions are not entirely responsible for the loss of Venezuelan crude as a source for Gulf Coast refineries. Venezuelan production of crude oil has been declining for decades, due to the government’s mismanagement of PdVSA. According to industry representatives, this gradual decline in Venezuelan production led U.S. refineries to seek out other sources of crude well before sanctions, which partly prepared them for the loss of Venezuelan crude as a source. Figure 11 shows that Gulf Coast refineries have been using less Venezuelan crude oil and more domestic crude oil since 2002.

Figure 11: Supply of Crude Oil to the Gulf Coast by Crude Source, 2000-2019



Source: Energy Information Administration. | GAO-21-239

Note: Domestic crude oil supply refers to Gulf Coast refinery receipts of domestic crude oil. “Other Imported Crude” includes crude from non-Organization of the Petroleum Exporting Countries, and crude from all Organization of the Petroleum Exporting Countries except for Venezuela.

^aIn January 2019, the Secretary of the Treasury imposed sanctions on Petróleos de Venezuela, S.A. after determining, in consultation with the Secretary of State, that persons operating in Venezuela's oil sector may be subject to sanctions pursuant to Executive Order 13850.

Additional factors unrelated to Venezuela affected the sources of crude oil that Gulf Coast refineries use. For example, Mexico, a major producer of heavy crude, has decreased its production of crude oil and liquid fuels by 45 percent since 2000, which may have contributed to a reduction in crude oil imports by Gulf Coast refineries. At the same time, the boom in U.S. shale oil led to a 206 percent increase in use of domestic crude oil in the Gulf Coast since 2000.

Despite the change in crude oil sources, Gulf Coast refineries have increased inputs of crude oil⁵⁴ in most years since 2005. However, from 2018 to 2019, annual Gulf Coast inputs of crude oil decreased by 2.3 percent, or 204,000 barrels per day. Gulf Coast refineries had been importing 498,000 barrels per day of Venezuelan oil in 2018, indicating that U.S. sanctions may have contributed to the decline in crude oil inputs.

According to industry representatives with whom we spoke, Gulf Coast refineries also switched to lighter sources of crude oil to maintain operating capacity, due in part to reduced supplies of heavy crude resulting from U.S. sanctions. Indeed, on average, Gulf Coast refineries used a lighter crude oil slate in 2019 than in 2018, according to EIA data on Gulf Coast crude oil inputs.⁵⁵ This switch likely reduced profitability of Gulf Coast refineries, because light crude oil is typically more expensive than heavy crude oil.

In addition, as the relative availability of light and heavy crude oils has changed since 2011, the average price spread between light and heavy crude oils has narrowed. Treasury's imposition of sanctions on PdVSA in 2019 put upward pressure on the price of heavy crude oil, given the decrease in supply. The price difference between light and heavy crude oils declined by 44.9 percent in 2019, and further declined by 32.7

⁵⁴Refiner inputs of crude oil refers to total crude oil input to refinery processing units. Crude oil inputs can differ from supply of new crude oil, because crude oil can be added to or subtracted from existing crude oil inventories.

⁵⁵In 2018, the weighted average American Petroleum Institute (API) gravity of crude oil input into Gulf Coast refineries was 32.61. In 2019, the average was 33.54. This corresponds to a 2.9 percent increase in API gravity from 2018 to 2019. Higher API gravity indicates lighter crude oil.

percent as of August 2020.⁵⁶ As the price of heavy crude has risen relative to that of light crude, refineries have lost some of their comparative advantage, and have been less able to recoup returns on investment in equipment.

However, the changes in price spread between heavy and light crude oil are also not entirely due to U.S. sanctions related to Venezuela. Other factors in the overall oil market, such as the U.S. shale oil boom, affected the light-heavy crude oil price spread at the time of sanctions in January 2019. In addition, OPEC production cuts and the COVID-19 pandemic have had much greater impacts on the comparative advantage and profitability of Gulf Coast refineries, according to industry representatives with whom we spoke.

Conclusions

The ongoing political and economic crisis in Venezuela has contributed to a deteriorating humanitarian situation. The U.S. has imposed sanctions at various times since 2015 to target the Venezuelan government and other entities that are contributing to the crisis. U.S. officials emphasize that the sanctions do not intend to restrict the flow of humanitarian goods and services to the Venezuelan people. However, despite U.S. agency efforts to mitigate the negative humanitarian consequences of sanctions, humanitarian organizations assisting Venezuelans are still experiencing some challenges delivering assistance, including delays in processing financial transactions and transfers. We found that agencies have collected information on these challenges and taken steps to address them, such as issuing guidance to clarify authorized humanitarian activities. Treasury's OFAC also operates a compliance call center and email account to communicate with humanitarian organizations and other entities and assist with their concerns. However, we found that while OFAC officials stated they respond to individual inquiries, OFAC does not systematically track and analyze inquiries to the call center or email account related to Venezuela or humanitarian activities to identify trends and recurrent issues. Without data on these specific types of inquiries,

⁵⁶The price difference is calculated as the monthly price of light crude oil minus the monthly price of heavy crude oil. In this calculation, "light" crude oil refers to crude oil with an API gravity of 35.1 to 40.0 degrees. "Heavy" crude oil refers to crude oil with an API gravity of 20.1 to 25.0 degrees. API gravity is an arbitrary scale expressing the gravity or density of liquid petroleum products. The higher the API gravity, the lighter the compound. The prices used are landed costs, or the dollar per barrel price of crude oil at the port of discharge. Landed costs include charges associated with the purchase, transportation, and insuring of a cargo from the purchase point to the port of discharge. They do not include charges incurred at the discharge port (e.g., import tariffs or fees, wharfage, and demurrage).

Treasury may be limited in its ability to identify what additional guidance or other appropriate responses would help ensure that U.S. sanctions do not hinder humanitarian assistance to Venezuela.

Recommendation

The Secretary of the Treasury should ensure that the Director of Treasury's Office of Foreign Assets Control systematically tracks information on inquiries made to its compliance call center and email account, including the specific sanctions program and the subject matter of the inquiry, such as humanitarian assistance, to identify trends and recurrent issues. (Recommendation 1)

Agency Comments and Our Evaluation

We provided a draft of this report to USAID and the Departments of State, Energy, and the Treasury for comment. Treasury concurred with our recommendation in an email. USAID provided an official comment letter, which is reprinted in appendix II. In its letter, USAID highlighted several findings from our report and provided updates on its efforts to provide uninterrupted humanitarian assistance to Venezuelans. However, USAID's letter incorrectly asserts that in our report we acknowledge finding no direct connection between U.S. sanctions and the humanitarian crisis in Venezuela. We made no such acknowledgment, and determining the extent to which U.S. sanctions caused the humanitarian crisis in Venezuela was outside the scope of our review. Energy had no comments on the draft. Treasury, State, and USAID also provided technical comments on our draft that we incorporated, as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 4 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of State, the Secretary of Energy, The Secretary of the Treasury, the Administrator of the U.S. Agency for International Development, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8612 or GianopoulosK@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Kimberly M. Gianopoulos". The signature is written in a cursive, flowing style.

Kimberly M. Gianopoulos
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report examines (1) how the Venezuelan economy performed before and since the imposition of sanctions in 2015; (2) the steps U.S. agencies have taken to identify and mitigate the potential negative humanitarian consequences of sanctions related to Venezuela; and (3) what is known about the impact of U.S. sanctions related to Venezuela on the U.S. oil industry.

To determine how the Venezuelan economy has performed before and since the imposition of sanctions in 2015, we analyzed data from the International Monetary Fund (IMF) on economic growth, unemployment rates, and inflation; data from the Department of Energy's Energy Information Administration (EIA) on oil production; and spoke with U.S. officials and relevant experts.¹ IMF typically bases its macroeconomic indicators on official government data; however, because the Venezuelan government has stopped releasing official data, some of the IMF indicators we used are estimates.² IMF officials expressed some concerns about the data stemming primarily from the fact that they were not able to have a full discussion regarding the data with the official government amid a significant economic deterioration with an unknown number of companies closing. As the Central Bank stopped publicly releasing macroeconomic indicators, IMF estimates use other publicly available data sources including the Venezuelan National Assembly and the National Institute of Statistics of Venezuela. Despite the lack of official data, experts we spoke with did not express any concerns with the IMF estimates. In addition, we found that the indicators we used are utilized throughout the literature on Venezuela that we reviewed. Based on these facts and the IMF's reputation as a source of economic data, we found the indicators we used suitable for reporting on and identifying trends in Venezuela's real gross domestic product, average consumer price inflation, and unemployment rate.

We also obtained data from EIA to present Venezuela's monthly oil production and share of Organization of the Petroleum Exporting Countries (OPEC) production. To assess the reliability of EIA data, we interviewed EIA staff about the process used to compile and present the data, and reviewed EIA data documentation. We determined the EIA data

¹While the World Bank also provides macroeconomic indicators, we did not utilize any of its data, because much of it is from 2017 or earlier. World Bank officials stated they do not provide data beyond that period since the Venezuelan government no longer publishes official data through its Central Bank.

²IMF has provided an estimate for unemployment rate for Venezuela since 2011, and inflation and economic growth since 2018.

to be sufficiently reliable for the purposes of showing trends in Venezuela's oil production and share of OPEC production.

We interviewed a range of experts regarding changes in economic conditions in Venezuela and about the impact of U.S. sanctions on the Venezuelan economy to gather a broader view of the Venezuelan economy before and after the imposition of U.S. sanctions. We identified the experts we interviewed through a literature review and our interviews with relevant U.S. officials and others. These experts included academics and researchers specializing in Venezuela and the oil sector. Our literature review included research published in the last 5 years in peer-reviewed journals, government reports, and think-tank publications that analyzed the Venezuelan economy and the impact of U.S. sanctions. We also used information from the literature review to provide additional context to information we gathered through our interviews.

To determine the steps U.S. agencies have taken to identify and mitigate potential negative humanitarian consequences of sanctions related to Venezuela, we interviewed agency officials from the Departments of State and Treasury, and the U.S. Agency for International Development (USAID) based in headquarters and Bogotá, Colombia. We reviewed reports or assessments from each agency on sanctions implementation and the potential impact on humanitarian activities. We reviewed documentation of outreach activities conducted by each agency with humanitarian organizations. We identified and analyzed relevant guidance and licenses from the Department of the Treasury's Office of Foreign Assets Control pertaining to humanitarian activities in Venezuela. We compared agencies' use of quality information with internal control standards.³ We determined that the information and communication components of internal control were significant to our objectives, along with the underlying principle that management should use quality information to achieve the entity's objectives.

We obtained information on all active USAID-funded humanitarian assistance projects in Venezuela, as of March 2020. We then analyzed all available 2019 progress reports for the nine USAID implementing partners administering these projects to determine whether any documented challenges the partners experienced providing humanitarian assistance in Venezuela were linked directly or indirectly to U.S.

³GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014), 59-60.

sanctions. We also interviewed the nine implementing partners about agency efforts to identify and mitigate challenges they were experiencing. To understand the context of humanitarian efforts in Venezuela outside of U.S. funded assistance, we also spoke with an alliance of international nongovernmental organizations (NGOs) and several individual NGOs active in Venezuelan humanitarian issues. We selected these NGOs based on recommendations from USAID and subject matter experts. The views obtained from these NGOs are not generalizable to all organizations operating in Venezuela, but they provide valuable context on the operating environment in country.

To determine what is known about the impact of U.S. sanctions related to Venezuela on the U.S. oil industry, we spoke with officials from EIA, and with a major U.S. trade association that represents American oil refineries.⁴ EIA and the trade association referred us to five major companies that own Gulf Coast refineries. We interviewed representatives of the two companies that responded to our request for an interview. Although the views of these industry representatives are not representative of the entire oil industry or all Gulf Coast oil refineries, they provide important context on the experiences of the Gulf Coast oil refining industry during the period in which the U.S. imposed sanctions related to Venezuela. We also analyzed EIA data on oil imports, exports, prices, and processing to assess changes in the oil market before and after January 2019. To assess the reliability of EIA data, we spoke to officials at EIA who are experts on these data, and reviewed EIA data documentation. We determined the EIA data to be sufficiently reliable for the purposes of addressing this objective. Because many other factors affecting the U.S. oil industry existed at the same time as sanctions, we did not attempt to measure the exact impact of sanctions on the U.S. oil industry.

We conducted this performance audit from October 2019 to February 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴This trade association represents more than 100 refineries, which manufacture almost 95 percent of the refined petroleum products made in the United States.

Appendix II: Comments from the US Agency for International Development



Kimberly M. Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20226

Re: *VENEZUELA: Better Tracking Could Aid Treasury's Efforts to Mitigate Any Adverse Impacts U.S. Sanctions Might Have on Humanitarian Assistance* (GAO-21-239)

Dear Ms. Gianopoulos:

Thank you for the opportunity to respond to the draft report produced by the U.S. Government Accountability Office (GAO) titled, *VENEZUELA: Better Tracking Could Aid Treasury's Efforts to Mitigate Any Adverse Impacts U.S. Sanctions Might Have on Humanitarian Assistance* (GAO-21-239)

The U.S. Agency for International Development (USAID) appreciates the courtesies extended by your staff while conducting their engagement. I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report.

USAID welcomes the GAO's work to provide a report on the status of the U.S. Government's efforts to mitigate any potential adverse impact U.S. sanctions might have on humanitarian assistance inside Venezuela. As noted in the report, USAID is the primary provider of humanitarian aid to Venezuelans on behalf of the American people. We appreciate that the GAO acknowledges that it cannot find any direct connection between U.S. sanctions and the humanitarian crisis in Venezuela, for which the illegitimate Maduro regime is wholly responsible. We also are grateful for the report's recognition of USAID's close coordination with interagency working groups on Venezuela led by the National Security Council, and of our efforts to solicit regular input and feedback from our implementing partners on the ground.

Sincerely,

Frederick M. Nutt

Frederick M. Nutt *Jan. 14, 2021*
Assistant Administrator
Bureau for Management

Enclosure: a/s

***COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT ON THE
DRAFT REPORT PRODUCED BY THE U.S. GOVERNMENT ACCOUNTABILITY
OFFICE (GAO) TITLED, VENEZUELA: BETTER TRACKING COULD AID
TREASURY'S EFFORTS TO MITIGATE ANY ADVERSE IMPACTS U.S. SANCTIONS
MIGHT HAVE ON HUMANITARIAN ASSISTANCE (GAO-21-239)***

The U.S. Agency for International Development (USAID) would like to thank the U.S. Government Accountability Office (GAO) for the opportunity to respond to the draft report GAO-21-239. We appreciate the extensive work of the GAO's engagement team.

The humanitarian crisis in the Bolivarian Republic of Venezuela is devastating, and we welcome suggestions for ways to support the people in need better. USAID reiterates that the root cause of the Venezuelan tragedy is the actions of the illegitimate Maduro regime: its corruption, mismanagement, and repression of those who are working for change and fighting for their rights. We appreciate the report's acknowledgement that the Maduro regime has used the imposition of sanctions to politicize humanitarian aid. The report confirms that Maduro's apparatus of oppression has restricted the collection of reliable data on food security, which is part of the regime's manipulation of social-assistance programs for political purposes. GAO-21-239 also discusses the systematic campaign by the regime to frustrate the delivery of humanitarian assistance by non-governmental organizations (NGOs): freezing their registrations, harassing their staff, denying them authorization to operate in Venezuela, rejecting their visa requests, cutting them off from access to fuel, limiting their exports and imports, and imposing currency controls that make cash transactions difficult.

We appreciate the draft report's recognition of USAID's close coordination with interagency working groups on Venezuela led by the National Security Council, and of our efforts to solicit regular input and feedback from our implementing partners on the ground. USAID's leadership has reiterated the importance of non-interference in humanitarian assistance in many public statements, and has taken serious measures to support our partners directly affected by the actions of the Maduro regime, including by holding calls with executives of NGOs to convey messages of support during these stressful times.

As shared with the GAO over the course of this audit, USAID also has engaged consistently with the U.S. Department of Treasury to advocate for humanitarian exemptions to sanctions, and to communicate the banking challenges our humanitarian partners are facing. USAID's leadership has met with senior officials at the Treasury Department to discuss the sanctions programs that cover Venezuela to find ways to avoid disruptions in our work.

Since we received draft report GAO-21-239 for comment, we are pleased to report that our engagement with the Treasury Department has produced an important result relevant to the scope of the audit. On December 18, 2020, the Office of Foreign Assets Control (OFAC) at the Treasury Department issued an Iranian Transactions and Sanctions Regulations License that authorizes USAID and our grantees and contractors to engage in all transactions necessary to purchase fuel in Venezuela that could be of Iranian origin. Without such a license, the

challenges our implementers reported in GAO-21-239 regarding access to fuel would be worse, given the general prevalence of Iranian-origin fuel on the Venezuelan market.

As the draft report notes, the Bureau for Humanitarian Assistance within USAID was funding nine partners to deliver humanitarian assistance in Venezuela as of August 2020, but this number will increase over Fiscal Year 2021. USAID would like to note for the record that we also finance multiple development partners in Venezuela, as well as recipients of the [Better Together/Juntos Es Mejor Challenge](#).

Appendix III: GAO Contact and Staff Acknowledgements

GAO Contact

Kimberly M. Gianopoulos, (202) 512-8612, or GianopoulosK@gao.gov

Staff

Acknowledgements

In addition to the contact named above, Drew Lindsey (Assistant Director), Michael Maslowski (Analyst in Charge), Katie Bassion, Deirdre Sutula, Pedro Almoguera, Aldo Salerno, and Neil Doherty made key contributions to this report. In addition, Grace Lui, Gina Hoover, Martin De Alteriis, and Sarah Gilliland also contributed to this report.

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