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VENEZUELA

Credit corruption in Venezuela alleged

Agricultural production in Venezuela has not risen in proportion to the agricultural credits allotted, leading to speculation as to where the money went.

By Phil Gunson

ZARAZA, Venezuela - Corruption alleged in farm credit program

Allegations of massive corruption in government agricultural development credits have highlighted growing complaints that President Hugo Chávez's government is frittering away the country's windfall oil profits.

The socialist Chávez has destined much of the income from Venezuela's booming oil industry to welfare and development programs not subject to parliamentary oversight. He has direct control over funds that already exceed \$15 billion, and supporters control all seats in the national legislature.

The almost total absence of checks and balances, critics say, is a major reason for the spread of corruption, which recent polls show is among voters' top concerns ahead of presidential elections scheduled for December.

The sheer volume of cash available for social projects "overwhelms us. It overrides the control mechanisms," said Eustoquio Contreras, deputy president of the legislature's Audit Commission.

The commission's biggest headache right now, Contreras said, is the agricultural development fund Fondafa, which he said has been systematically looted by corrupt officials in league with business interests.

A countrywide 50 percent increase in agricultural credits in 2005 brought only a 1.4 percent increase in acreage planted, according to Agriculture Ministry figures. And food imports have soared, despite a government pledge to make Venezuela self-sufficient.

"Production has fallen substantially, the poor are poorer and the rich are richer," said Reinaldo Barrios, an assistant to the mayor of Zaraza, 130 miles southeast of Caracas, one of the hardest-hit communities.

CONTINUING SLUMPS

With 70,000 inhabitants, Zaraza is ground zero for this phenomenon. It normally produces 40 percent of the corn in the western state of Guárico, which in turn provides nearly half the country's total. But according to Barrios, corn production has slumped by 70 percent -- despite millions of dollars in agricultural credits.

One reason is that much of the money appears to have never reached the farmers.

In one scheme, local agricultural goods suppliers, who are usually landowners as well, formed phantom "peasant cooperatives," promising local residents a couple of thousand dollars each in return for their signatures, and then pocketing the credits, the Audit Commission found.

Among the willing volunteers were local prostitutes, Contreras told The Miami Herald. "In the last year, formal prostitution has declined," he said. "The brothels closed down because the women got credits from Fondafa."

But the largest beneficiaries were the landowners who formed the fake cooperatives. In collaboration with Fondafa directors in Caracas, each cooperative could obtain about \$100,000 in agricultural credits, according to Barrios. As "advisors" to the cooperatives, they would then recommend the purchase of seeds and agro-chemicals from their own businesses.

When Fondafa researchers went into brothels last year, Barrios said, "They found sacks of corn seed under the beds." It seems the fake cooperatives' founders had handed out the supplies to members, who would exchange them for liquor at their local liquor stores.

A former advisor to the Fondafa board of directors, who asked to remain anonymous because he still works in the public sector, said the real problems were Chávez's style of rule and his government's unrealistically high volume of credits.

"When you have to approve a credit every two minutes, there's no way you can do it properly," he said. "The analysts had to approve so many that the only thing they could do was to check if the ID numbers matched the applicants. No one ever saw the plots of land."

Some of the effects on Zaraza have been devastating. Alcohol consumption, gambling and homicides have risen dramatically. In one two-month period at the beginning of the year, almost two people a day were being killed.

One victim was Town Councilor José Lara, murdered just weeks after announcing on a radio program that he had evidence of who was behind the scams.

DEBTS AND DISPUTE

No one has been arrested in the Fondafa case. Meanwhile, the cooperative members are discovering that they are in debt to Fondafa for sums they never received. The average

recovery rate for Fondafa credits in Zaraza is less than 10 percent, according to figures compiled by the mayor's office.

Exactly how much money was stolen is still a matter of dispute. Nationwide, more than \$1 billion in credits to small producers were scheduled last year.

The legislature's Audit Commission is investigating cases of fraud totaling about \$65 million. But Zaraza Mayor David Fares says that in his municipality alone at least \$46 million went missing.

Everyone knows who took the money.

"This is a small community; we all know each other," said Barrios, who added that some half-dozen area people have become overnight millionaires.