

**Clientelism and Social Funds: Empirical Evidence from Chávez's "Misiones"
Programs In Venezuela.**

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ABSTRACT: The latest politician in Latin America to adopt social funds on a large scale as an integral part of his government program has been Hugo Chávez Frías in Venezuela. Based on the literature on clientelism and social funds in Latin America, this paper explores whether Venezuela's latest experiments with social funds was influenced by political variables. The paper uses empirical data from the distribution of resources for some of the "misiones" programs at the sub-national level to show how increased levels of electoral competition (the possibility that Chávez's term in office might be recalled), and in the context of weak institutional constraints, the government used these funds clientelistically while at the same time distributing oil income to the very poor. Chávez's "misiones" served therefore two very different purposes: they were subject to political manipulation (to "buy votes") and also allowed for a direct distribution of oil rents to the low income population.

In the last several years, multilateral organizations have encouraged different governments in Latin America, regardless of their democratic credentials, to address income inequality by designing special funds targeted towards poor sectors of the population (Siri 2000; Cornia and Reddy 2001). These social funds have been conceived as needed mechanisms to provide social insurance and reduce economic uncertainty in those sectors of the population negatively affected by the transitional costs of a more integrated international economy (IADB 2004). By protecting the poor, resources from social funds have attempt to compensate the costs of adverse external shocks, as well as, provide excluded sectors of society with the opportunities to access financial and human capital, such as credits, education and health care. These types of funds are also believed to respond more swiftly to social needs by their ability to address bottom-up local demands and bypass heavy, strict and often inefficient bureaucracies (Graham 1994; Siri 2000). Occasionally these funds have also helped to encourage synergies between the different levels of governments, non-governmental organizations and even the private sector in the administration of social projects.

However, social funds in Latin America can and have been diverted by political interests. They helped either to “buy votes” for reelection purposes, or to build political constituencies that strengthen support for different administrations throughout the region. It has even been claimed that during the 1990s the use of these types of social funds encouraged the rise of neo-populist leaders in the region (Roberts 1995; Weyland 1999). Social funds can thus become politicized and be subject to clientelistic practices. Detailed descriptions and explanations have been given of how social funds under Salinas de Gortari in Mexico, Menem in Argentina and Fujimori in Peru where openly driven by

political considerations (Molinar and Weldon 1994; Bruhn 1996; Graham and Kane 1998; Schady 2000; Magaloni, Diaz-Cayeros and Estevez 2002; Weitz-Shapiro 2005). Even social funds like PROGRESA under the Zedillo government in México, which was a program internationally praised for appropriately targeting the extreme poor, seems to have not escaped the temptation to allocate resources using political rather than purely technical criteria (Rocha-Menocal 2001).

The latest politician in Latin America to adopt social funds on a large scale as an integral part of his government program has been Hugo Chávez Frías in Venezuela, a former paratrooper that after leading a failed military coup in 1992 was democratically elected in 1998 under a distributive platform promising to end what he portrayed as a corrupt party regime that had dominated politics during the previous forty years and had left the country with a large social deficit. Once elected to office, Chávez dismantled the existing social programs designed under the previous administrations and created a “Unified Social Fund” (FUS in Spanish) directly managed by the Armed Forces, that according to his own government, soon proved to be corrupt and inefficient. Under electoral pressures, particularly the possibility that his presidency might be revoked by a referendum activated by the opposition in 2004, and taking advantage of the oil windfall that characterized the market after the beginning of the millennium, Chávez tapped into resources from Venezuela’s oil company (PDVSA) to finance social programs which he called “missions to save the people”³.

These “missions” (“misiones” in Spanish) started out as programs aimed at providing health care in the poorest areas in the country, particularly the shantytowns in the cities (*Misión Barrio Adentro*). From then on a series of so-called “misiones” were

designed and implemented. Other programs were focused on providing access to education, particularly alphabetization (*Misión Robinson*) in rural and urban areas and the possibility to get a high school degree for poor adult individuals (*Misión Ribas*). The government also focused its efforts on the need to provide citizens with identification cards. These would be required at the time of accessing the cash transfers they were granted to encourage their participation in the social programs (*Misión Identidad*). At the same time these identification cards were required by the National Electoral Council for voting purposes. After the two month long oil strike in 2003, the Chávez administration designed a program to distribute subsidized food directly to the poor by creating discount stores throughout the whole country (*Misión Mercal*). Lastly, the government designed another program aimed at creating jobs through the promotion of cooperatives (*Misión Vuelvan Caras*). These “misiones” were financed through opaque and non-budgetary mechanisms, namely by transferring oil revenues directly from the state-owned oil enterprise (PDVSA) to a special fund managed by the presidency⁴. According to several accounts, the fund in 2003 and 2004 managed each year more than 2 billion dollars (close to 2.5% of GDP). Measured by size, the “misiones” were probably one of the largest social fund experiments administered in Latin America in the last decades⁵.

Partially thanks to these “misiones”, President Chávez was able to overcome his lowest level of popularity since arriving to office (around 45 per cent 12 months prior to the recall referendum) and win a crucial election in August 2004 with more than 59 per cent of the vote on whether he should continue or not in the presidency. The recall referendum was surrounded by fraud claims made by the opposition but quickly disregarded by the international community observing the process⁶. One of the arguments

mentioned by the opposition forces was the unfettered use of off-balance spending by the Chávez government to “buy votes” through the “misiones” programs. Whether the Chávez administration used or not these programs on a clientelistic basis is an important concern that should be explored given the evidence that social funds in other parts of Latin America have been used in the past to achieve this purpose.

Based on empirical data from the distribution of resources for some these funds at the sub-national level in 2004, I will show how increased levels of electoral competition (the possibility that Chavez’s term in office might be recalled), and in the context of weak institutional constraints, the government used these funds clientelistically while at the same time distributing oil income to the very poor. In other words, the “misiones” served two very different purposes: they were subject to political manipulation (to “buy votes”) and also allowed for a direct distribution of oil rents to the low income population. This double effect allowed Chávez to consolidate electoral and political support among a group of poor voters previously excluded from the political and economic realm, helping create a new social cleavage that will probably continue to become his source of support in the near future.

I. CLIENTELISM AND SOCIAL FUNDS IN LATIN AMERICA

The impact of market economic reforms on inequality and social spending in Latin America, particularly social security, is one of the most underscored negative trends in the region (Szekely 2001; Birdsall and Szekely 2003). Central governments under pressure to tighten public expenditure and open their markets to foreign trade were

willing to sacrifice social spending to meet fiscal targets. Although on occasions, it should be argued, central governments were in relative terms more willing to cut expenditures in other areas such as defense and law enforcement than in spending in education or health care (Kaufman and Segura-Ubiergo 2001; Penfold and Puente 2000). Nonetheless, as Robert Kaufman and Alex Segura-Ubiero (2001, 582) have shown, market reforms in Latin America did “change power resources in ways that lead to a reduction in pensions and other transfers, the components of social spending that provide the most direct protections from vulnerability in market forces”.

This finding is particularly relevant since most countries in the region have shown more commitment to trade liberalization than other structural reforms such as financial liberalization, privatization, fiscal reform and labor reforms, respectively (Lora and Panizza 2002). As a result, on average, the availability of social security resources for citizens under poor conditions to overcome adverse dislocations created by changes in international market conditions have been reduced. To address this problem, multilateral organizations in the 1990s began promoting the creation of special funds aimed at providing social protection and social investments interventions “to improve and protect human capital from the effects of adverse economic shocks and assist individuals, households, and communities to better manage the income risks that leave them vulnerable to poverty” (IDB 2004, 5). Among the most important policy recommendation in the implementation of these social funds, was the need to target cash transfers to poor individuals, particularly women, to positively impact allocation in areas that truly favor human capital, such as education and health care. In general terms, social funds are defined as the allocation of resources to support the development of human resources and

poverty alleviation by directly targeting the disadvantaged population (Morley and Coady 2003). These funds generally operate outside regular line ministries' executing channels and have political backing from the president. They also have the autonomy to build their professional teams which are in charge of developing the criteria to reject or approve social projects (Siri 2000: 5).

During the 1990s governments in Latin America started adopting these types of funds for poverty alleviation purposes⁷. In Peru, Fujimori's authoritarian regime adopted such a program in order to improve social infrastructure particularly in poor sectors outside of Lima. Other regimes that were only beginning to experience a slow liberalization process towards democracy, like the PRI hegemonic party rule under President Salinas de Gortari in Mexico, designed a large fund (PRONASOL) to distribute funds for projects to impoverished urban and rural sectors to compensate the burdens from market-oriented policies.

Democratic governments such as the Caldera administration in Venezuela, designed several programs to distribute cash transfers to poor mothers both in the cities and the rural areas linked to performance and school attendance by their children. Food, particularly milk, was also distributed directly to children through the public school system at the state and municipal level. Under democratic pressures, President Ernesto Zedillo in Mexico redesigned PRONASOL and created PROGRESA in 1997 as an attempt to target resources to household for improving education, health and nutrition indicators for citizens living under extreme marginalized conditions. After the transition to democracy in Mexico, President Vicente Fox continued with the program albeit with some adjustments. President Cardoso in Brazil implemented several social programs,

called work and school “purses” to reduce unemployment and promote school assistance among the poor. After being elected to office in 2002, President Lula maintained the programs even though he unified its administration under a single ministry. In Argentina, President Menem created several programs during the 1990s of this same sort. Similar experiences have been observed in places such as Bolivia, Chile, Honduras, Colombia, Nicaragua and Suriname.

Recent studies attempting to explain the performance of such social funds in Latin America have described how on occasions they can be subject to clientelistic practices. Some authors have even argued that these funds can be used in a “neopopulist” fashion by “neoliberal” presidents to push through their reforms (Roberts 1995; Weyland 1999)⁸. Targeting the poor becomes therefore a window of opportunity for targeting votes and even “buying” support. This is particularly true when cash transfers are involved. Poor voters –those who are targeted for social compensation- are usually more responsive politically to these types of rewards. The reason is that for low income voters a unit increase in welfare provides a higher marginal utility than in citizens with higher income (Dixit and Londregan 1996; Robinson and Verdier 2002; Calvo and Murillo 2004; Stokes 2005). As a result, the marginal utility of clientelism is higher among the very poor, providing a more secure investment for politicians wanting to “buy votes” (Brusco, Nazareno and Stokes 2004). Magaloni, Diaz Cayeros and Estévez (2002, 4) have defined “clientelism as expenditures in divisible excludable goods delivered to individuals or to organized groups...examples of clientelistic transfers include selective scholarships, credit, granaries, and livestock, among others”. In a similar vein, Brusco, Nazareno and Stokes (2004, 67) define “vote buying as the proffering to voters of cash or (more

commonly) minor consumption goods by political parties in office or in opposition, in exchange for the recipient's vote".

Empirical evidence suggests that the administration of social funds in Latin America has been subject to very different types of outcomes in terms of their malleability to political manipulation. In the case of FONCODES in Perú, evidence has emerged that targeted programs had a redistributive effect but were also used by Fujimori in an opportunistic manner to bolster electoral support (Graham and Kane 1998). The timing and distribution of resources of FONCODES were subject to political manipulation particularly on electoral years while clientelistic practices became more blatant as opposition to the Fujimori's regime started to emerge (Schady 2000)⁹.

Various accounts have highlighted how Salinas de Gortari's distribution of social funds in Mexico (PRONASOL) was driven by clientelistic considerations to garner support at the state and municipal level. Juan Molinar and Jeffrey Weldon (1994) have shown how the distributions of funds from PRONASOL were allocated in an electoral fashion to maximize electoral support in preparation for the 1991 mid-term elections. Magaloni, Diaz-Cayeros and Estevez (2002) have argued that electoral strategies in the use of these funds varied considerably. These authors claim the Salina's PRI used PRONASOL in a more clientelistic manner in those municipalities where electoral competition was low. By contrast, in municipalities where competition was stronger, the Salinas administration used funds to provide public goods rather than excludable goods such as cash transfers. Rocha Menocal (2001) has shown how even when the PRONASOL program was substituted by PROGRESA, which was structured as a less politicized and more technocratic program, President Zedillo allocated a larger share of

resources to states where the official party (PRI) had a stronger footing while punishing those states controlled by some of the opposition parties (PAN).

The literature on social funds and clientelism in Latin America clearly suggests that politicians, particularly when facing weak institutional constraints (as those confronted by the Fujimori regime in Peru or the PRI hegemonic party system in México), can start using these resources in a clientelistic manner to improve their political or electoral backing; in other words, under certain institutional conditions, resources from these social funds can start to be allocated following a political rationale instead of strictly social and economic considerations for targeting potential beneficiaries participating in the programs.

In Venezuela, as it will be explained below, since the year 2000 the Chávez government has been able to concentrate strong legislative and non-legislative powers in the presidency and exercise a close grasp over the National Assembly and the judicial branch. Given this lack of institutional constraints, and the electoral pressures to overcome the 2004 recall referendum for the presidency, the government probably had the incentives to manipulate politically the allocation of resources for the “misiones”. But were the social funds for the “misiones” programs allocated following a political rationale or were they actually targeted towards the poorest sectors of the population? Or while allocating resources to the poor were the chavistas also attempting to “buy votes”? Did the opposition governors and mayors in Venezuela have less access to these social funds than those states or municipalities controlled by the chavismo? Did the central government use the “misiones” to garner more electoral support in those territories

dominated by the opposition? The following sections attempts to provide some empirical evidence in order to start answering these questions.

II. RISE OF THE CHAVISMO AND THE SEQUENCE OF THE “MISIONES” PROGRAMS

Venezuela used to be considered one of the most stable regimes in Latin America since its transition to democracy in 1958 under the Punto Fijo pact, but since 1989 it has become one of the least stable and more polarized political systems in the region. One of the reasons underlying this transformation was the strong economic and social implosion that the country experienced as a consequence of the long term decline in oil fiscal revenues in the 1980s and 1990s (Penfold 1999; Hausmann and Rigobón 2002; Hausmann 2003; Baptista 2002). Due to this decline in oil income in 1998 GDP per capita reverted to the same levels as the early 1950s (Hausmann 2003). Between 1989 and 1998 moderate and extreme rates of poverty increased substantially. In this time period, the share of households in poverty conditions raised from 44,44 per cent in 1989 to 57,6 per cent in 1998. Extreme poverty ranged from 20,07 per cent in 1989 to 28,8 per cent in 1998 (Riutort 2002). The collapse in these economic and social figures can partially help explain why voters were willing to support Lieutenant Hugo Chávez Frías as a presidential candidate in 1998, who after the failed coup attempt against President Carlos Andrés Pérez in 1992, was able to capture the increasing discontent against traditional political parties such as *Acción Democrática* (AD) and the *Comité de Organización Política Electoral Independiente* (COPEI). Both of these organizations had

been able to rule the country for almost forty years and win elections through centralized and extremely disciplined political parties (Coppedge 1994).

In December 1998, Chávez was elected president in a landslide with more than 56 per cent of the votes. Fulfilling his presidential promise to draft a new constitution, and with the support of the Supreme Court, Chávez approved a presidential decree to call for a referendum on whether a Constituent Assembly with original and absolute powers should be elected or not. In April 1999, Chávez managed to gain sufficient popular support for the referendum (81 per cent of voters approved the initiative) and later that year a Constituent Assembly was elected.

Thanks to the strong coordination of the chavista vote and the lack of unity among opposition forces, Chávez won 96 per cent of the seats with only 53 per cent of the vote¹⁰. Taking advantage of this qualified majority, Chávez forcefully negotiated with politicians from the opposition to allow a voluntarily recession of the existing Congress and to appoint a loyal Supreme Court and Electoral Council. In less than three months, a new constitution was drafted that provided the president with strong legislative and non legislative powers. Among the most important reforms was granting the president powers to call for popular referenda on issues ranging from approval and elimination of laws, approval of constitutional reforms and even the unchecked power to convoke unilaterally another Constituent Assembly. The presidential term was also increased from five to six years with immediate reelection. Due to this change, Venezuela became the country with the longest continuous presidential period compared to any other Latin American nation where the regional median is five years (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004). The constitution also included the possibility that the mandate of any

elected official, including the president, could be revoked through a recall referendum which could be activated by collecting at least 20 per cent of valid signatures among registered voters. After the popular approval of the new constitution, in August 2000 a new legislature was elected that allowed Chávez to gain a majority of seats in the National Assembly. In this same election, Chávez was reelected as president against Francisco Arias Cárdenas with more the 59% of the votes.

In terms of social policy, one of the initial decisions made by the Chávez administration was to dismantle the Ministry for the Family created by the Caldera presidency (1994-1999) that was in charge of managing social funds. In addition, the social programs adopted during the Caldera period were either redimensioned or eliminated, particularly those managed by NGOs or regional and local governments (Gonzalez-Pacheco 2004). The government claimed that fiscal adjustment due to low oil prices required this type of drastic decisions¹¹. Instead, Chávez created a new social plan named “*Plan Bolívar 2000*” that was managed directly by the armed forces and focused most of its attention in social housing and improving infrastructure in poor areas (Trinkunas 2002). The government also created a Unified Social Fund (FUS) that would control all the budgetary resources for social initiatives. The fund was also managed by high ranking military officials. In a short period of time, both the “*Plan Bolívar 2000*” and FUS were surrounded by corruption scandals and were widely criticized for their lack of sustainable initiatives to address poverty alleviation (Gonzalez-Pacheco 2004; Contraloría General de la República 2002).

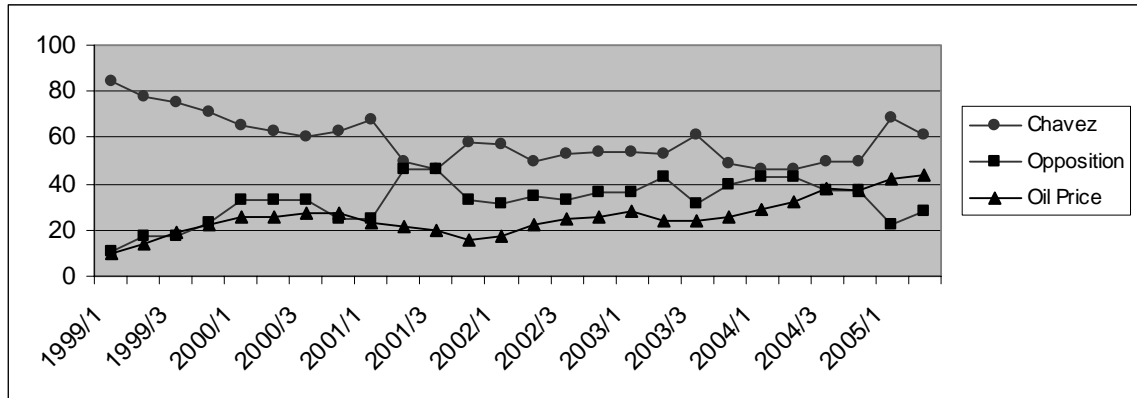
Although Chávez had gained substantial political powers from reforming the constitution and had control over the National Assembly, his levels of popularity soon

started to erode by the end of his first year in office (See Figure 1). By early 2001, the opposition forces had been able to mobilize significant sectors of the population with the support of the business associations and labor unions to demand changes in key economic and social legislation that Chávez had passed under an enabling law approved by the National Assembly in 2000. The business sector believed that the new laws threatened property rights in the agricultural and hydrocarbon sectors. Discussions about educational reforms curtailing the influence of private schools also helped exacerbate political polarization.

In December 2001, the umbrella business association (FEDECAMARAS) organized a general strike that lasted few days with the support of other social organizations and political parties. The opposition forces, although fragmented, started to organize weekly protests in the streets petitioning Chávez's resignation. Despite the political pressure, the government was reluctant to review the new pieces of legislation and decided to radicalize the conflict by removing the board and high level managers from PDVSA whom the administration thought were collaborating with the opposition. As a response to this decision, in April 2002, FEDECAMARAS with the support of the labor movement (CTV), several NGOs (Asamblea de Educación and Queremos Elegir) and political parties (AD, Proyecto Venezuela and Primero Justicia) organized another general strike that ended in a coup d'état with the temporary removal of President Chávez from office. Few days later, Chávez was restored in power by a sector of the military forces that was reluctant to validate how constitutional powers were suspended by a transitory and authoritarian government headed by Pedro Carmona who was at the time the executive president of FEDECAMARAS.

Figure 1

Venezuela's Oil Prices and Popularity for Chávez and the Opposition



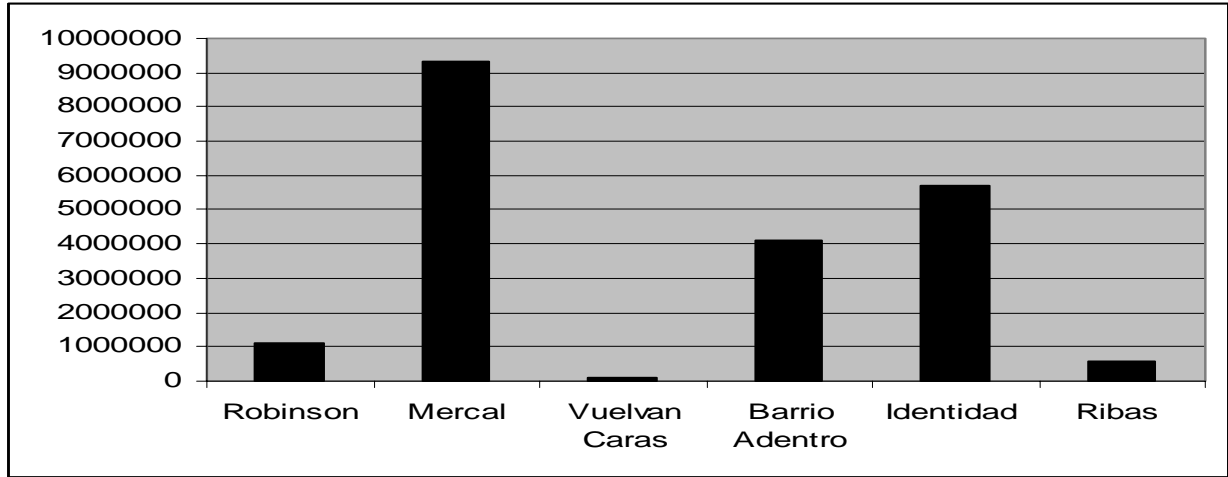
Source: Alfredo Keller Consultores (quarterly popularity) and Bloomberg (quarterly prices for Venezuela's oil basket).

After his return to power, Chávez attempted to adopt a more conciliatory political attitude but the opposition remained skeptical about his credibility. Having suffered an important reversal, the opposition started to coordinate its effort under a single movement named "*La Coordinadora Democrática*". With the encouragement of international organizations, particularly by the General Secretary of the OAS, César Gaviria, mediation efforts between the government and the opposition movement were promoted to search for an electoral solution to the political conflict. Meanwhile, Chávez was attempting to reconstruct his support base and reach out to new voters, particularly the poor. It is precisely in this period of time, when the Chávez administration started to create and expand the "misiones" programs.

The first social program (*Misión Barrio Adentro*) was focused on providing permanent and preventive health care in the shantytowns located in urban areas in the largest cities. With the support of imported doctors from Cuba who lived on a permanent basis in the poor urban areas, citizens started to sense a stable access to preventive medicine. In the context of a collapsing public health system, the program rapidly became a political success although it was widely criticized by the opposition forces and particularly the Venezuelan federation of doctors¹². Due to the high levels of support from the low income population towards the program, the government rapidly started expanding it to smaller cities and even to rural areas. In 2004, 13.586 doctors were participating in the program and close to 4 million individuals had used the preventive health care system provided by Cuban doctors mainly in the shantytowns of Venezuela's largest urban areas.

The second social program (*Misión Robinson*) that the government implemented was focused on an alphabetization campaign using the same techniques applied in Cuba. The program was targeted towards extremely marginalized people in the shantytowns and the rural sectors. The program also gained popular support. In 2004, more than 110.000 facilitators were coordinating the alphabetization effort and 1.099.137 individuals had finished the "Robinson" program. The government started to publicize the results of both of these "misiones" under a slogan that stressed its popular appeal: "Now Venezuela is for everyone" (*Ahora Venezuela es de todos*). Figure 2 provides a description of the scope of the different "misiones" in terms of the number of individuals that benefited from each program.

Figure 2
Scope of the Misiones Programs in Venezuela
(Millions of Citizens)



Source: Ministerio de Planificación y Desarrollo (2004)

Political polarization between the opposition and the government remained in place and in December 2002 a third general strike was organized by the “*Coordinadora Democrática*” which included support from top managers and workers within PDVSA. The strike lasted more than 45 days and stopped Venezuela’s supply of oil to international markets for almost two additional months. The strike was unable to force Chávez’s resignation because of the strong backing that the arm forces provided to the elected president. After the failed strike, the opposition finally accepted the suggestion made by the international community to start gathering signatures to activate under the 1999 Constitution a recall referendum for the presidency. In order for the presidential mandate to be revoked, the opposition had to win the referendum and obtain the same

amount of votes (3.757.773) plus one as the votes received by the president in his or her previous election.

The process to activate the referendum was slow and charged with legal and administrative obstacles created by the National Electoral Council (CNE) which was dominated by officials loyal to the government and appointed on a temporary basis by the Supreme Court. It was only after recollecting the signatures twice and having citizens verify the validity of their imprint that the CNE conceded to hold the recall referendum by August 15th 2004 (Kornblith 2005).

Following the general strike in late 2003, and anticipating a possible electoral solution to the crisis, Chávez decided to expand the social programs even further. The administration took advantage of high oil prices and the direct administrative control over PDVSA by appointing political loyalists and sacking a large share of the top and middle managers from the state owned company. Using funds directly extracted from PDVSA, rather than through the central government's budget, the government initiated another program called "*Misión Ribas*". This third program was oriented toward poor adults who had not concluded their high school degree.

Using the same public school infrastructure, a selected number of schools were chosen throughout the country to open during the weekends to provide access to adult students that wanted to obtain a high school degree. Curiously, the program was administered by the Ministry of Oil and Energy rather than the Ministry of Education to channel resources, especially scholarships, directly from PDVSA to the program. "*Ribas*" was widely criticized for its poor quality since teaching was administered through videos rather than direct contact with certified teachers¹³. The government also provided cash

transfers as an incentive to some of the students to support their participation in the program. By 2004, more than 600.000 students participated in the program and close to 200.000 had access to scholarships. A similar program for higher education was created called “*Misión Sucre*” and widely expanded after the recall referendum. These cash transfers were deposited to people in checking accounts created for them both in public and private banks. To open an account an identification card was required; however, obtaining the national identification card (*cédula*) was traditionally a slow and cumbersome process surrounded by corruption.

To overcome this problem, in collaboration with the CNE, the executive branch started another program aimed at providing identification cards particularly among the very poor, precisely where Chávez’s support was the strongest. This program was named “*Misión Identidad*”. The central government installed itinerary tents in the shantytowns throughout the country in order to provide citizens with ID cards that were given to them on the spot. These itinerary tents were electronically connected to the National Electoral Council registry and the National Identification Database. Therefore, poor citizens were provided in the same place with a *cédula* and were immediately registered in the national electoral database (REP) in order to allow them to vote in the recall referendum. Taking advantage of this program, the government would also set other tents in the same location providing citizens with information about the different “misiones”. As a result, the “*Misión Identidad*” became a powerful mechanism to publicize the social programs and guarantee that voters benefiting from the programs would be politically enfranchised.

For the opposition, it became clear that Chávez was using the “misiones” in a clientelistic manner in order to build support among the very poor, not only by targeting

resources from the different programs to his constituency, but also by making sure that those receiving the support would also be able to vote. The government also started using the list of people who had publicly signed to activate the recall referendum as a political instrument to promote discrimination. The list of individuals who had signed the petition was officially provided to the legislative and executive branch by the CNE, making public citizens' names that had supported the opposition (more than 3 million registered voters). The list was published in the internet by a *chavista* deputy, Luis Tascón, and people could publicly see whether they had signed or not. Those who had signed were asked to withdraw their signatures or were threaten to be fired from public offices or not given access to public contracts¹⁴. This *chavista* practice, publicly supported by the President in one of his weekly presentations on television, became widespread and was one of the most anti-democratic aspects surrounding the activation of the recall referendum (Kornblith 2005).

Another mission crafted by the Chávez government, named “Mercal”, was also very important in terms of its breath since it involved the distribution of subsidized food. After the oil strike in 2003, the government started to create discount retail stores of different sizes in all the municipalities in Venezuela to distribute subsidized food among the poor. Any citizen was allowed into the stores and in less than a year more than 40 per cent of the food in Venezuela was distributed throughout this new channel¹⁵. In 2004, more than 9.300.000 individuals had bought food in these discount stores located throughout the whole country. As a result, private firms became more dependent on the State to distribute their products and even some companies started to manufacture private brands for “Mercal” with labels celebrating the social achievements of the government.

This program soon became among the most popular programs for the government and also a very powerful tool to exercise political influence over the private sector.

By the time the opposition was able to overcome all the obstacles created by the CNE to formally activate the recall referendum most missions were consolidated. Chávez's popularity started to improve (Figure 1) and his political movement became more active in the promotion of the "misiones". Chávez's ability to link the social benefits of the programs with his need to assure the political mobilization of his popular base through the "*Misión Identidad*" became the cornerstone of his political strategy. Although a large sector of the population supported the opposition, Chávez was able to target low income voters by using the "misiones" to redistribute resources and regain political allegiance. The lack of institutional constraints also allowed the government to closely monitor voter's behavior and exercise credible political threats to citizens through the "*Lista Tascón*", increasing the cost to exit for those potential voters shifting allegiance to the opposition. As a consequence, the chavistas were in better political conditions to confront the opposition in the electoral arena and win the recall referendum despite the fraud accusations that were later disregarded by the international community observing the process.

III. THE ELECTORAL DETERMINANTS OF THE MISIONES

The data on the scope of the mission programs in Venezuela is very scarce and opaque. The central government has been reluctant to release official information about the content of the programs, expenditures and profile of its users. This has not allowed

the government or an external organization either to assess the quality or the efficiency of the different social programs which have been questioned by some organizations; particularly those educational programs such as “Ribas” and “Sucre”. One reason for this lack of information is that the programs were expanded by accessing non-budgetary means from the oil windfall managed by PDVSA. These resources were not under the direct oversight either of the National Assembly or the Central Bank. The financing of the “misiones” were conducted as off-balance spending and in order to increase the amount of financial resources available for the programs the government violated established budgetary and even monetary rules.

Despite these limitations, there is some official information regarding the scope of each program and even the distribution of resources for the “misiones” at the sub-national level (i.e. number of scholarships, health centers, food stores, etc). I have built a dataset based on information extracted from the Ministry for Planning and Development (*Base de Datos Social*) and PDVSA about several “misiones” as an initial attempt to explore some social and political patterns in the allocation of resources for these programs at the state and even at the municipal level. The benefit of the dataset is that it provides valuable information about resources used by “Barrio Adentro”, “Robinson”, “Ribas” and “Mercal” at the sub-national level for the year 2004. However, the restricted number of observations (24) at the state level might seriously limit the inference from this statistical analysis. The only programs for which it was possible to gather information at the municipal level was for “Misión Ribas” and “Mercal” allowing for a higher number of observations (332) helping to improve our understanding of the political economy of these programs. It is important to highlight that “Ribas”, unlike the other programs,

involved the distribution of scholarships (cash transfers) for some of the adult students participating in the high school degree program, allowing testing directly the use of this “misión” for “vote buying” purposes.

In this analysis a multiple regression model with least squares was created to explain the allocation of resources for each specific “misión” at the state level and for “Ribas” and “Mercal” at the municipal level. Following similar models used by Molinar and Weldon (1994) and Rocha Menocal (2001), this article assumes that the distribution of resources for each “misión” is affected by socio-economic and political variables. The explanatory variables are: (i) Incumbent Governor or Incumbent Mayor, a dummy variable indicating whether the governor or mayor at the time of the activation of the recall referendum was Chavista or not¹⁶; (ii) Chávez Vote in 2000, which is the number of votes obtained by Chávez in each state and municipality when he was reelected in 2000 after the National Constituent Assembly¹⁷ and (iii) Poverty, which is the number of households for each state leaving in 2002 under poverty conditions measured by the National Statistics Institute (INE) and the number of “ranchos” at the municipal level according to the 2001 Census¹⁸. The size of the population was introduced as a control variable which is measured as the number of inhabitants for each state and municipality according to the 2001 National Census¹⁹.

The dependent variable for each linear regression is defined as the absolute number of resources invested in the program which varies according to the information available for each one of the “misiones”²⁰: (i) “Barrio Adentro” is measured by the number of health centers for each state that are attended by Cuban doctors; (ii) “Robinson” is measured by the number of facilitators for each state who are directly

participating in the alphabetization program; (iii) “Ribas” is captured by the number of scholarships distributed both at the state and municipal level; and (iv) “Mercal” is measured by the number of stores (Type I, II and *Mercalitos*)²¹ for each state which were the only types of stores active by the time of the recall referendum. This variable is also measured as the number of stores (Type I) at the municipal level²². Figure 3 provides a table with the statistical information for the OLS regressions for each one of the social programs.

Figure 3
Electoral Determinants of the “Misiones” at the State and Municipal Level (OLS)

	<i>Barrio Adentro State</i>	<i>Robinsón State</i>	<i>Ribas State</i>	<i>Ribas Municipal</i>	<i>Mercal State</i>	<i>Mercal Municipal</i>
<i>IncGovernor</i>	-40.30747 (25.73926)	554.3198 (428.1824)	102.3092 (1119.044)	--	117.1051 (119.4098)	--
<i>Chávez2000</i>	.0008074** (.0003252)	-.0168604** (.0060915)	.0260487* (.0141371)	.0528984** (.0030086)	.0030541** (.0015085)	.0000349** (.000091)
<i>Poverty</i>	-.0011003** (.0004929)	.0263613** (.009233)	-.0300493 (.0214278)	--	.0004788 (.0022865)	--
<i>Population</i>	.0000665 (.0000854)	.0019201 (.0016007)	.0062037 (.0037148)	-.0007655 (.0005164)	-.0004243 (.003964)	.000088** (.00002)
<i>IncMayor</i>	--	--	--	-30.25544 (46.71963)	--	.0000349 (.1125014)
<i>Ranchos</i>	--	--	--	287.6164* (166.0979)	--	-.0000635** (.0000276)
<i>Intercept</i>	2.267366 (25.71399)	634.1085 (4817091)	2037.936* (1117.945)	22.46138 (51.64223)	128.2076 (119.2926)	-.2210455** (.0703694)
<i>R-square</i>	0.7060	0.8352	0.8509	0.9095	0.2674	0.8093
<i>N</i>	24	24	24	332	24	332

*denotes statistical significance at the 0.1 level on a two-tailed test and ** denotes statistical significance at the 0.05 level on a two-tailed test. IncGovernor is a dummy variable were 1 is equal to a Chavista governor and 0 is equal to an opposition governor. IncMayor is a dummy variables were 1 is equal to a Chavista mayor and 0 is equal to an opposition mayor. The standard error is reported in parenthesis. All values were estimated using STATA Version 8.0.

The results suggest that after controlling for several political and social factors the allocation of resources for all of the “misiones” were influenced by the level of electoral support received by Chávez both at the state and municipal level. The programs “Barrio Adentro”, “Ribas” and “Mercal” show that this political influence works in the expected direction: the more votes Chávez had previously received in a specific state or municipality the more resources the government allocated for the “misiones” during the recall referendum. In other words, the results show some indication that electoral motives emerged as a significant factor for explaining variation in the allocation of resources for the different “misiones” programs. Only “Robinson” shows the inverse relationship. This can probably be explained because small states with a lower number of loyalists like Amazonas, Apure, Delta Amacuro, Nueva Esparta and Sucre concentrate a larger number of illiterate citizens which is the main target of this social program. Curiously, the model does not suggest that the government punished or benefited more states or municipalities that were controlled by an opposition or loyal governor or mayor. The Chávez government seems to have attempted to distribute resources directly to the population regardless of the political affiliation of the governor or mayor controlling the territorial jurisdiction.

Among the different social programs, only “Ribas” involved direct cash transfers to the population through the provision of scholarships for some of the adult students participating in the high school program. Therefore, due to its specific nature, “Ribas” in the context of a president facing weak institutional constraints could have been subject to pervasive clientelistic practices for directly “buying votes” during the recall referendum.

The results both at the state and municipal level for this program confirms that the allocation of scholarships was directly linked to the number of voters supporting Chávez; but more importantly, evidence for the allocation of scholarships at the municipal level shows that once the program is measured more closely (at the local rather than at the regional level) the relationship between these two variables becomes more robust²³. In addition, the data at the municipal level also suggests that while the allocation of scholarship was driven by political motivations these cash transfers were also targeted towards those municipalities with a larger number of “ranchos” (which is a proxy for poverty)²⁴. In other words, the Chávez government seems to have used this program both to “buy votes” and distribute oil income. Instead, the food program (Mercal) which involved the construction of discount stores throughout the whole country seems to have worked almost exclusively on a clientelistic basis. Those states with a larger number of political loyalists had access to a larger number of food stores even after controlling for poverty conditions. This relationship is more robust once the program is measured at the municipal level²⁵. At the local level, a larger number of food stores were opened in municipalities with a larger population; but “Mercal” stores tended to increase in number as the number of “ranchos” decreased which suggest an inverse relationship between poverty and access to the food stores.

Finally, “Barrio Adentro” and “Robinson” provides some particular insights into the impact of poverty variables in the allocation of resources for these social programs. After controlling for Chávez electoral support at the state level, the allocation of health centers through “Barrio Adentro” was negatively impacted by the number of poor households at the state level. The evidence suggests therefore that the government would

favor with more health centers those states that had a lower number of poor households although they held a similar number of political loyalists. This finding implies that “Barrio Adentro” was not necessarily a program targeted towards the states with the largest number of poor although it was targeted to those states that had the largest number of political loyalists. “Misión Robinson” follows a very different logic: after controlling for Chávez’s electoral support, the government allocated more facilitators to work in the alphabetization program to those states with a larger number of poor households. As a result, “Robinson” was targeted towards states with a larger number of poor households which probably had in turn a larger population of illiterate citizens. As such, this program seems to have worked in a more progressive manner than the other programs.

However, the OLS analysis for each social program reveals that all of the “misiones” were influenced by political considerations and charged for electoral purposes.

IV. CONCLUSIONS.

During the 1990s many countries in Latin America adopted the use of social funds for poverty alleviation purposes under the assumption that they could directly target extremely marginalized sectors of the population and bypass an often inefficient and corrupt bureaucracy. Recent studies have shown that in Latin America under certain conditions, particularly the lack of institutional constraints faced by the executive branch, these social funds can be diverted and used to bolster the president’s political support and enhance their reelection. Empirical evidence of how these social funds were used to feed

clientelism during the regime of Fujimori in Peru (Schady 2000) and the PRI's hegemonic party system in México has been widely documented (Molinar and Weldon 1994 and Rocha-Menocal 2001). By studying the "misiones" program in Venezuela during the Chávez administration, this study provides further empirical evidence to support the idea that social funds can be strategically manipulated for electoral purposes by unchecked presidents.

Chávez designed the "misiones" programs under electoral pressures to overcome the recall referendum activated by a popularly mobilized political opposition in 2004. These programs were financed after the two month oil strike in 2002-2003 by accessing off-balance spending from PDVSA to a fund that was directly controlled by the presidency. The oil windfall that Venezuela started to experience after 2003 provided a window of opportunity that allowed the government to widely expand the scope of these programs in a short period of time. In a public speech made by Chávez while addressing the arm forces as well as loyal governors and mayors in Fuerte Tiuna, he publicly recognized the importance of the "misiones" to improve his chances to win the recall referendum:

You all must remember that after the coup... there was a moment that as a result of the economic crisis and our own political mistakes the opposition was very close to us. There was an international pollster that was recommended by a friend of mine that came over to the presidential palace in mid 2003 and gave me the bad news: "Mr. President if the referendum was held today you would lose". That piece of information was like a bomb to me because you know that people usually don't tell you things directly... It was at that point that we started to work on the "misiones" and we designed the first programs and started to ask help to Fidel... Doctors started to arrive by hundreds, airplanes went back and forth, the economy started to improve, we started to organize the shantytowns and the different

communities... and we started to invent the “misiones”... How shall we call this program? Robinson. And all the people started cheering and then we invented Ribas and Vuelvan Caras, and we all started to get involved, PDVSA, Rafael Ramírez with Alí Rodríguez and all the team from PDVSA... and then we started recovering in the polls... It’s was not magic, it’s politics...²⁶

As suggested by Chávez, the use of social funds became a central aspect of his political strategy to win the recall referendum. Empirical evidence on the distribution of resources for the different “misiones” at the sub-national level shows that after controlling for poverty conditions those states and municipalities with a larger number of loyalists were favored with more access to some of these programs. The empirical evidence also reveals that the distribution of resources for some of these programs was influenced by poverty conditions, particularly, Barrio Adentro and Robinson at the state level and Ribas and Mercal when measured at the municipal level. This result confirms the theoretical argument that politicians tend to promote clientelism among the population of lower income given that poor individuals derive a higher marginal utility from these programs. As a consequence, clientelism and poverty in Venezuela were interacting closely in the distribution of resources provided by the “misiones”. In fact, when distributing cash transfers, the Chávez government was able to simultaneously “buy votes” while distributing oil income to the very poor.

Another key aspect of Chávez’s electoral strategy was the coordination between the central government and the CNE to implement “*Misión Identidad*” to guarantee that those voters receiving the social benefits could actually exercise their right to vote. To make sure that voters would support the regime in exchange for the social benefits, the Chávez administration also increased the costs for citizens to cast their vote for the opposition by

threatening to remove their access to the “misiones” or to fire them from jobs in the public sector. This coercive practice embedded in the social programs became a cornerstone for the regime to consolidate its clientelistic networks and effectively “buy votes”. As a consequence, it is feasible to assume that these programs have helped create a social cleavage that will continue to be a considerable source of support for Chávez’s political movement in the near future; a process obviously facilitated by the oil windfall and the strong concentration of powers on behalf of the executive branch.

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Notes

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³ This was the description that Chávez provided in his weekly televised program to explain to the population the content of his social programs.

⁴ By 2005, PDVSA had not concluded the audit of its financial and operational statements for 2003 and 2004. In early 2006, PDVSA announced that by the end of February it would make public the financial statements for 2004 properly audited by KPMG. Without this information, it is impossible to accurately estimate the amount of resources used by PDVSA to finance the misiones. According to the Ministry of Finance, in 2003 and 2004 PDVSA financed directly more than 70 per cent of the total spending in the “misiones” programs.

⁵ According to Norbert Schady (2000) Fujimori's social fund (FONCODES) represented close to 0,55 per cent of GDP compared to Salina de Gortari's (PRONASOL) which was close to 0,77 per cent in 1992.

⁶ The recall referendum was observed by a group of international organizations headed by the OAS and included the Carter Center and UNDP.

⁷ A potential explanation for differences in outcomes could be related to regime type. Authoritarian regimes are less accountable and face less checks than democratic regimes and therefore can manipulate these funds more easily to build political support. However, this explanation cannot account for why even in democratic regimes presidents can be capable of diverting resources in a political fashion.

⁸ It should be noted, however, that this clientelistic practice cannot be blamed only on "neoliberal" presidents, since these types of funds have also been used by rulers with different economic ideas.

⁹ Schady provides a very interesting empirical account of how Fujimori removed from the administration of FONCODES technocratic administrators to put more loyal personnel when he was facing electoral pressures in 1994 (Schady 2002, 294).

¹⁰ For a detailed description of how the type of electoral system used to elect the Constituent Assembly helped overrepresent the chavismo see Michael Penfold (1999)

¹¹ At that time oil prices were on average close to 9 dollars per barrel for the Venezuelan oil basket.

¹² The center of the public debate was on the presence of Cuban doctors practicing medicine without legal permission in the country.

¹³ This type of criticism was voiced by the NGO *Asamblea de Educación* who were also very active against the Chávez government effort to reform the Law of Education.

¹⁴ The NGO *Ciudadanía Activa* is leading with the Human Rights Watchdog *PROVEA* a case against the Venezuelan State in the Interamerican Court for Human Rights in Washington DC for violating the right of workers in the public sector based on political discrimination. *Ciudadanía Activa* has collected some of the testimonies of dozens of people affected by the *Lista Tascón* in a documentary named *La Lista* (2006).

¹⁵ According to a quarterly poll conducted by DATOS and published in December 2004.

¹⁶ The coding was determined by using official information from the National Electoral Council (CNE) on whether the governor or mayor won the regional or local elections in 2000 as a chavista candidate or as an opposition candidate. Interviews with leaders from MVR, MAS, PPT and AD were conducted to determine if a mayor had shifted from being a chavista to the opposition (or vice-versa) after being elected and prior to the recall referendum.

¹⁷ This data was obtained from official results published by the National Electoral Council (CNE) for the 2000 Presidential election.

¹⁸ Regretfully, the National Statistics Institute (INE) does not estimate the number of poor households for all of the municipalities in Venezuela. As a substitute for poverty at the municipal level, data was gathered on the number of *ranchos* at the local level. *Ranchos* are the type of housing commonly used by poor households and are defined by the 2001 National Census as houses with roofs made out of zinc and walls without painting.

¹⁹ This data was downloaded from www.sisov.gob.ve

²⁰ The data for Barrio Adentro, Robinson and Mercal at the state level was obtained from the Ministry for Planning and Development (*Base de Datos Social*) during 2004. The data for Ribas was obtained from PDVSA during 2004. Lastly, the data for Mercal at the municipal level was downloaded from www.mercal.gob.ve.

²¹ Mercal Type I are food stores constructed by the government that measure close to 120 square meters. Mercal Type II are spaces within public offices that are used to sell food. Mercalitos are small stores in the shantytowns that could even be located within a private home or *rancho*. These differences were determined after several interviews with different officials at Mercal's headquarters.

²² There is no complete information about the distribution of the food stores (Type II and Mercalitos) at the municipal level which were the stores active prior to the recall referendum. The information available at the municipal level is restricted to Type I and was downloaded from www.mercal.gob.ve. The information for the distribution of the food stores at the state level (Type I, II and Mercalitos) was provided by the Ministry of Planning and Development from the *Base de Datos Social*.

²³ The t-value for the estimate measuring the impact of Chávez electoral support on the number of scholarships increases from 1.84 at the state level to 17.58 at the municipal level.

²⁴ The Pearson correlation between poverty and ranchos at the state level is 0.936 and the R-square when regressing poverty against ranchos is 0.8530.

²⁵ At the municipal level the t-value for the impact of Chávez number of votes in 2000 on the number of food stores reaches 3.84.

²⁶ The quote belongs from President Hugo Chávez's televised speech in Fuerte Tiuna on November 12 2004. I would like to thank Andrés Stambouli who provided me with the transcript of this presidential speech.