SOCIAL FUNDS, CLIENTELISM AND REDISTRIBUTION: CHAVEZ’s “MISIONES” PROGRAMS IN COMPARATIVE PERSPECTIVE

Working Paper

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In the 1990s Latin America’s journey to the market experienced significant obstacles emerging from social constraints such as higher income inequality and low poverty reduction (Behrman, Birdsall and Szekely 2001). Trade liberalization, although important for promoting economic growth, seems to have reinforced these existing inequalities and on occasions exacerbated social and political conflicts (Rodrik 1997). In some countries in the region, such as Argentina and Venezuela, social tensions have prompted voters to elect politicians willing to end market reforms. In other nations, such as Brazil, Peru, Chile and Colombia voters have elected presidents to address these issues without reversing market changes. Multilateral organizations in the last years have encouraged different governments, regardless of their democratic credentials, to address these issues by designing special funds targeted towards poor sectors of the population, particularly women.

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 globalization. By protecting the poor, resources from social funds have attempted to compensate the costs of opening to foreign markets as well as providing excluded sectors of society with the opportunities to access financial and human capital, such as credits, education and health care, respectively. 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). On occasions these funds have also helped to encourage synergies in the administration of the social projects between the different levels of governments, non-governmental organizations and even the private sector.

However, social funds can and have been diverted by political interests and helped either to “buy votes” for reelection purposes or build political constituencies to strengthen support
for different administrations throughout the region. Therefore, social funds can also be subject to political manipulation. This is true regardless of the type of regime, whether democratic or authoritarian, since politicians are on occasion willing to use these resources to build or consolidate clientelistic networks. 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 (Magaloni, Diaz-Cayeros and Estevez 2002; Bruhn 1996; Graham and Kane 1998; Schady 2000; Weitz-Shapiro 2005). Other studies have stressed how other governments in Latin America, like Zedillo in Mexico, Caldera in Venezuela, Cardoso and Lula in Brazil, were capable of designing social funds that functioned in a more transparent and less discretionary manner (Parra and Lacruz 2003; Gonzalez-Pacheco 2001; Draibe 2004; Rocha-Menocal 2001). In this last set of cases, electoral manipulation was less common helping the managers of the funds to target more appropriately the extreme poor.

The latest politician in Latin America to adopt social funds as an integral part of his social programs has been Hugo Chávez Frías in Venezuela, a former coup-monger that was democratically elected in 1998 under a redistributive platform promising to end what he perceived as a “corrupt, oligarchic and unjust party regime that had dominated politics for the last forty years and left the country with a huge social deficit”3. Once elected to office, Chavez dismantled the existing social programs designed under the Caldera administration. He then created a “Unified Social Fund” (FUS in Spanish) administered 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 recalled by a referendum activated by the opposition in 2003, and taking advantage of the oil windfall that characterized the market after the beginning of the millennium, Chavez created another fund for administering social programs which he called “missions to save the people”4.

These “missions” where programs aimed at providing health care in the poorest areas in the country, particularly the shantytowns in the cities (Misión Barrio Adentro). Other programs where focused on providing access to education, particularly alfabetizatation (Misión Robinson) in rural and urban areas and the possibility to finish secondary school for poor adult individuals (Misión Ribas). The government also focused its effort on the need to
provide citizens with identification cards required to have access to cash transfers to encourage their participation in the social programs (Misión Identidad). Identification cards were also required by the National Electoral Council for voting purposes. In tandem, the Chavez administration designed a program to distribute subsidized food directly to the poor by creating discount stores throughout the whole country (Misión Mercal). Finally, the government designed another program aimed at creating jobs through the promotion of cooperatives (Misión Vuelve Caras). These “missions” where 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 presidency. According to several accounts, the fund in 2004 and 2005 managed more than 2 billion dollars (close to 2.5% of GDP). Measured by size, the “missions” were probably the largest social fund experiment administered in Latin America in the last decades.

Partially thanks to these “missions”, 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 referendum was surrounded by fraud claims made by the opposition quickly disregarded by the international community observing the process. Among the claims made by the opposition, was the use of the “missions” to buy votes from poor citizens and the illegal issue of identification cards required for voting. The government replied to these claims by mentioning that the programs where structured to alleviate poverty conditions and redistribute oil income that was usually stolen by rent-seeking politicians. In an opinion poll conducted few months prior to the referendum, 68 per cent of the population openly claimed to support the programs. Among them, 44 per cent thought the breath of the “missions” should be expanded and 24 per cent thought their outreach should not change. The rest of the population either opposed the programs (22 per cent) or had not yet formed a clear opinion about them (10 per cent). Whether the Chavez administration used or not these programs as a means for winning the recall referendum and months later winning a large share of the governatorial and municipal elections is an important concern that should be explored. The issue becomes even more relevant from a comparative perspective, given the evidence that social funds in other parts of Latin America have been used as a political weapon.
This paper therefore focuses on two separate but interrelated questions. The first question that this paper addresses has to do with the conditions that facilitate or hinder the capacity of the executive branch to manipulate social funds in order to channel resources to their political constituencies regardless of social indicators. I will argue that two variables facilitate these types of outcomes. The first variable is on whether the executive is constrained by institutional factors such as divided government and judicial oversight. The second variable is related on whether the president or his party perceive to be electorally challenged by an opposition force. The combinations of these two factors create different incentives for presidents either to use resources from the social funds in a discretionary and political manner or by contrast to follow social criteria to distribute resources. As I will argue, the existence of institutional constraints and electoral competition provide the right incentives to administrate these funds. By contrast, the absence of constraints and competition lead both to overt political manipulation of the funds and rent-seeking behavior. By using evidence from other Latin American cases, but particularly by drawing a comparison from different experiences within Venezuela, I will show the dynamic behind this argument and explain how even presidents might change their political strategies in the use of these funds due to changes either on institutional constraints or electoral competition.

The second question explored in this paper is on whether President Chávez used the “missions” as a political weapon to win the recall referendum. Based on empirical data from the distribution of these funds at the state level, I will show how increased levels of electoral competition, namely the possibility that his term in office might be recalled, and in the context of weak institutional constraints, Chávez probably used these funds clientelastically while at the same time redistributing income to the very poor. In other words, unlike his previous experience with social funds (the FUS that ended with corruption scandals due to lack of constraints and weak electoral challenges), the “missions” proved to serve two different purposes: it was subject to political manipulation to “buy votes” but also allowed for redistribution. This double effect could have allowed Chavez to consolidate electoral and political support among a group of voters previously excluded in the political and economic realm, helping create a new social cleavage that will continue to become his source of support in the near future.
This paper is organized as follows. Section I draws on previous studies on the political economy of social funds in Latin America to develop a comparative framework to account for differences in outcomes. Section II describes the use of social funds in Venezuela during the Pérez, Caldera and Chavez administrations based on variations of the institutional and electoral constraints that these different presidents had to face. Section III provides some empirical data on the scope of Chávez’s “missions” and some evidence of how some of these programs were used as a political weapon. Section IV provides some final conclusions.

I. ACCOUNTING FOR DIFFERENT OUTCOMES IN THE ADMINISTRATION OF SOCIAL FUNDS

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 have been willing to sacrifice social spending to meet fiscal targets. Although on occasions, it should be argued, governments are 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-Ubiergo have shown, in Latin America trade integration 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” (Kaufman and Segura-Ubiergo 2001, 582).

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 market forces has been reduced. This critical situation was by the late 1990s widely acknowledged by governments and multilateral organizations working in the region such as the World Bank (WB) and the Interamerican Development Bank (IDB). These international institutions stressed their focus on the renewed promotion of policies oriented to address this problem.

In particular, multilateral organizations in the late 1990s began promoting the creation of 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 their most important recommendation, was the need to target cash transfers to individuals, particularly women under poor conditions, 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).

Regardless of regime type, during the 1990s governments in Latin America widely started adopting these types of funds for poverty alleviation purposes. Fujimori’s authoritarian regime in Peru adopted such a program in order to improve social infrastructure particularly in poor sectors outside of Lima. Other regimes that were beginning to experience a transition 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 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 national and state level. Under democratic pressures, President Ernesto Zedillo in Mexico redesign 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 Vicent Fox continued with the program albeit with some adjustments. President Cardoso in Brazil implemented several social programs, called work and school “stockings” to reduce unemployment and promote school assistance among the poor. After being elected to office in 2002, President Lula maintained the programs although it unified their 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 Chile, Honduras, Colombia, Nicaragua and Suriname.

Recent studies trying to explain the performance of some funds in Latin America have described how on occasions they can facilitate the creation of clientelistic networks. 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). 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 higher marginal utility than in citizens with higher income (Dixit and Londregan 1996). 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”. 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) 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 were subject to very different types of outcomes in terms of their maleability 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 (Schady 2000). This manipulation became more blatant as opposition to the Fujimori’s regime started to emerge. 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 distribution of funds from PRONASOL where distributed in a electoral fashion in order 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 fashion in those municipalities where electoral competition was low. By contrast, in munipalities where competition was stronger, the Salinas administration used funds to provide public goods rather than excludable goods such as cash transfers. Finally, in similar funds in Argentina, namely the Trabajar Program, the distribution of resources where used as a means to appease social protest rather than only as a redistributive mechanism for unemployed and poor sectors of the population (Weitz-Shapiro 2005). In other words, people who where active in the streets gained more access to the program compared to those citizens that did not mobilize politically.

Following Calvo and Murillo (2004) work on clientelism, I argue that in order to explain how this social phenomena works it is of fundamental importance to pay attention to the “supply side”. According to these authors, “because any clientelistic party prefers larger budgets, supply side differences emerge from biases in the institutional mechanisms that regulate the incumbents’ access to public funds” (Calvo and Murillo 2004, 744). These institutional mechanisms are usually rules related to elections, entry to the civil service and budgetary procedures. In the same spirit, I argue that different outcomes in the management of these social funds, that is, their malleability to political manipulation, is the result of two factors that can constrain the “supply side”. These two variables are the following: a) whether the president faces institutional constraints that emerge from the existence of a divided government in Congress and the independence of the judicial branch and b) whether the president faces an electoral challenge from the opposition. The first variable can be measured by the percentage of seats controlled by the President in Congress and the degree
of independence of the Supreme Court. The second is the result of the existence or absence of an electoral option available to voters that is perceived to have a chance to defeat the President or his/her party in the following elections. A matrix showing different outcomes can be developed based on these variables.

Table 1.

<table>
<thead>
<tr>
<th>Political Outcomes for Social Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constrained</td>
</tr>
<tr>
<td>Not Constrained</td>
</tr>
<tr>
<td>Challenged</td>
</tr>
<tr>
<td>Binded</td>
</tr>
<tr>
<td>Clientelistic</td>
</tr>
<tr>
<td>Not Challenged</td>
</tr>
<tr>
<td>Dormant</td>
</tr>
<tr>
<td>Innefective</td>
</tr>
</tbody>
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Variations in these variables transform the overall incentives that presidents face when deciding how to administrate and allocate resources from these funds. In cases where presidents face constraints from the legislative and judicial branch, politicians from the opposition are more willing to invest time and resources to oversight the administration of the social fund and reduce the potential political advantage that the incumbent might be tempted to exercise. Presidents might also face electoral pressures that are independent of institutional constraints. Under these conditions, presidents are more willing to deliver goods through the social fund but his or her ability to target politically the allocation of resources will be contingent on the institutional constraints. Hence social funds will probably be administered more transparently when both conditions are met. I call these types of funds “binded”. In this type of outcome, politicians want to deliver social goods because there are electoral pressures –therefore they will promote the creation of these programs- but institutional constraints induces them to accept to manage the funds through technical criteria. When institutional constraints are absent but presidents are challenged in the electoral arena by opposition forces, they will adopt the programs in order to “buy votes”. I have named this type of outcome “clientelistic”. By contrast, when presidents have no constraints and there is no electoral challenge, these funds tend to be doomed to failure and
subject to corruption scandals. This outcome is named “ineffective”. Finally, when presidents face legislative and judicial constraints and lack a challenger in the opposition, the executive is unlikely to adopt the use of social funds. I have labeled this outcome “dormant”.

In this paper, rather than attempting to fit those different cases experienced by countries in Latin America according to variations in outcomes, I describe how presidents within a single country, namely Venezuela, can move from one outcome to the other due to changes in electoral and institutional incentives. This approach can help to show how “clientelism” is not necessarily a unique outcome, and even illustrate how a single president might adopt in the same presidential term different political strategies given changes in these incentives. In other words, “clientelism” is subject to important dynamics that should be explained and not assumed to be an inevitable trait of Latin American politics, one that emerges either in the context of underdeveloped institutions, difference in income levels or correlated with an economic model.

II. SOCIAL FUNDS IN VENEZUELA: ELECTORAL INCENTIVES AND INSTITUTIONAL CONSTRAINTS

In this section, I provide a qualitative analysis of the outcomes regarding the administration of social funds in the last fifteen years in Venezuela during Carlos Andres Pérez (1989-1993), Rafael Caldera (1994-1999) and Hugo Chavez Frías (1999- to date) presidential terms. Each president confronted different electoral and institutional constraints and adopted very different strategies regarding the use of social funds. I will then attempt to show some statistical evidence on how Hugo Chávez Frías crafted a political strategy to use social funds (“missions”) in a clientelistic manner –thanks to the lack of institutional constraints- in order to overcome electoral pressures, particularly the possibility that his presidential term would be revoked in 2004.

Electoral and Institutional Constraints

Venezuela used to be considered one of the most stable regimes in Latin America since it’s transition to democracy in 1958 under the Punto Fijo pact, but since 1989 it became 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 in the 1980s and 1990s (Hausmann 2003). GDP per capita since the 1980s steadily declined as oil income collapsed. In 1998, GDP per capita reveted to the same levels as the early 1950s (Hausmann 2003). Moderate and extreme rates of poverty increased substantially between 1989-1998. In this time period, households in poverty conditions went 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 decline 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 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).

However, presidents governing Venezuela in the period from 1989 to 1998 confronted very different electoral and institutional constraints, reflecting the deep changes that the electoral and party system suffered in the 1990s (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004). Table 2 provides a summary of these differences. Carlos Andrés Pérez (AD) won in 1988 the presidency with more the 53 per cent of the popular vote but lacked control of Congress both in the house and the senate. For the first time in history a president from AD had to deal with a divided government. Despite Pérez’s high levels of popularity at the beginning of his term, he soon had to confront a Congress ready to block most of his market reform efforts (Corrales 2002). In 1992, as a consequence of the backlash created by Chavez’s failed coup, Pérez’s administration suffered several political reversals, among them a bitter confrontation with his own political party (AD) (Corrales 2002). In 1993, Pérez resigned after the Supreme Court allowed Congress to impeach him under the accusation of malversation of public funds.
Table 2
Institutional Constraints and Electoral Incentives
1988-2000

<table>
<thead>
<tr>
<th>President</th>
<th>Year of Election</th>
<th>Presidential Election* (% of Votes)</th>
<th>Senate* (% of Seats)</th>
<th>Deputies* (% of Seats)</th>
<th>Judicial Branch (Independence)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlos Andrés Pérez (AD)</td>
<td>1988</td>
<td>52.89%</td>
<td>47.8%</td>
<td>48.3%</td>
<td>Low</td>
</tr>
<tr>
<td>Rafael Caldera</td>
<td>1993</td>
<td>30.49%</td>
<td>22%</td>
<td>24.6%</td>
<td>High</td>
</tr>
<tr>
<td>Hugo Chávez Frias</td>
<td>1998</td>
<td>56.20%</td>
<td>22.2%</td>
<td>22.2%</td>
<td>High</td>
</tr>
<tr>
<td>Hugo Chávez Frías</td>
<td>1999 (Constituent Assembly)</td>
<td>---</td>
<td>---</td>
<td>96%</td>
<td>Low</td>
</tr>
<tr>
<td>Hugo Chávez Frías</td>
<td>2000</td>
<td>59.76%</td>
<td>---</td>
<td>54%</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: National Electoral Council (CNE). Own calculations. The 1999 Constitution eliminated the Senate. *It includes share of seats for the President’s coalition.

In the following 1993 legislative elections, the party system in Venezuela underwent a dramatic fragmentation in the number of effective parties (ENP). For example, in the period (1973-1998) the ENP was on average 2.6, reflecting AD and COPEI dominance in the electoral arena. In 1993 the ENP increased to 4.7 and in 1998 it rose again to a maximum of 6.1 (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004). In fact, in this period of time Venezuela was transformed from one of the least fragmented party systems in Latin America to the third most dispersed party regime in the region. Electoral volatility had also surged during this same period (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004). For example, it terms of changes of seats in the lower chamber in Congress, Venezuela between 1990-2000 experienced an average volatility of 38.12 per cent while in the rest of Latin America the average was 23 per cent. As a consequence, Venezuela was one of the countries with higher electoral volatility in the region only surpassed by Perú (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004). These changes where caused by an important transformation of electoral preferences by voters who had decided to abandon their support of the traditional parties. In addition, the process of political decentralization
had increased electoral competition and undermined the strength of centralized political parties such as AD and COPEI\textsuperscript{14}.

This fragmentation was also reflected in the fact that Rafael Caldera won the 1993 presidential election with only 30 per cent of the vote and without the support of COPEI, the political party he had helped found in the 1940s. Caldera won with the support of a large coalition of small political movements. In the legislative elections, AD had the largest number of seats in the lower house with 27,1 percent of the seats, followed by COPEI with 26,1 per cent, Convergencia (Caldera’s own movement) with 12,8 per cent and MAS with 11.8 percent, among others. Caldera therefore had to craft unstable coalitions, that usually changed depending on the policy issue, in order to pass some of the legislation in Congress. During this period of time, the legislature gained dominance over the presidency as an agenda setter. More than 70 per cent of the approved laws were initiated by the legislative branch (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004). This was a major contrast with the past, where the presidency usually was in control of introducing legislation with the support of the national party leaders (Crisp 1997). Under political pressures, Caldera decided to pardon the military personnel involved in the failed coup attempt against Carlos Andrés Pérez, among them Hugo Chávez Frías. By the end of Caldera’s presidency Chávez was running as a credible contender for the presidency threatening to call a Constituent Assembly and radically transform Venezuela’s political landscape.

In December 1998, Chávez was elected president in a landslide with more than 56 per cent of the votes. However, due to the fact that legislative elections where changed to take place concurrently with the regional elections rather than the presidential race as was the norm, Chávez was unable to gain sufficient seats in Congress. He faced an even more fragmented legislative arena than the one Caldera had to confront. 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 powers should be elected or not. In April 1999, Chávez managed to gain sufficient support for the referendum (81 per cent voted to support 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 vote. Taking advantage of this qualified majority, Chavez suspended Congress and a new Supreme Court and Electoral Council was appointed. 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 referendum on issues ranging from approval and elimination of laws, approval of constitutional reforms and the power to convene another Constituent Assembly with plenipotentiary powers. 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 was five years (Obuchi, Gonzalez-Pacheco, Monaldi and Penfold 2004).

In August 2000, a new legislature was elected under the new Constitution that allowed Chavez to gain a majority of seats in the national assembly. As a result of Chavez’s dominance over legislative affairs, an enabling law was delegated to the executive branch. In a single day, the presidential cabinet in October 2001 approved 48 laws that changed property rights in key industries such as hydrocarbons, agroindustry and fishing, among many other sectors of the economy. Political and social polarization was sparked as a result of the lack of trust between the private sector and the government. Opposition groups, labor unions and business associations began to promote social mobilization in an attempt to force the government to review these pieces of legislation. Between 2001 and 2003 three general strikes were organized by opposition forces including one that ousted President Chávez temporarily from office for three consecutive days and another strike that brought oil production to a halt for more than two months. It was only through the mediation of the OAS, UNDP and the Carter Center that the Chavez administration and the opposition movement in May 2003 agreed to follow constitutional rules and convene a recall referendum on the presidency. The opposition forces, organized under a single umbrella named “The Democratic Coordinator” (La Coordinadora Democrática), managed to gather sufficient signatures among registered voters, despite all the legal and administrative obstacles created by the government to delay its approval. Despite this effort, in August 2004 President Chávez was able to overcome his lowest levels of popularity and win the
referendum with 59 per cent of the vote, albeit fraud accusations made by the opposition which were disregarded by international organizations observing the process.

Finally, the fragmentation of the party system and the weakening of the centralized political parties during the 1990s undermined the strong grasp that national party barons exercised over the judicial system (Pérez Perdomo 2004; Pérez Perdomo 2003). Particularly, under the Caldera administration, the Supreme Court, with the financial support of the WB, pushed for the modernization and simplification of the administrative procedures in the courts in order to make more expedient and less costly access to the system. This process was monitored by social movements and different NGOs. The legislature also enacted a set of legislations to foster the use of alternative mechanism for conflict resolution, including the direct election of peace judges by their communities and the use of commercial arbitration. In addition, administrative reforms included the opening of new positions in the courts to appoint them through a competitive selection of judges based on their knowledge and capacities rather than on political affiliation.

Despite this effort, the Supreme Court’s independence was short-lived. Once Chávez garnered sufficient support in the Constituent Assembly and later in the National Assembly, magistrates became directly accountable to the president’s political movement. The Constituent Assembly, controlled by the chavismo and under a transitory statue, selected a new group of magistrates including the members of the Constitutional Court. Once elected, the National Assembly in 2005 continued packing the court by appointing thirteen new members to the Supreme Court. Like AD and COPEI before the 1990s, Chávez substantially reduced the autonomy of the judiciary branch by controlling the appointment and removal of judges.

From Dormant to Binded: Discovering the Relevance of Social Funds

Compensating the poor by targeting resources through special funds was not an initial priority for the Pérez administration. When Perez started his presidential term in February 1989, the government was willing to remove capital and exchange rate controls, reduce tariff and non-tariff barriers, in order to rapidly promote a market-friendly environment and
attract foreign direct investment through the privatization of state owned enterprises. The administration focused most of its initial effort on stabilizing the economy through fiscal adjustments and promoting structural reforms rather than addressing poverty problems. In fact, at the start of the Perez administration the social agenda was almost absent. The only exception was a program run by the Ministry of Education to provide students in poor schools with milk glasses. Most social programs under the previous “adeco” government (Lusinchi 1983-1988) were based on indirect social compensation managed through price controls. Perez’s technocratic cabinet, in order to stabilize the economy decided to remove price controls and also decreed a substantial hike in domestic gasoline prices to bolster needed fiscal revenues. The government failed to provide at this early stage an alternative and broader program for social compensation. As a consequence, and given the fact that the population did not perceive the need for reforms due to low inflation levels, popular discontent soared (Weyland 2002).

Social riots in the city of Caracas and across other urban areas erupted twenty days after the government had officially started its term, forcing the Perez administration to send the troops into the streets to restore order. More than three thousand people were injured, most of them inhabitants of poor neighborhoods, and close to one thousand people were killed. Hundreds of dead people were buried by the arm forces in communal yards. Traditional political parties, particularly Perez’s own party (AD), widely criticized the government for supporting market oriented policies and dismantling social benefits, which they thought were the cause of the riots. Despite the acute criticism, Perez relied on his high levels of popularity and continued with the market reform effort. His top economic minister, Miguel Rodriguez, publicly claimed that the best policy to fight poverty was restoring economic growth. The government’s strategic five year plan explicitly posited that the success of social policy was contingent almost exclusively on achieving high growth rates (Parra and Lacruz 2003).

It was only after the failed coup attempt in February 1992, coordinated by Lieutenant Hugo Chavez Frias along with other mid-rank officers, that the Perez administration changed its strategy towards social policy. Despite having achieved high growth rates between 1990 and 1992, the government was pressured by low levels of popular support, intense critique from
AD towards market reforms and a divided Congress that had blocked key fiscal legislation (Corrales 2002). The failed coup attempt had left the political establishment deeply divided among those who supported democracy and market reforms and those who thought that the population was becoming increasingly disenchanted with political institutions and the lack of social progress. Pérez responded rapidly to these pressures by starting to design social programs that were explicitly targeted towards poor sectors of the population. Pérez believed that poverty should be addressed directly by the government, in collaboration with non-profit organizations, rather than relying on indirect and distorted mechanisms such as price controls (Parra and Lacruz 2003). Among the most important programs was the “food” scholarship that was distributed directly in the public schools, the expansion of the “milk” program and the creation of special nursery schools to take care of the children of poor mothers, which would allow them to work and therefore increase their household income.

Shortly after these programs were initiated, President Pérez was impeached by Congress forcing him to resign from office early in 1993. Ramón J. Velásquez, as an interim president, continued with the programs until Rafael Caldera was elected later that year. Caldera won on an anti-market reform platform and soon installed exchange rate controls due to a financial collapse of the banking sector. One of the first decisions made by the Caldera administration was to create a Ministry for the Family that was in charge of coordinating all social programs. In 1996, in order to restore economic growth, Caldera accepted to renew market reforms, remove controls and open the oil sector to foreign investment. The new reform effort addressed social compensation by targeting the poor as the main cornerstone of the program. The Ministry for the Family, under close supervision from a special committee in Congress, redesigned and expanded the existing social programs. Among the most relevant changes, was the creation of a household subsidy that was transferred directly to the head of the family unit depending on whether children were attending primary school. The food program in public schools was extended from one to three meals. Finally, extreme poor population was given access to subsidized prices for certain types of food that would enrich their diet. The administration of these programs where frequently managed by non-for-profit organizations as well as through regional and local governments. The Central Bank and the National Statistics Center provided professional assistance in helping identify the groups to be targeted by the social programs.
Dismantling Social Programs and Creating Ineffective Policies

Innovation in the design and transparency in the management of Caldera’s social programs was widely acknowledged both domestically and internationally (Parra and Lacruz 2003; González Pacheco 2001). Multilateral organizations such as the IDB crafted similar recommendations to other countries based on the Venezuelan experience. The programs were not perceived by political parties as a source of political advantage discretional exercised by the government. Congress, the Central Bank, NGOs and even governors and mayors monitored the programs very closely. However, this success was not sufficient to overcome the perceived failure by the democratic regime to promote better standards of living. As oil prices dropped to their historical lowest point in decades, Chávez started to emerge as a credible presidential candidate in 1998 to change institutional arrangements by convoking a Constituent Assembly. Once elected as president, Chávez maneuvered politically and electorally to convocate a Constituent Assembly with broad powers. With the control of a qualified majority in the new constitutional body, Chávez was in a position to push for significant changes in institutional arrangements.

One of the initial decisions made by the Chavez administration was to dismantle the Ministry for the Family. 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 (González-Pacheco 2004). The government claimed that fiscal adjustment due to low oil prices required this type of drastic decisions. Instead, Chávez created a new social plan named “Plan Bolivar 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 manage 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 Bolivar 2000” and FUS were surrounded by corruption scandals and their lack of sustainable initiatives to address poverty alleviation (Gonzalez-Pacheco 2004; Contraloría General de la República 2002). One of the most relevant aspects of the FUS, was its decision to centralize both the design and the implementation of social programs. As a result, communities that had benefited from the
previous programs started to complain both the lack of support and its inefficient management.

*From Ineffective to Clientelistic Outcomes: The Missions as a Political Weapon*

Although Chavez had won the presidential election and pushed for constitutional changes, 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 Congress 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 organizing 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 that 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), NGOs and political parties (AD, Proyecto Venezuela and Primero Justicia) organized another general strike that ended violently 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 government headed by Pedro Carmona, who was the executive president of FEDECAMARAS.
After his return to power, Chávez adopted 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 “the democratic coordinator”. With the encouragement of international organizations, particularly by the General Secretary of the OAS, César Gaviria, mediation efforts between the government and the opposition 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 expand their mission programs. The missions were directly supervised by the presidency and were not controlled by the Unified Social Fund (FUS).

The first mission (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 had stable access to preventive medicine. In the context of a collapsing public health system, the program rapidly became a success although it was widely criticized by the opposition forces and particularly the Venezuelan federation of doctors. Due to the high levels of support from low income population towards the program, the government rapidly started expanding it to smaller cities and even to rural areas. The second mission (Misión Robinson) that the government implemented was focused on an alphabetization campaign.
using the same techniques successfully applied in Cuba. The program was targeted towards extremely marginalized people in the shantytowns and the rural sectors. The mission included monetary incentives to stimulate and sustain adult participation in the program. The program also gained popular support. The government started to publicize the results of both of these missions under a slogan that stressed its popular appeal: “Now Venezuela is for Everyone” (*Ahora Venezuela es de todos*).

Political polarization between the opposition and the government remained in place and in December 2002 another general strike was organized by the democratic coordinator 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. As a consequence, decline in economic activity measured by GDP fell by more than 17 per cent in 2003 (BCV 2004). Chávez was able to survive the strike and successfully blame the opposition for using a strategic industry to foster a political agenda. The government rapidly introduced exchange rate controls to reduce capital flights and protect international reserves and started using price controls as a means to reduce inflationary pressures.

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. According to the constitution, the recall referendum could be activated either by a presidential decree or the recollection of valid signatures among 20 per cent of registered voters. The government had no interest in activating the recall referendum and forced the opposition to gather the signatures. The process to activate the referendum was slow and charged with legal and administrative obstacles created by the National Electoral Council (CNE) 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 activate 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 mission programs even further. The administration
took advantage of high oil prices and the direct administrative control over PDVSA by appointing political loyalists after 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 a program called “Misión Ribas”. This third mission was oriented toward poor adults who had not concluded secondary school. Using the same public school infrastructure, a selected number of public schools were chosen throughout the country to open during the weekends to provide access to these adult students. Curiously, the program was administered by the Ministry of Oil and Energy rather than the Ministry of Education to channel resources directly from PDVSA to the program. This system of continuing education allowed poor adult population to obtain a certificate in almost two years. The government also provided cash transfers as an incentive to some of the students to support their participation in the program. These cash transfers were deposited to people in checking accounts created for them in the Industrial Bank which was a state-owned enterprise. To open an account an identification card was required; however, obtaining the national identification card (cédula) was traditionally a slow process surrounded by corruption.

To overcome this problem, in collaboration with the CNE, the executive branch started a program aimed at providing identification cards particularly among the very poor, precisely where Chávez’s support was the strongest. This mission was called “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 immediately. 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 spot with a cédula and immediately registered in the national electoral database in order to allow them to vote in the following elections. Taking advantage of this program, the government would also set other tents in the same location providing citizens with information about the different missions. As a result, the “misión identidad” became the most relevant mechanism to have poor citizens get access to the different missions, publicize them and guarantee that they would be politically enfranchised. For the opposition, it became clear that Chávez was using the missions in a clientelistic manner in order to build support among the very poor, not only by targeting resources from the missions 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 signed to activate the recall referendum as a political threat. The list was published in the internet and people could publicly see whether they had signed or not. Those who had signed were asked to retreat their signatures or were threaten to be fired from public offices or not given access to public contracts.

Another mission that Chávez developed, named Mercal, was also very important in terms of its breath since it involved the distribution of subsidized food. 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 channel\textsuperscript{20}. As a result, private business 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 mission program soon became among the most popular programs for the government and also a very powerful tool to exercise influence over the private sector.

By the time the opposition was able to overcome all the obstacles created by the CNE to convoke the recall referendum in April 2004, most missions were consolidated. Chávez popularity started to improve (Figure 1) and his political movement became more active in the promotion of the missions. As a consequence, the chavistas were in better conditions to confront the opposition in the electoral arena and win the recall referendum in August 2004. Chavez’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 missions to redistribute resources and regain political allegiance. The lack of institutional constraints allowed the government to make its political threats credible and align the CNE and PDVSA in an effort to promote these programs among the poor and confront the electoral pressure mounted by opposition forces.
III. ASSESSING THE MISSIONS AS A POLITICAL WEAPON: REDISTRIBUTION AND CLIENTELISM.

The data on the scope of the mission programs in Venezuela is very scarce and opaque. The central government has been reluctant to release 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 missions. 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 missions were therefore partially illegal since in order to increase the amount of financial resources it violated established budgetary and even monetary rules.

Despite these limitations, there is some official information regarding the scope of each mission and even the distribution of resources for some of the programs at the state level. I use data extracted from the Ministry for Planning and Development as an initial attempt to explore some social and political patterns in the implementation of these programs. As I will argue, these patterns can suggest some avenues to understand the political strategy adopted by Chávez to transform the missions into an effective political weapon. However, the quality of the information and the restricted number of observations limit the statistical use of the data. Further research will have to be conducted to assess the impact of the missions on the clientelistic practices in Venezuela. Therefore, most of the evidence provided in this section should be considered at best an initial exploration about the political economy of the missions.

One of the most salient features of the missions is its large scope (See Figure 2). The “Misión Mercal” was able to serve close to 10 million people by the end of 2004, almost 42 per cent of Venezuela’s total population. In addition, “Misión Identidad” had served more than 5 million citizens providing them with new IDs or renewing existing ones. Before the August 2004 recall referendum, the National Electoral Council registered more than 2 million new voters and probably a large percent of them were registered through the “Misión Identidad”. The other mission with a large scope of users was “Barrio Adentro”; by 2004 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.

![Figure 2: Scope of the Missions](image)


Given their social compass, it seems that these missions were set up as mechanisms to provide public goods for different sectors of the population. Due to the large number of users, access to the missions seemed to have not been channeled on a discriminatory basis. As a result, the government was probably capable of redistributing resources to different sectors of the population by providing programs that worked as public goods. Nonetheless, it should be interesting to explore whether citizens living in states or municipalities where Chávez had a weaker political support had the same access to these goods compared to other locations.

The remaining missions were much smaller in terms of their scope. The “Misión Robinson” had helped to alphabetize more than 1.4 million people. The data at the state level shows a moderate correlation between the share of citizens per state graduating from the program (0.57), the distribution of facilitators working in the mission (0.58) in relation to the state’s poverty level (See Figure 3). It seems that states with a larger share of poor population were
Figure 3

Correlation and Trend Lines for Different Mission Variables and Poverty Level per State

Misión Robinson: Graduated (per state)

Misión Robinson: Facilitators (per state)

Misión Ribas: Public Schools in Program (per state)

Misión Ribas: Scholarships (per state)

R=0.57

R=0.58

R=0.48

R=-0.01
on average given access to more facilitators which in turn probably helped to alphabetize in relative terms more people. The “Misión Robinson” also involved cash transfers although there is no information available on how money was allocated. Another program that followed a similar logic was the “Misión Vuelvan Caras”. By the end of 2004, this program was by far the smallest helping only 264 thousand people to finance their micro projects. Data at the state level for this program is unavailable. The moderate correlations with poverty levels for the “Mision Robinson” suggests that these missions were to some extent redistributing opportunities towards the poorest states in the country and were not subject exclusively to political manipulation.

The “Misión Ribas”, which was the program openly financed by PDVSA under the Ministry of Oil and Energy, follows a very different logic. By early 2004, “Misión Ribas” had helped more than 600 thousand adult citizens to start secondary education within a continuing education system. More than 29 thousand students had graduated by the end of 2004. More than 190 thousand of the registered students received financial support and more than 8 thousand public schools were enabled to receive students in the weekends throughout the country. The distribution of schools across states seems to vary according to the region’s poverty levels (0.48 correlation) but there is a very weak negative correlation between the allocation of the scholarships and the state’s level of development (-0.01) (See Figure 3). Does this evidence imply that the government was allocating cash transfers according to a different set of criteria? Was this criteria political?
Table 3  
*Mision Ribas Scholarships and Electoral Results at the State Level*

<table>
<thead>
<tr>
<th>State</th>
<th>Share of Population with Scholarships</th>
<th>Political Affiliation</th>
<th>Governor's Share of Votes for 2000 Regional Election</th>
<th>Chávez Share of Votes for Recall Referendum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazonas</td>
<td>2.9</td>
<td>Chavista</td>
<td>40.47</td>
<td>70.3</td>
</tr>
<tr>
<td>Aragua</td>
<td>0.6</td>
<td>Chavista</td>
<td>84.54</td>
<td>67.98</td>
</tr>
<tr>
<td>Barinas</td>
<td>1.4</td>
<td>Chavista</td>
<td>52.57</td>
<td>69.21</td>
</tr>
<tr>
<td>Cojedes</td>
<td>1.2</td>
<td>Chavista</td>
<td>49.36</td>
<td>66.95</td>
</tr>
<tr>
<td>Falcón</td>
<td>0.7</td>
<td>Chavista</td>
<td>48.62</td>
<td>57.24</td>
</tr>
<tr>
<td>Guarico</td>
<td>1.0</td>
<td>Chavista</td>
<td>48.10</td>
<td>70.97</td>
</tr>
<tr>
<td>Lara</td>
<td>0.7</td>
<td>Chavista</td>
<td>62.07</td>
<td>64.75</td>
</tr>
<tr>
<td>Merida</td>
<td>0.5</td>
<td>Chavista</td>
<td>48.47</td>
<td>53.83</td>
</tr>
<tr>
<td>Nueva Esparta</td>
<td>0.6</td>
<td>Chavista</td>
<td>49.82</td>
<td>49.96</td>
</tr>
<tr>
<td>Portuguesa</td>
<td>0.6</td>
<td>Chavista</td>
<td>50.08</td>
<td>72.85</td>
</tr>
<tr>
<td>Sucre</td>
<td>0.9</td>
<td>Chavista</td>
<td>58.16</td>
<td>62.12</td>
</tr>
<tr>
<td>Tachira</td>
<td>0.7</td>
<td>Chavista</td>
<td>50.03</td>
<td>50.55</td>
</tr>
<tr>
<td>Trujillo</td>
<td>0.7</td>
<td>Chavista</td>
<td>56.91</td>
<td>66.27</td>
</tr>
<tr>
<td>Vargas</td>
<td>1.1</td>
<td>Chavista</td>
<td>59.76</td>
<td>64.20</td>
</tr>
<tr>
<td>Anzoategui</td>
<td>1.0</td>
<td>Opposition</td>
<td>41.74</td>
<td>54.06</td>
</tr>
<tr>
<td>Apure</td>
<td>0.1</td>
<td>Opposition</td>
<td>48.37</td>
<td>67.61</td>
</tr>
<tr>
<td>Bolivar*</td>
<td>0.4</td>
<td>Opposition</td>
<td>63.68</td>
<td>66.35</td>
</tr>
<tr>
<td>Carabobo</td>
<td>0.5</td>
<td>Opposition</td>
<td>61.04</td>
<td>56.76</td>
</tr>
<tr>
<td>Delta Amacuro</td>
<td>0.9</td>
<td>Opposition</td>
<td>63.15</td>
<td>70.36</td>
</tr>
<tr>
<td>Drto. Capital*</td>
<td>0.9</td>
<td>Opposition</td>
<td>64.80</td>
<td>56.04</td>
</tr>
<tr>
<td>Miranda</td>
<td>0.9</td>
<td>Opposition</td>
<td>64.81</td>
<td>50.90</td>
</tr>
<tr>
<td>Monagas</td>
<td>1.4</td>
<td>Opposition</td>
<td>41.25</td>
<td>60.96</td>
</tr>
<tr>
<td>Yaracuy</td>
<td>0.7</td>
<td>Opposition</td>
<td>51.32</td>
<td>60.23</td>
</tr>
<tr>
<td>Zulia</td>
<td>0.3</td>
<td>Opposition</td>
<td>51.44</td>
<td>53.14</td>
</tr>
<tr>
<td>Average Share in Chavista States</td>
<td>1.0</td>
<td>---</td>
<td>54.41</td>
<td>63.37</td>
</tr>
<tr>
<td>Average Share in Opposition States</td>
<td>0.7</td>
<td>---</td>
<td>55.16</td>
<td>59.64</td>
</tr>
</tbody>
</table>

Source: CNE; Ministry for Planning and Development. *Governors initially elected as chavistas but during their terms shifted allegiance towards the opposition.*
The data suggest that those states that were loyal to Chávez, that is, that had a chavista governor, benefited more in terms of access to scholarships than those states controlled by the opposition. On average, a chavista state received 30 per cent more scholarships than a state controlled by the opposition. More importantly, the data suggests that in those states where the electoral support for Chávez was lower, the state received less cash transfers per capita for the program that those states where the president’s support was stronger. The most extreme case is the state of Zulia, which is the state with the largest share of registered voters in Venezuela, where the allocation of scholarships was the lowest among all states in relation to the size of its population. Zulia was the state where Chávez had the least popular support and its governor Manuel Rosales was one of the most outspoken opposition figures. The data also suggests that Chávez accepted to provide more cash transfer than average to those opposition states where he believed he had stronger electoral support, such as the state of Anzoátegui, Miranda and Monagas. The formal leader of the Democratic Coordinator was Enrique Mendoza who at the time was the governor of Miranda and later lost the regional election against a chavista candidate after the recall referendum. Due to the lack of control for other variables (i.e. academic performance, gender, etc) it could also be that these cash transfer were allocated to students according to a different criteria but prima facie evidence seems to elicit that Chávez’s political strategy was to strengthen his support, through loyal governors, in those regions where he had more electoral backing.

The “Misión Ribas” as a clientelistic instrument seemed to have worked as follows. The program was conceived as a public good providing broad access to users; however, when the delivery of “exclusable goods” was involved, i.e. cash transfers, political allegiance became a key factor to gain access to these type of benefits. By mixing public and exclusable goods within a same program, the government was able to secure their political investment by making credible their popular appeal but at the same “buying” support through networks developed at the regional level with backing from loyal governors. Therefore, the “Misión Ribas”, as well as other missions that attempted to target cash transfers, were probably capable of redistributing income while simultaneously “buying votes”. Further rigorous testing of this hypothesis needs to be developed; but the qualitative evidence and the data provided in this section provides some initial evidence to support the idea
that clientelistic practices were pervasive in the implementation of these programs when excludable goods happened to be involved.

**IV. CONCLUSIONS.**

The use of social funds and targeting mechanisms as a means to reduce poverty is an attractive idea that can help mitigate the impact created by economic dislocations; but this paper has also argued that these social funds can be malleable to political manipulation when institutional constraints or electoral incentives are absent. On occasions, social funds can promote clientelistic outcomes when presidents are under electoral pressures and lack institutional constraints. When presidents confront institutional constraints but are under electoral pressures, social funds will be managed in a more transparent fashion achieving the expected results for poverty alleviation purposes. The adoption of social funds should therefore take into account the institutional and electoral context in which it is operating to reduce opportunistic behavior on behalf of the executive power. A comparative framework developed for the Venezuelan case illustrated the importance of these variables for explaining differences in outcomes in the administration of social funds. Finally, this paper has shown how even a single president can change strategies in the use of social funds based on changes in these institutional and electoral factors.

For Chávez the use of social funds became a central aspect of his political strategy to win the recall referendum in August 2004. As electoral pressures increased, the mission programs were developed to target the poor sector of Venezuela’s society where his political support was the strongest. The increase in oil prices and the direct control over PDVSA that the government achieved after the general strike organized by the opposition in December 2002 facilitated the needed resources to rapidly expand the missions. Chávez strong grasp over legislative and judicial affairs also allowed him to channel oil resources directly to the programs through non-budgetary mechanisms and enhance political support through cash transfers. A key aspect of Chávez 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, the Chávez administration increased the costs for citizens
to cast their vote for the opposition by threatening to lose access to the missions or to jobs in the public sector. As a result, the missions became the cornerstone for Chávez’s regime to redistribute and consolidate his clientelistic networks. As a consequence, it is feasible to assume that these programs helped create a social cleavage that will continue to be a considerable source of support for Chávez political movement in the near future.
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These were Chávez’s words at the speech he gave immediately after winning the presidential election in December 1998. El Nacional, Cuerpo D-1, Caracas, 12/07/1998

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

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.

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

Survey conducted in Venezuela in June 2004 by Greenberg, Quinlan and Rosner Research Inc. This pollster firm was hired by the opposition forces to monitor public opinion.

See the IDB 2004 Annual Report.

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, like for example Menem in Argentina, presidents were capable of diverting resources in a political fashion. Paradoxically, this general explanation would also fail to acknowledge that in Latin America authoritarian regimes can face elections, and in fact are increasingly using electoral procedures to legitimize their powers. Although it is true, as the experience with Fujimori in Peru and Salinas de Gortari in Mexico will remind us, that semi-authoritarian or competitive authoritarian regimes can be willing to manipulate and even commit electoral fraud; nonetheless, winning elections by “buying votes” is clearly less costly than openly committing electoral fraud, particularly when the regime has started to lose its initial source of support. In other words, governments can face electoral pressures that might change their incentives in the use of these social resources for trying to “buy votes” rather than stealing them upfront. For a discussion of the role of elections in semi-authoritarian regimes see Marina Ottaway (2003).

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.

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).

Magaloni, Díaz-Cayeros and Estevez (2002, 6) have already stressed the importance of electoral pressures, particularly the increase in competition measured by the number of parties, as a means to reduce clientelism: “political competition is virtuous, because it leads politicians to introduce universalistic forms of political exchange, in the form of public goods”. However, I believe that these authors underestimate the importance of institutional constraints and overestimate the importance of electoral pressures to induce politicians to support more public goods rather than private goods that enhance clientelistic relations. This is particularly surprising since these authors are studying the PRONASOL experiment in Mexico where President Salinas de Gortari lacked institutional constraints.

An initial, stylized and intuitive distribution of the cases according to outcomes in Latin America, subject to further testing, would be as follows. The PRONASOL program in Mexico administered under Salinas de Gortari is a good example of a “clientelistic” outcome for the administration of social funds. Salinas had control of Congress through the PRI and was facing tremendous pressure to reconstruct political support in the urban and rural sectors. The fund was designed to achieve this clientelistic objective. After President Zedillo won the Mexican presidential election in 1996, and after the PRI had lost control of Congress in 1997, the party accepted to redesign PRONASOL in order to administrate the fund in a more transparent manner. The new social fund, named PROGRESA, proved to be managed in a more technocratic fashion and resources...
where distributed according to social rather than political criteria. For a more skeptical view on PROGRESA see Recha-Menocal’s work, op. cit. This type of outcome is close to what I have named “binded”. Another example of a “binded” outcome is Fernando Henrique Cardoso’s “stocking” programs. The social funds supporting the labor and school stockings where administered in a transparent manner thanks to the oversight that the opposition was able to conduct through Congress (where Cardoso did not have a majority) and the electoral pressures he faced to confront Lula’s increasing popularity in the 2000 presidential race against the government’s candidate, Jose Serra. Finally, an example of “ineffective” social funds where those programs adopted by Carlos Menem in Argentina during the 1990s which where subject to corruption and lacked effectiveness in alleviating poverty. Menem during his term in office did not confront electoral pressures and had strong control over both the legislative and judicial branch.

14 On voters dealignment in the 1990s in Venezuela see Michael Penfold (2001) for the impact of decentralization and federalist arrangements on Venezuela’s party system see Michael Penfold (2004).
15 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).
16 For a description of the different types of obstacles created by Venezuela’s Electoral Council (CNE) see Miriam Kornblith (2005).
17 For the fraud accusations see Súmate (2004). For a statistical attempt to proof electoral fraud as a probable outcome during the recall referendum see Ricardo Hausmann and Roberto Rigobón (2004). This study was requested by Súmate. For a critique of this paper see Mark Weisbrodt, David Rosnick and Todd Tucker (2004). See Carter Center (2004) for a formal reply to the accusations.
18 Personal interview with Mercedes Pulido, former Minister for the Family under the Caldera administration, Caracas, Los Chorros, March 2003.
19 The center of the debate was on the presence of Cuban doctors practicing medicine without legal permission in the country.
20 This according to a quarterly poll conducted by DATOS and published in December 2004.