

A new way to make the same mistakes



After an economic bonanza that lasted from 2004 to 2008 – based on high oil prices on the international market – Government social policies led to improved indicators, and the Millennium Development Goals were on the official agenda and were widely discussed. Today, the global financial crisis and increased social unrest caused by weakening social programmes have put this progress at risk. This was only to be expected from a development model that repeated the same old mistakes and did not include anti-cyclical policies, and today the country is having to pay dearly for the world crisis.

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When Hugo Chávez was elected President of Venezuela in 1999 he implemented a process of constitutional reform that enjoyed considerable popular support. The new constitution provided for a wide range of social rights and thus generated great expectations and popularized the issue of human rights in various strata of the society.

At the same time high international prices for oil – the driving force of the Venezuelan economy – in the period 2004-2008 enabled the Government to achieve good results on a range of indicators. Two years later, however, the situation began to unravel. There were two main reasons for this.

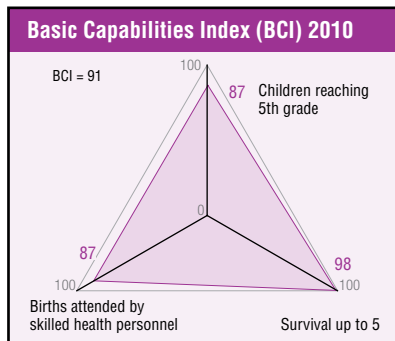
First, after Chávez was re-elected, the Government attempted to make further changes to the constitution in 2007 through a plebiscite, but this failed through lack of public support. Since that time the administration has promulgated a series of laws, regulations and administrative acts that, as various human rights organizations have been loudly proclaiming, contradict the dispositions of the 1999 constitution.

Second, a big fall in oil prices and the international financial crisis have had a severe negative impact on the country's social policies to reduce poverty. The Government has not been able to adequately respond to the demands of the population, and this has made for increasing social unrest.

Reduced poverty

Until 2008 the Chávez Government was proclaiming great progress towards achieving the Millennium Development Goals (MDGs). Its outstanding achievement was its record in the fight against extreme poverty.¹

According to official estimates, in the 2004 to 2006 period the number of poor families in the country fell by 20%. In the first half of 2007, National Institute of Statistics figures indicated that the percentage of the population living in extreme poverty had fallen to 9.4%,² and official figures show that

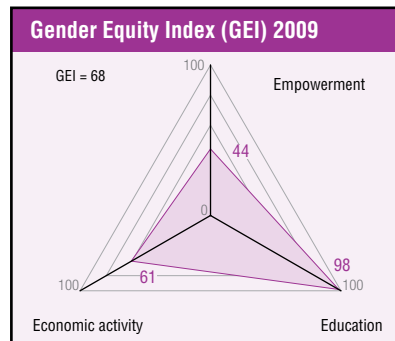


in the 1999 to 2009 decade some 4,324,075 people emerged from poverty.

This good level of progress was recognized by international bodies including the Economic Commission for Latin America and the Caribbean (ECLAC), which estimated that Venezuela's poverty rate fell from 49.4% in 1999 to 28.5% in 2007.³ Provea, in its annual report for 2009, said that this fall was partly due to the development of social programs to distribute the food at low cost, such as the *Misión Mercal*, whose estimated average monthly coverage in 2008 was 13 million people, around 45% of the population.⁴

Progress was also made in the areas of gender equity and education. The proportion of girls in the educational system increased from 31.3% in the 1990-1998 period to 47.6% in 1999-2006. The net rate of children in basic education increased from 84.7% in 1999-2000 to 93.6% in 2006-2007, which means that 684,782 more children joined the school system. Coverage at higher educational levels expanded to a similar extent. In 2005 some 4 million people were enrolled in educational 'missions.'

Progress in the field of health was also encouraging. Thanks to Government health policies, known as *Barrio Adentro*, Venezuela was well on the way to reaching its target of cutting the under-five infant mortality rate by two thirds: infant mortality was brought down from 25 in 1990 to 14.2 per 1,000 live births in 2007. In these initiatives, direct medical attention was expanded in a very short time with



14,345 health care professionals and the construction of treatment centres throughout the country. The situation as regards HIV/AIDS care also improved, as can be seen from the fact that 21,779 people received medicines free of charge in 2007 compared to only 335 in 1999.

Benefits paid for with petroleum

In 2004, the Venezuelan economy enjoyed an abundance of resources compared to the situation in the previous 30 years. In that year the price of oil began to rise sharply on international markets, it soared to historic levels and reached a peak in 2008. As a result of this bonanza, the country's gross domestic product (GDP) enjoyed four consecutive years of growth, its international reserves were strengthened and it had a positive balance of payments. This increasing income from oil enabled the Government to finance extensive public investment programs and social policies called 'missions.' The State was able to expand in different areas including the generation of jobs, and in 2008 an estimated 18.2% of the economically active population were employed in the public sector.⁵

In July of that year the price of a barrel of Venezuelan oil peaked at USD 122.40, after which it began to slide and four months later it stood at half that value: USD 63.49.⁶

Adjustments to social policies

National and local elections in November 2008 and an amendment to the constitution in February 2009 resulted in postponing any discussion about what

1 For a complete review of the country's results as regards the MDGs, see: <www.sisov.mpd.gob.ve/metas_milenio/>.

2 Ministerio del Poder Popular para la Comunicación e Información, *Venezuela sobrepasa en el cumplimiento de las Metas del Milenio*, 2008.

3 ECLAC, *Panorama Social de América Latina-2008*. Available from: <www.eclac.cl/publicaciones/xml/2/34732/PSE2008_Cap1_Pobreza.pdf>.

4 Provea, *2009 Annual Report*. Available from: <www.derechos.org/ve/proveaweb/?page_id=1651>.

5 National Institute of Statistics. Available from: <www.ine.gov.ve/ine/indexine.asp>.

6 *Ibid.*

the consequences of the world economic crisis might be for Venezuela. On 21 March 2009, after the elections, President Chávez announced a package of economic measures:

- A reduction in public expenditure.
- An increase in value added tax.
- A reduction in extravagant and unnecessary spending.
- Legislation to limit the salaries of high-level officials in the public administration.

The sharp fall in the country's oil income caused a slowdown, stagnation and in some cases regression in the implementation of policies to reduce poverty and inequality. It was officially announced that social policies would continue to operate at the same levels in spite of the crisis, but this did not happen. For example, the minimum wage was raised by 20%, but this was way below the rate of inflation, which in 2008 in the food sector alone reached 43%.⁷

In 2007-2009, only 1.1% of households emerged from poverty, which contrasts dramatically with the big reductions in this indicator in the 2004 to 2006 period. According to the latest official figures, some 26.4% of households in Venezuela still have their basic needs unsatisfied.

In fact, public spending as a percentage of GDP has decreased since 2008 in all social sectors except for education. In the 2010 budget, less than 4% of total expenditure was allocated to the 13 social 'missions', even though resources increased because of exceptional items and transactions, and this works against transparency and monitoring of the budget by non-government organizations. This situation is exacerbated by high inflation, which makes it even harder for the very poor to improve their conditions of life. According to the Central Bank of Venezuela, inflation decreased from 30.9% in 2008 to 25.1% in 2009, but even so, the country still has one of the highest rates in the region.⁸

The worst consequences

The crisis in social policy implementation is especially serious in two sectors – health and housing. For several years Provea has been sounding the

alarm about the fragmentation of the country's health system and the deterioration of the *Barrio Adentro* mission. These warnings were dismissed by various Government sources at the time, but in September 2009 President Chávez publicly acknowledged the irregularities: "We are declaring a state of emergency in the health system. We have found that 2,000 modules of the *Barrio Adentro* mission have been abandoned and have no doctors. (...) The situation was worsening and measures were taken, but we were never able to cope with the problem."⁹

To make matters worse, the country's hospital network is still fraught with structural faults and deficiencies, there is a shortage of health care professionals, and this has had highly lamentable consequences such as the so-called "pregnant women's roulette," a situation in which expectant mothers have to go around various health centres until they find one that can provide care when they are giving birth.

One of the most serious failings of the Chávez administration has been in the area of decent housing; it has never reached its own housing targets. The country has a shortfall of 3 million decent housing units (this includes houses that have to be re-located because they are in high-risk areas). Official figures show that 300,939 housing units were built in the last 10 years, which means that Hugo Chávez has the second-worst record in the country's democratic history (which began in 1958) for the average number of units constructed during a presidential administration.

The role of civil society organizations

Various organizations that monitor the human rights situation in Venezuela have criticized the Government for its lack of medium or long-term planning, which would have made social policies sustainable independently of the country's high incomes from the oil exports. Other research has shown the way in which the Venezuelan economy has continued to be vulnerable to international oil price fluctuations. This means that the development model President Chávez has implemented, which is built around strengthening the primary product export sector, has the same essential characteristics as the economic policies that pertained in the past.¹⁰

Social conflict has been on the increase and 2008 was the peak year in the decade for public protests with 2,893 demonstrations, an increase of 64.09% over the 2007 figure. Of these, some 67.3% were by people and groups demanding economic, social and cultural rights, and the three main areas of complaint were working conditions (33.97%), housing (20.3%) and people's security (12.3%). The protesters' main tactics, in descending order of frequency, have been to close off streets and to hold public meetings, marches and labour stoppages. In that period about one in 15 demonstrations was repressed by force, impeded or blocked by State security forces.

Seven people have died in the violence, and five of these deaths were caused by police or army personnel. The authorities have been losing patience with the protest movement and they are tending increasingly to treat demonstrators as criminals. Since 2005 at least 2,240 people have been hauled before the courts on charges arising from efforts to claim their rights. One famous case is that of the union leader Rubén González, who has been in prison since September 2009 for taking part in work stoppage initiatives at the State enterprise Ferrominera, in the state of Bolívar, to demand that management honour a collective bargaining contract.¹¹

Conclusion

The Government's development model has not succeeded in freeing the country from its traditional dependence on international oil prices. Social programs have suffered as a result of price fluctuations, and in spite of its intentions and policies, the State has failed completely to cope with the situation. The net result, as various civil society organizations and specialists have been warning for some time, is that social indicators will rise when trade is good but will stagnate or even fall when conditions in the international market become unfavourable.

Hence, in Venezuela, the fight against poverty, the provision of health care, access to education, and the provision of decent housing in particular are at the mercy of the interplay of supply and demand for crude oil on international markets, and are the victims of the State's failure to make provision for this situation and take adequate anti-cyclical measures. ■

7 *Ibid.*

8 Central Bank of Venezuela. See: <www.bcv.org.ve/>.

9 "Chávez admite cierre de módulos de Barrio Adentro y declara en emergencia la salud." Laci@se.info. Available from: <www.laclase.info/nacionales/chavez-admite-cierre-de-modulos-de-barrio-adentro-y-declara-en-emergencia-la-salud>.

10 Margarita López Maya and Luis Lander. "El socialismo rentista de Venezuela ante la caída de los precios petroleros internacionales." *Cuadernos del Cendes*, 67, May-August 2009.

11 See: <www.derechos.org.ve/>.