

Summary

Title: “The national Venezuelan oil policy and its regional implementation”

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The thesis „the national Venezuelan oil policy and its regional implementation” (“die nationale Ölpolitik Venezuelas und deren regionale Umsetzung”) gives an insight into the new social policy of the Venezuelan government under Chávez and one of its executing institutions, PDVSA (Petroleo de Venezuela S. A.), the national Venezuelan oil company. The aim of the paper is to get a deeper understanding regarding the following questions: How does the new combination between economic, social and oil policy works out in Venezuela? In which way is the wealth stemming from oil distributed? Is the practical regional implementation organized in an appropriate manner and does it promise sustainability?

The paper is based on a case study in Santa Inés, a village situated in the state Barinas, and evaluates the concept of “endogenous development” and analyzes how it is implemented in Venezuela. The analysis is based on a qualitative approach and was carried out in May 2007.

In the second chapter, an insight into the theoretical framework of the concept of endogenous development and its application in Venezuela is given.

The model refers to the economist Sunkel who understands this process as an equilibrium GDP growth in using the countries inner potentials; development is measured apart from the development of GDP per capita via other aspects like education and health. Thereby, all different income groups should profit equally. The Venezuelan model of endogenous development was initiated in 2001 with the “Plan of the Nations” from the Chávez government. The aim of this concept is to achieve a better distribution of the oil rent through a diversification of the economy. It is built upon three main pillars – the so called “Nucleos de Desarrollo Endogeno” – (Development Circles). They consist out of the following components: (1) Base industries (e.g. oil industry); (2) companies (in particular cooperatives which support the base industry or discover their own potentials) and (3) the missions which are education- and health- programs. The missions should provide the inhabitants with the necessary knowledge to “lead” this process. The concept has a regional component- especially less developed regions should be included through NUDES (Nucleos de Desarrollo Endógenos - small regional entities with different potentials). However, it is difficult to show the impact of this new social policy because there is a lack of reliable social indicators in Venezuela.

In the third chapter, the importance of the Venezuelan oil revenues is highlighted and connected with the concept of “endogenous development” stipulated by the Venezuelan government.

In 2005, for example, 86% of the exports were realised through the oil industry. This represents 66% of the consolidated state income and 16% of the gross domestic product. The high importance of the sector and its consequences for the economy and the mentality of the people are discussed in various scientific studies. The findings provide help for the analysis of the case study.

Firstly, the market price of oil is very volatile and makes therefore the state income very unstable, which must be taken into account by the governments. Secondly, there is the Dutch Disease which is caused by the demand for the exporter's home currency. As a result, the home currency is overvalued which makes it harder for other industries to compete on an international level. Eventually, only a single industry – the oil sector – is competitive. Thirdly, the abundant oil revenue is not generated through a real economic effort. Therefore, incentives for necessary economic reforms by the public sector are lessened.

The oil sector has experienced many reforms in recent years – both privatization and nationalisation, including all their advantages and disadvantages. In 1976, the sector was nationalised through the government and PDVSA became the main privileged oil producer. This measure caused an interest conflict within the state because PDVSA as a company wants to enlarge its profits through production (while providing the necessary investments in the sector) whereas the government aims to get as much money out of the sector in order to increase its public spending (as a consequence they often don't carry out the necessary investments). This interest conflict between the management of PDVSA (which tended to follow their own strategy as a profit orientated firm) and the government resulted in a protest from the company. In 2002, the government replaced almost the complete management of the firm and used PDVSA for its own social objectives.

Then, Palmaven – a subsidiary company of PDVSA – was founded in 2002 to carry out the social objectives for PDVSA through the use of three funds designated for infrastructure, agriculture and the aforementioned missions. In total, 500 people (until May 2007) worked for the subsidiary. The headquarter of this enterprise is in Barinas, a state in Venezuela. Palmavens function is to distribute these funds according to the social policy of the government. They are responsible for the coordination between the different state institutions and for the inspiration of the communities (small family entities with 15-20 members, who organize themselves through a governing body to structure their necessities) through the NUDES. In 2004, on a national level, 1.7 billions USD were invested from PDVSA's revenues for social issues. This shows the importance and the need for a profound analysis of these expenses.

In the fourth chapter, a qualitative analysis of Palmaven's work in the Nucleos de Desarrollo Endógenos (NUDE) is undertaken.

Barinas is situated in the west of Venezuela and is one of the principal oil producing regions in Venezuela. This state is governed by the party "Movimiento de la República Bolivariano" by Hugo de los R. Chávez, the father of the current president. Barinas is less developed than other Venezuelan states; on the HDI (human development index; consisting of health, education and measures regarding purchasing power), Barinas reaches a value of 0,68 in comparison to the Venezuelan average of 0,77 (Scale: 0-1). Studies indicate that the region has an underdeveloped infrastructure, hardly any financial institutions and only little research on university level. Therefore, Palmavens aims to improve the socio-economic situation through a direct redistribution of the oil funds in the region. Palmavens overall strategy consists of a Development Eye, seven NUDES, and of financing large-scale infrastructural and agricultural projects.

Santa Inés, the focus of this analysis and one of the seven NUDES, is selected because it is one of the first social projects carried out in 2005 by Palmaven as well as one of the most prestigious ones, as the president has ordered its establishment personally. Therefore, it can be seen as an example of how the new social concept is implemented. In addition, Santa Inés (3.500 inhabitants) had a very high unemployment rate and a particularly bad infrastructure. The village is organised in 14 different sectors. In total, 40 people work for Palmaven in Santa Inés in health, social and infrastructural projects.

Palmavens social work was examined with the help of a strategic plan, dated back to April 2005, and backed up through interviews with experts, such as university professors, and local inhabitants.

Palmaven aimed to realise the following projects:

- (1) Productive projects (implementation of a farm (administrated through a cooperative), milk machinery and a garden project for housewife's);
- (2) Infrastructural Projects (the improvement of the entire road system in the area, the reconstruction of 12 schools – particularly in the outside areas and the building of houses for people, especially depended);
- (3) Social work (creation of a childhood and a community centre);
- (4) Cultural engagement and
- (5) Coordination and organisation of the communities (the implementation of the political community system with its election process in Santa Inés).

Moreover, other projects were in the process of evaluation - including a petrol station, a bank, and the construction of a university. The work in Santa Inés was designed to be finished until mid 2006. In total, Palmaven invested a sum of 1.2 million. Palmaven devoted its financial resources especially into infrastructural projects.

After two years, the following conclusions can be drawn:

- (1) The cooperative farm isn't finished because some components are missing; another problem is that the cooperatives do not perform efficiently. While the milk machinery is not constructed on time, the garden project has hardly shown any results owing to the decreasing participation of the families.
- (2) Regarding infrastructure, the bigger streets were constructed, although a big part of the work is not completed on time; the same problem accounts for the schools. This is largely due to fact that the infrastructural projects were realised with many state institutions. This made the coordination and organisation more difficult.
- (3) The community and childhood centre were constructed but no cultural activities were carried through (4).
- (5) According to Palmaven, the Organisation of the communities resulted more difficult than expected. All in all, 10 out of 14 sectors are consolidated.

The other projects were realised; thus the bank, the petrol station and the university have been constructed. Nevertheless, the relationship between effort and utility is questionable (e.g. the university is only used during two days of the week).

Eventually, the developed success indicators named planning/organisation, execution/participation, evaluation and sustainability, for the process of endogenous development, point out the following results: Planning and organisation should be improved since there is no coherent strategy. This

makes it in particular difficult for Palmavens workers because they don't have clearly defined tasks. Furthermore, follow-up mechanisms are missing. Besides, there are problems in the coordination between the different participating institutions. Obviously, there are serious communication and participation problems in the "community work"; moreover, the implemented system to collect the necessities of the communities isn't developed yet. In addition, an evaluation system of finished work isn't created. Thus, indicators are missing to show the success of the different programs. Sustainability is given per definition, when the communities work without Palmavens support; this is, until May 2007, not the case and even for the future more than dubious.

Eventually, it can be resumed that a huge amount of money is invested in the social sector. It is distributed in the trusteeships and invested in different projects (e.g. the missions) through PDVSA (Palmaven) and other social organisations. The case study in Barinas gives although a limited picture of the practical regional implementation. Palmaven follows a wide range of complex aims. The process is slower than planned as some projects aren't realised on time; the success indicators show the reasons. Consequently, the sustainability of this concept is doubtful – at least for Santa Inés - because the progress is largely due to the great sums invested and not generated through the effort of the communities.