



Venezuelan President Hugo Chávez explains the world to school children in the town of Maturin in September. His “missions” in areas of education, health and welfare make up a parallel system of service delivery that is challenging the existing order.

Decline of federalism in Venezuela

President Chávez’s revolution has no room for a strong federal system

BY CHRISTI RANGEL GUERRERO

EIGHT YEARS INTO HIS “Bolivarian Revolution,” President Hugo Chávez has been making changes that chip away at federalism in Venezuela, which in 1811 became the first federal country in Latin America.

What the Chávez government has undone is much of a legacy of two centuries of federalism in Venezuela.

After the federal Constitution of 1811, there was a swing toward centralization due to the Spanish legacy of hierarchical and authoritarian political structure, and

centralized control of mineral resources. By the end of the 19th century, a highly centralized system of government had been imposed and Venezuela was federal in name only.

A new constitution in 1961 allowed for decentralization, but little was done until 1989, during a deep political and economic crisis, when the necessary consensus was reached. This consensus permitted the reform of the central government with the goal of reviving the federal nature of the country through political, administrative and economic

decentralization.

The first major reform provided for direct, secret and universal elections to elect state governors. In addition, new provisions created the position of mayor and established direct voting for mayors. A new law provided the legal underpinning for transferring powers, services and resources. Then, in 1993 and 1996, additional laws were enacted with the aim of ensuring that intergovernmental transfers were sufficient for the subnational governments to carry out their new responsibilities.

In September 2007, new constitutional changes were given second reading in the National Assembly to

Christi Rangel Guerrero is a professor at Venezuela’s University of the Andes, project coordinator for the Ibero-American Center for Provincial and Local Studies, and editor in chief of *Provincia* magazine.

remove the limit on the number of times a president can run for re-election. These changes, which also give the government power to expropriate private property without judicial approval, will go to a public referendum if approved on third reading.

Venezuela's Senate, which previously had to approve constitutional amendments, was abolished in 1999 when a new constitution was adopted by a constitutional convention where 80 per cent of the delegates were supporters of President Chávez.

A new centralism

In June 2007, invoking a presidential decree, Chávez created the Central Planning Commission. The commission represents a significant change to the country's economic system. The creation of the central commission appears to clash even with Chávez's own 1999 Constitution, which states that the "Bolivarian Republic of Venezuela is a decentralized Federal State."

In the past eight years, laws passed under the new Constitution have promoted a new centralism. This was done by imposing regulations applicable to all levels of government with regard to procurement, government operations, public administration, land transportation and transit, tourism and ports.

A further centralizing step was accomplished by changing laws related to public budgeting to reduce the transfer of revenues from the central government to the states. Neighbourhood organizations called communal councils, whose makeup and financing depend on the Presidency, were created with powers of public management that deal with state and municipal matters.

The Chávez government's constitutional provision requires the adoption of laws to implement the new federal system and to increase decentralization.

Effects of the participatory democracy program

Since 1999, Chávez has been introducing a political program that he says favours "participatory democracy." To this end, he began imposing a centralized

approach to government service delivery that sidestepped the existing federal system. The president created what he called "missions" in the areas of welfare, health and education through a system of parallel off-budget funding. This strategy increased his political influence among many in the states and municipalities. At the same time, these actions minimized the power and functions of all agencies of subnational representation, amid an aggressive campaign to discredit them. Some of the methods he used were to:

- Create parallel national structures for

done in the name of defending the system of "direct democracy," thereby eliminating intermediaries between the president and the people.

These central government practices are taking place in a country with very weak political parties and a fragmented electorate, whose pro-federal elements were accused of taking extreme stances.

In a general strike in 2002, many state and municipal governments with opposition leaders closed their government offices in the struggle to change the people in power at the national level. While most of these leaders took part in democratic and peaceful protests, some also participated in an unsuccessful coup against Chávez in 2002.

In addition, the deep political polarization between those who favour and those who oppose the president's program has left little room for discussion of the consequences of the re-centralization process and its impact on efficient public management and the democratic system.

Centralizing effects

The new Constitution brought in by Chávez in 1999 did include aspects of decentralization that already had constitutional status. However, it did not further the transformations needed to entrench federalism more deeply, such as increasing the taxation powers of the states or ceding additional powers and services to them. Instead, the Constitution showed a reversal of the trend toward expanding the federal system by:

- Eliminating the Senate, a chamber that represented geographic areas.
- Establishing that national laws

define the organization and operation of state legislatures (Article 162).

- Stating that national power is inherent in organizing municipalities (Article 168).
- Making centralized management controls a concurrent power of national and state governments (Article 165).
- Concentrating power in the Presidency of the Republic (Article 236).
- Establishing an upper limit on the proportion of regular revenues transferred from the national government to states

[PLEASE TURN TO PAGE 30]



Venezuelan soldiers guard the transmitter of Radio Caracas TV in Maracaibo after taking control of the station in May 2007. President Chávez refused to renew the station's license.

providing public services within the jurisdiction of states and municipalities.

- Reverse the process of transferring powers.
- Administer the main sources of public revenues so as to limit the actions of dissident subnational representatives.
- Create off-budget funds that evade controls and increase discretionary action in centralized public spending.

An example of the last point is the expansion of control over communications, such as radio and television stations and the Internet, which was

BELGIUM [FROM PAGE 3]**Missing: political unity over social security**

In August, the *Fondation Roi Baudouin*, a Brussels-based charity established in 1976 to work for justice, democracy and respect for diversity, sent a special report to the presidents of all political parties, reinforcing the climate of disillusionment. Its authors, Michel Roland, of *Université Libre de Bruxelles*, and Jan De Maeseneer, of Ghent University, highlight the essentially inequitable nature of the health care system. They conclude that depending on a person's ranking on the income scale, on average, she or he may die five years earlier than another of higher rank. They add that on average, those with a lower level of education may experience 25 fewer years of good health than well-educated citizens.

Belgians are not equal when it comes to health. And the *Fondation*, which claims that the Belgian government is indifferent about this inequity, has submitted concrete proposals to the government coalition negotiators to create a federal body to combat inequalities in the health care system, enhance primary care and step up preventive efforts.

Reforms require the financial means to carry them out, and these means are not lacking in Belgium. Since 2005, the centrally managed pool of pensions, health and disability insurance, unemployment and family allowances has posted surpluses. To date, this money has been used to pay off debts and to bolster the *Fonds de Vieillessement* (Aging Fund), created in 2001 to cover the costs generated by the growing number of senior citizens. Other steps are expected.

Economics professor Deschamps advocates broadening responsibilities for the regions and increased co-operation between the federal government and the constituent units.

"Co-operation here is still piecemeal, in contrast to countries like Germany, where federalism is really entering a phase of maturity."

What is needed is a maturity that requires imagination, Cantillon said. "In Flanders, people see separation as the cure-all. At the other end of the country, people feel continually under threat. This situation puts social security on the line. It prevents us from coming up with more constructive solutions."

VENEZUELA [FROM PAGE 25]

A mural in Caracas portrays Fidel Castro and Hugo Chávez. The legend reads "Cuba and Venezuela: the two countries are brothers."

and municipalities through the "Constitutional Transfer".

- Granting authority to the central government to establish limits on state and municipal taxation powers (Article 156).

Essentially, with the inauguration of Hugo Chávez as president in 1999, the processes of decentralization and federalism were reversed. Chávez could not turn back the clock and prevent the achievements of the previous decade from influencing the Constitution adopted in December 1999.

However, according to constitutional expert Allan Brewer-Carias, the 1999 constitutional text contradicts the Constitution's initial intent, and "covers with a democratic veil a highly centralized and authoritarian system in which powers can be concentrated, which has in fact happened." Defenders of the Chávez government have a different interpretation, such as that of Member of Parliament and constitutional scholar Carlos Escarrá. According to Mr. Escarrá the Constitution of 1999 is in the process of being reformed in order to, among other objectives consolidate the "peoples' power." He added that the government hopes to deepen the dispersed decentralization proposed by President Chávez.

The future of federalism

The presence of a federal structure enabled the Venezuelan opposition to rally around the only serious opposition candidate for president, Manuel Rosales, the governor of Zulia State, in 2006.

Governors and mayors have been elected by coalitions opposing the president's program. They are against presidential Legal Decree No. 5841, which creates a mandatory system of centralized planning for all government entities, including states and municipalities.

As for finances, all the states depend on intergovernmental transfers from the national government. The national government has used its administrative tools to slow or deny payments, but the transfer that accounts for most of the money, called the Constitutional Transfer, is subject to less discretionary action. This gives the states some autonomy in spending, and transfers have grown in real terms with the increase in the national government's budget, although less so than the central government's finances. This condition, combined with the fact that the majority of Venezuelans approved of the changes that took place after decentralization, may have protected state government finances so far. Also, Venezuelans typically associate their cultural values and individual rights with their geographic location. Most people did not believe that political decentralization could be reversed.

The efforts on the part of President Chávez to impede the states' autonomous actions demonstrate that, to date, even a weakened federalism represents an obstacle to his other goals that require an increasing concentration of power in the central government. The current situation is one of uncertainty for those who defend Venezuela's federal model.