



*Fact Sheet:*

**TOWARDS A BOLIVARIAN SOCIAL ECONOMY**

The transformation from a capitalist economic model to a socialist one has been a cornerstone of the Bolivarian Process in Venezuela since President Chávez took office in 1999.

As in many parts of Latin America, neoliberal economic reforms occurring in the 1980s and '90s exacerbated the problems of poverty and inequality in Venezuela. By 1998, Venezuela's poverty rate had reached 50.4%.<sup>1</sup> At the *World Social Forum in 2005*, President Chávez stated: "We must transcend Capitalism [since] it is impossible, within the framework of the capitalist system to solve the grave problems of poverty for the majority of the world's population."<sup>2</sup>

Under the Chávez administration, Venezuela has embarked on a completely different path. The economy is now seen as a vehicle for creating a more inclusive and equal society based on the redistribution of wealth and the principles of solidarity, community participation and endogenous development.

The Social Economy of Venezuela, as explained by President Chávez, "brings together economic and social interests and gains strength from the dynamism in local communities and the participation of citizens and workers of alternative enterprises, such as associative enterprises and self-managed micro-enterprises."<sup>3</sup>

This vision of the Social Economy is also codified in the 1999 Constitution which guarantees institutional support for the creation of new and innovative initiatives in this area.

**The 1999 Constitution**

**Article 299** emphasises human development, social justice, participatory democracy, and a fair distribution of wealth. The importance of participation is also expressed in **Article 70**, which states that the involvement of people in the exercise of their social and economic affairs should be manifest through citizen service organs, self-management, co-management, co-operatives, in all forms, community enterprises, as well as other kinds of associations guided by the values of mutual cooperation and solidarity. **Article 308** highlights the importance of small- and medium- sized organizations, family-owned businesses, community associations and other arrangements of collective ownership. This is meant to strengthen the country's economic development "based on the initiative of the people." And finally, **Article 118** makes it the State's mandate to "promote and protect these associations destined to improve the popular economic alternative."

**The Social Economy is sovereignty, social justice, just distribution and real democracy. A Venezuela for everybody.**  
(Alo Presidente 164<sup>4</sup>)

Today, hundreds of thousands of people participate actively in Venezuela's Social Economy. Unemployment has decreased from 14.7 % in 1999 to 7.9 % in 2008. Employment in the informal sector has diminished by 6.4% during that same time. The number of people living in poverty has decreased from 50.4% in 1998 to 33.6% in 2007 and the number of those living in extreme poverty has plummeted from 20.3% to 9.6% in that same period. The Human Development Index (HDI) increased from 0.72 in 1998 to 0.8 in 2007, and during that time, the GINI co-efficient (a measure of economic inequality) decreased from 0.49 to 0.42.<sup>4</sup>



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The active involvement of citizens in the social economy today is not a coincidence, but rather the outcome of a conscious process initiated by the government of Venezuela, eventually leading to concrete actions inspiring Venezuelans to participate in and organise around the social economy.

In 2004, the Ministry of People’s Power for Popular Economics (now the Ministry of People’s Power for Communes) was formed, in order to oversee the move toward a socialist economy. This required a co-ordinated effort among various institutions, as well as the participation of organized communities and cooperatives.<sup>5</sup>

### Cooperatives

Although many new, creative and alternative forms of economic organising have been growing all over Venezuela, the most numerous by far are co-operatives. Co-operatives also serve as a platform and as a first step towards more advanced socio-economic models.

According to the Superintendence of Co-operatives (SUNACOO), which oversees co-operatives in Venezuela, **there were 910 co-operatives nationwide in 1999, while by the end of 2007, that number had risen to 228,004.**<sup>6</sup> Most of the co-operatives fall within the service sector (61.29%) and the production sector (27%).<sup>7</sup>

The rise of co-operatives began in 2001, with the “Special Law of Co-operative Associations,” emphasising the importance of the State in promoting co-operatives through various mechanisms including education, improved access to financial services, direct tax exemption and the prioritisation of co-operatives in public contracting (Article 89). In fact, the number of co-operatives accelerated in the year 2003 as a result of the

implementation of these mechanisms through various state agencies.

### Social Missions: *Misión Vuelvan Caras & Misión Che Guevara*

Mission “Vuelvan Caras” came into being in early 2004. This state-run program offers both technical education, such as classes in agriculture, tourism or construction, and orientation as to what the social economy is about. Between March 2004 and August 2007, over 670,000 people completed the programme, resulting in the creation of more than 10,000 co-operatives by its alumni.<sup>8</sup> More than

3,000 of these organisations belong to the agricultural sector, and they represent an important contribution to the strengthening of this important area of the economy in Venezuela.<sup>9</sup>

“Vuelvan Caras” is one of 25 “social missions,” or state-sponsored social development programmes, currently operating in Venezuela in diverse fields of human development such as education, health, culture and

nutrition. They are a fundamental part of Venezuela’s policy of redistributing wealth and making basic social services accessible to all citizens. Studies have found that the social missions have contributed to a 9.9% decrease in the poverty rate since 2003.<sup>10</sup>

In September 2007, “Vuelvan Caras” continued under its new name, “Che Guevara,” to emphasise the incorporation of new elements into its educational plan. This new plan aims to educate students about the distinctive socio-economic models that have been evolving over time.

### Social Production Enterprises

The Social Production Enterprise (EPS) is one such new model that has developed in Venezuela within the last few years. These are defined by the

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government as “economic entities dedicated to the production of goods or services in which work has its proper and authentic value, with no discrimination associated with any type of work, no privileges related to certain positions or hierarchies and with equality between its members, based on participative planning.”<sup>11</sup>

In practical terms, Social Production Enterprises represent an advanced cooperative model, where part of the surplus is invested into community projects. Today, there are at least 3,060 Social Production Enterprises in Venezuela, representing about 30% of the supplier contract value with state enterprises.<sup>12</sup>

### Oil and the Social Economy of Venezuela

PDVSA, Venezuela’s state-owned oil company, has taken a lead role in bringing about the move towards a new socio-economic model. **10% of the investment volume of every project carried out by PDVSA goes into a social fund that is used for projects in education, health, infrastructure or the social programmes.**<sup>13</sup>

PDVSA is supporting endogenous (or inward-focused) development in Venezuela. By working hand in hand with the private sector, it plans to invest \$56 billion in six large development projects until the year 2013.<sup>14</sup> A significant part of this amount will be used to strengthen Venezuela’s technology sector.<sup>15</sup> As part of this plan, called “Sowing the Oil” (Plan Siembra Petrolera), PDVSA has increased its **Supplier Diversity Programme** to include social production enterprises in its supplier base and give small co-operatives the chance to develop their own capacities and technologies.

In 2004, PDVSA’s national contracts were valued at \$6 billion. Of this amount, 80% was concentrated in the hands of 148 firms.<sup>16</sup> In accordance with the concept of participatory democracy, PDVSA made it a priority to “democratise” its supplier base, meaning that it opened up to the many small co-operatives prevalent throughout the country. This way, the state oil company fostered an endogenous model of development that is in line with Venezuela’s social principals.

**By December 2007, PDVSA’s supplier network included more than 3,000 Social Production Enterprises.**<sup>17</sup>

In fact, PDVSA developed an extensive programme around the inclusion of EPS, having hundreds of people work on the identification of supplier opportunities, a standardised EPS registration system, and an educational programme aiming at strengthening social production enterprises and preparing them to do business with PDVSA and other government entities. In its “EPS School,” the potential suppliers pass through three

phases of socio-economic and technical education, receiving up to 760 hours of preparation, depending on the sophistication of the service to be provided.<sup>18</sup>

Once an EPS has a contract with PDVSA, it commits itself to contributing about 3% of profits to PDVSA’s Social Fund, which currently holds millions of dollars being invested in community projects.<sup>19</sup> The remaining companies within PDVSA’s supplier chain that are not EPS converted to “EPS Promotion Enterprises,” meaning that they comply with certain criteria, such as supporting and establishing alliances with EPS or contributing to PDVSA’s Social Fund just like the EPS themselves.

**“Today a dream is coming true for us. In the past, doing business with PDVSA was the privilege of a few large enterprises. Small companies found closed doors at PDVSA. This changed with President Chávez...now for the first time small businesses are to be given the chance to participate as suppliers and partners of PDVSA, contributing in this way to the socio-economic development of our country....and we feel proud of this.”**  
*(Alumn of PDVSA’s EPS-School, May 2008)*



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**NUDES & Social Production Networks<sup>20</sup>**

Beyond the Social Production Enterprises, many other new socio-economic concepts have evolved in recent years, such as the “Nuclei of Endogenous Development” (NUDES). NUDES are formed when communities discover potential projects, linked to a physical space in their surroundings (installations, factories, land, etc.) and organise in and around that space in order to carry these projects out. For example, various co-operatives might join to reactivate the area of an abandoned factory, reviving in this way a whole neighbourhood and linking the inhabitants of this area to the activities of the NUDE, such as in the case of the Nucleus “Fabricio Ojeda”. A huge inventory plant in the neighbourhood Catia in Caracas had been inactive for 12 years until the community decided to turn it into a NUDE. In February 2004, 330 persons formed 24 co-operatives to carry out diverse construction projects in the nucleus and bringing the area back to life. Today, the Nucleus is a flourishing and active community centre hosting more than 60 co-operatives in various areas and counting on important facilities and services such as health care clinics, *Misión Che Guevara*, sports camps and pharmacies, just to name a few. **Today one can find more than 100 NUDES in Venezuela including more than 950 co-operatives active in various fields and especially in agriculture.**<sup>21</sup>

Social Production Networks are formed when a Nucleus connects with other Nuclei, or with co-operatives, EPS’s, Socialist Production Units or any form of alternative organisation to carry out activities for the benefit of the community.<sup>22</sup>

**Socialist Production Units (UPS)**

Socialist Production Units are companies run by the government and marked by extensive community involvement. UPSs are found predominantly in the-agricultural sector, and they

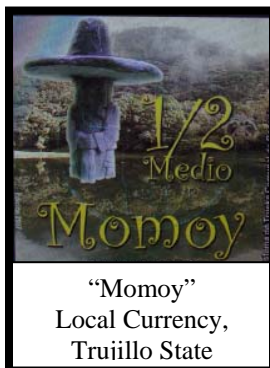
promote national agricultural sovereignty. Part of the profits of these companies is invested in community projects, which are identified jointly with local community leaders. In the long term, UPSs will ideally be handed over directly to the community and run as community enterprises.

For example, the UPS Agrimiro Gabaldon, formerly a privately-run coffee plantation that was forced to close down due to a drop in coffee prices, was recently inaugurated as a Socialist Production Unit. Under the new model, it extended its coffee cultivation area from 35 to 96 hectares in the year 2005, and began selling its output mainly to public entities.<sup>23</sup>

**Thanks to the creation of these NUDES, Socialist Production Units, and Social Production Networks, an important number of neglected sites and companies have been revived, providing new jobs and linking local economies to local communities to carry out infrastructure and social projects.**

**Barter Trade**

In order to strengthen regional economies and make them less vulnerable to financial crises, the government of Venezuela has actively supported the rise of a barter system and the creation of communal currencies throughout Venezuela. **Presently, about 4,000 people practice bartering in seven different regions in Venezuela** (Yaracuy, Falcón, Sucre, Nueva Esparta, Margarita, Barinas, Trujillo). Each has its own local currency. Agricultural products are available mainly for barter trade, and the practice fosters local agriculture.



**Communal Councils and Communal Banks**

Communal Banks were developed hand in-hand with Communal Councils, or elected neighbourhood-based councils. Communal



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Councils oversee local politics and execute developmental projects geared toward the improvement of the socio-economic situation of their communities. The concept of Communal Councils is grounded in the Law of Communal Councils, which was passed in April 2006.

Communal Banks are the financial arm of Communal Councils. They are constituted as co-operatives and administered democratically by five persons elected to the Citizens' Assembly, which is the highest decision-making body of the Communal Councils.<sup>24</sup> Communal Banks facilitate the flow of resources toward community development projects.

According to a recent study by a Venezuelan think tank, there were 26,143 Communal Councils in Venezuela by March 2008 and 10,669 in the process of being formed. The same study confirmed that 57% of all projects approved by Communal Councils have received state funding.<sup>25</sup>

Thanks to the thousands of community projects carried out by Communal Councils, many important initiatives such as street paving, sports fields, medical centres, and sewage and water systems have been funded and implemented.

The current government has made huge strides in bringing about the transformation from a capitalist economy to a socialist one. Changes have occurred on both the governmental as well as the societal level, and these have been the result of a commitment by state actors, big industries such as PDVSA, and most importantly, the participation of the people. It is thanks to these combined efforts that advancements were achieved.

London, September 7, 2009

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<sup>1</sup> Weisbrot, Mark, Sandoval, Luis, Rosnick, David, "Indices de Pobreza en Venezuela: En búsqueda de las cifras correctas," CEPR, May 2006, <[http://www.cepr.net/documents/venezuelan\\_poverty\\_rates\\_2006\\_05\\_spanish.pdf](http://www.cepr.net/documents/venezuelan_poverty_rates_2006_05_spanish.pdf)> (accessed, June 16, 2008).

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<sup>2</sup> Cleto A. Sojo, 13 Jan. 2005, "Venezuela's Chávez Closes World Social Forum with Call to Transcend Capitalism"<

<<http://www.venezuelanalysis.com/news/907>>

(accessed June 7, 2008).

<sup>3</sup> Alo Presidente No. 164, 14. Sep. 2003, Palacio Miraflores,

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<sup>4</sup> INE, Indicadores Sociales – Junio 2008," Presentation Powerpoint.

<sup>5</sup> Ministry for the Popular Power of the Communal Economy,

<<http://www.minec.gob.ve/contenido.php?id=29>>

(accessed June 5, 2008).

<sup>6</sup> Presentation SUNACOOOP, Juan Carlos Baute, VIII Simposio Nacional de Economía Social, Universidad de los Andes, Trujillo Abril 2008, "Resultados de las Políticas Desarrolladas Por El Gobierno Bolivariano Para La Promocion Y Apoyo A Las Cooperativas."

<sup>7</sup> Ibid.

<sup>8</sup> Fundación Misión Che Guevara, "Oleadas MVC 2004-2005/2006 y Joven MchG 2007", (Presentation Power Point) February 22, 2008.

<sup>9</sup> According to information received from the "Fundación Misión Che Guevara" on March 24, 2008.

<sup>10</sup> Venworld, "Venezuela's Social Missions Five Years Later,"

<<http://venworld.wordpress.com/2008/05/13/venezuela-s-social-missions-five-years-later/>> (accessed June 13, 2008)

<sup>11</sup> Translated from "Alo Presidente" # 240, Nov. 20, 2005,

<[http://alopresidente.gob.ve/component/option.com\\_doman/Itemid,0/task\\_cat\\_view/gid,20/dir\\_DESC/order\\_data/limit,5/limitstart,55/](http://alopresidente.gob.ve/component/option.com_doman/Itemid,0/task_cat_view/gid,20/dir_DESC/order_data/limit,5/limitstart,55/)> (accessed June 10, 2008)

<sup>12</sup> According to information received from PDVSA, June 16, 2008.

<sup>13</sup> According to the "Gerencia Regional EPS-Delta Caribe Oriental," April 2008.

<sup>14</sup> PDVSA, "Plan Siembra Petrolera" <

<[http://www.pdvsa.com/index.php?tpl=interface.sp/desig/n/readmenuprinc2.tpl.html&newsid\\_temas=32](http://www.pdvsa.com/index.php?tpl=interface.sp/desig/n/readmenuprinc2.tpl.html&newsid_temas=32)>

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<sup>15</sup> PDVSAS, "Aspectos Tecnológicos Plan Siembra Petrolera,"

<[http://www.pdvsa.com/siembra\\_refinacion\\_internet/pdf/copia\\_de\\_aspectos\\_tecnologicos.pdf](http://www.pdvsa.com/siembra_refinacion_internet/pdf/copia_de_aspectos_tecnologicos.pdf)> (accessed June

11, 2008)



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<sup>16</sup> PDVSA, Ministerio de Energía y Petróleo, “Las Empresas de Producción Social: Una vía para democratizar la riqueza petrolera,” Discursos No. 3, Caracas, January 2006, pg. 6.

<sup>17</sup> According to information received from PDVSA.

<sup>18</sup> PDVSA Gas, “Programa de Empresas de Producción Social-Proyecto Delta Caribe Oriental,” Presentation Power Point, April 2008.

<sup>19</sup> According to the “Gerencia Regional EPS-Delta Caribe Oriental,” April 2008.

<sup>20</sup> PDVSA, Nucleo de Desarrollo Endógeno, <[http://www.pdvsa.com/index.php?tpl=interface.sp/imagen/readmenu.tpl.html&newsid\\_obj\\_id=215&newsid\\_temas=92](http://www.pdvsa.com/index.php?tpl=interface.sp/imagen/readmenu.tpl.html&newsid_obj_id=215&newsid_temas=92)>, (accessed June 16, 2008).

<sup>21</sup> Piñeiro Harnecker, Camila, “The New Cooperative Movement in Venezuela’s Bolivarian Process,” Monthly Review, December 12, 2005 <<http://mrzine.monthlyreview.org/harnecker051205.html>> (accessed June 16, 2008).

<sup>22</sup> MINEC, “Desarrollo Endógeno Bolivariano” <[http://www.minec.gob.ve/publicaciones/desarrollo\\_endogeno.pdf](http://www.minec.gob.ve/publicaciones/desarrollo_endogeno.pdf)> (accessed June 5, 2008).

<sup>23</sup> MINCI, “Un Plan Real para el Rescate del Café,” <http://www.alopresidente.gob.ve/reportajes/un-plan-real-para-el-rescate-del-cafe.html> (accessed June 11, 2008).

<sup>24</sup> MINCI, “Bancos Comunes: nueva forma de hacer política que empodera al pueblo,” May 28, 2006, <http://www.rnv.gov.ve/noticias/index.php?act=ST&f=17&t=33873> (accessed June 11, 2008).

<sup>25</sup> Centro Gumilla. Jesus E. Machado M. May 2008. “Estudio de Los Consejos Comunales en Venezuela”. Caracas. <http://gumilla.org.ve/files/documents/Estudio.pdf> (accessed September 7, 2009).