



The Cooperative Sector in Venezuela

“Towards a Social Economy”

Sabine Kienzl
Political Economy Section
Embassy of the Bolivarian Republic of
Venezuela in the United States
June 2008



The cooperative sector in Venezuela represents about 14 % of Venezuela's GDP, and accounts for about 18 % of employment in Venezuela.

(Superintendence of Cooperatives, Sep. 2007)

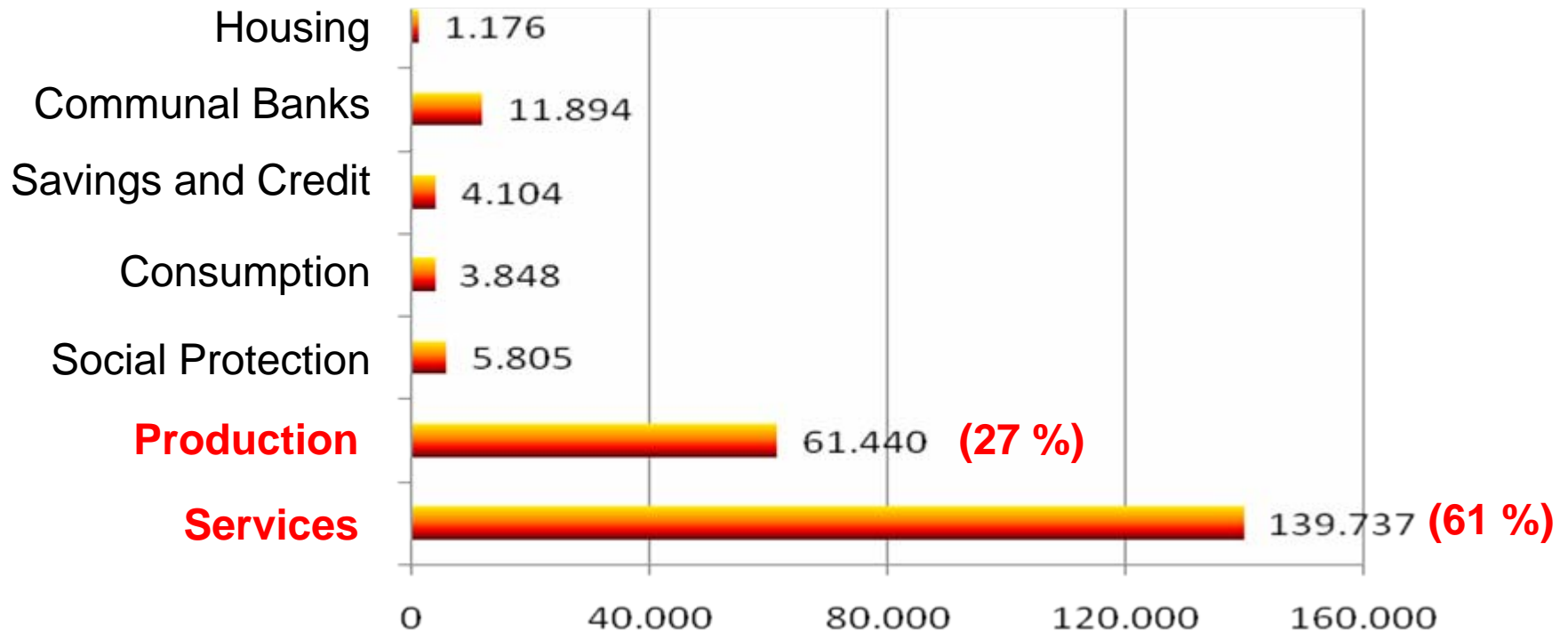


Number of Cooperatives in Venezuela

- 1999 - 910 Cooperatives
- 2007 - **228,004 Cooperatives**



Cooperatives in Venezuela according to Economic Activity (Dec. 2007)



How did it all start out?

Social Indicators in 1998/99

- Poverty: 50.4 %
- Extreme Poverty: 33.6 %
- Informal Sector: 51 %
- Inequality (GINI): 0.49
- Unemployment: 14.7 %

ALL THIS AFTER DECADES OF
NEOLIBERAL REFORMS



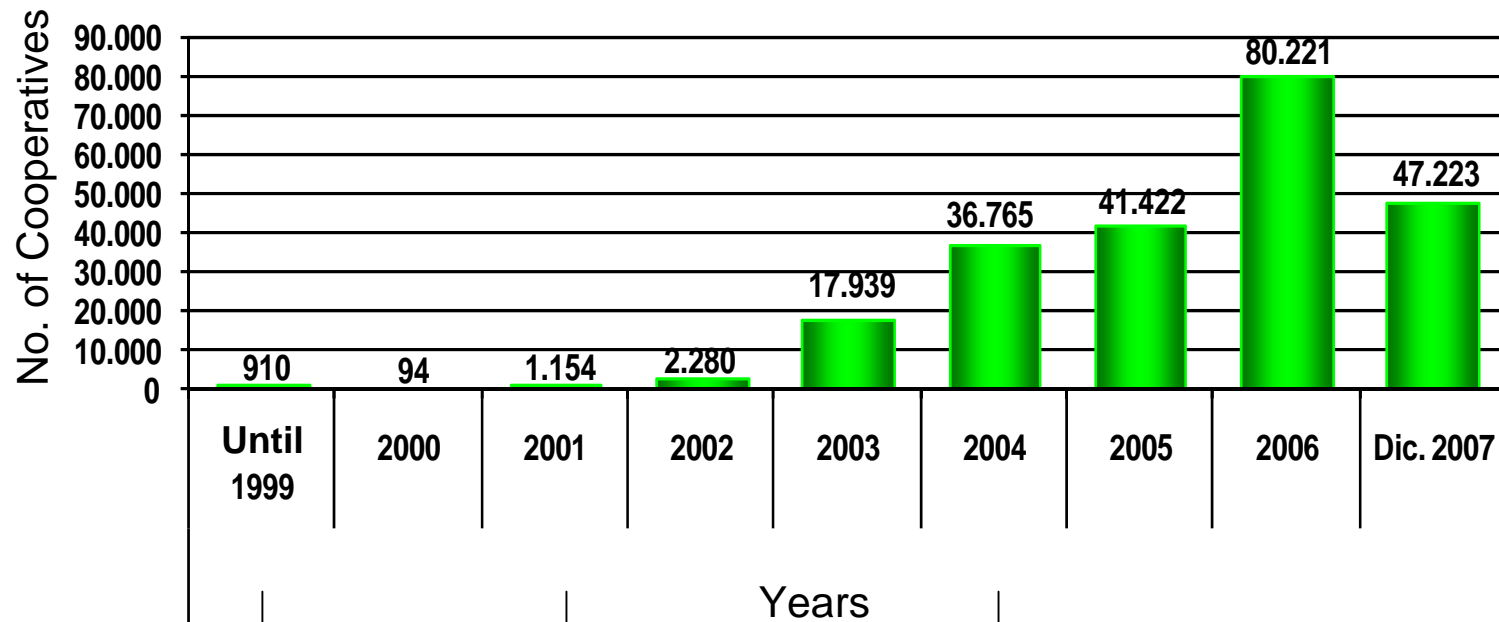
Toward a Social Economy

...the economy is a vehicle to create a more inclusive and equal society based on:

- The just Distribution of Wealth
- Principles of Solidarity
- Community Participation
- Endogenous Development



Number of Cooperatives yearly registered in Venezuela until December 2007



President Chavez
takes office,
Constitution 99

Special Law of
Cooperative
Associations

Mission
"Vuelvan Caras"

1999 Constitution

Article 118: “The right of workers and the community to develop associations of social and participative nature such as **cooperatives**, savings funds, mutual funds and other forms of associations is recognized. [...] The state shall promote and protect these associations destined to improve the popular economic alternative.”

[...] based on the initiative of the people. Training, technical assistance and appropriate financing shall be guaranteed **(Article 308).**



2001 Special Law of Cooperative Associations

- **Article 89:** The State, will promote cooperatives through various mechanisms such as :
 - Education
 - Preferred state contracting with cooperatives
 - Direct tax exemption
 - Improved financial access
 - Education about successful international experiences
- **Article 36:** In exceptional cases cooperatives can **TEMPORARILY** contract persons to carry out services that cannot be provided by their members. After a maximum of 6 months these persons have the right to become members.



2004 Mission Vuelvan Caras /Che Guevara

- State-run program offering technical education and orientation as to what a Social/Solidarity Economy is about, including cooperative principles and community involvement.
- > 670,000 people participated between March 2004 and August 2007.
- > 10,000 Cooperatives were formed by its alumni.
- > 7,500 of these have been approved for state financing by the Ministry of the Communal Economy amounting to more than US 600 million.
- 2007 name change to “Che Guevara” to emphasize new models that evolved in Venezuela over the last years.



Social Production Enterprises (EPS)

- Advanced cooperative model focusing on community involvement and linking the cooperative to the community in its surroundings in order to strengthen overall social development in the area where the cooperative operates.
- Part of the profits are invested in **community projects** to be identified hand in hand with **communal councils**, such as in the area of infrastructure, health, education or culture.
Communal Councils: elected neighborhood based councils that oversee local politics and execute development projects with the community.
- > 3,060 EPS in Venezuela representing about 30% of the supplier contract value with state enterprises.
- PDVSA → Lead Role in promoting EPS
 - EPS School – up to 760 hours of education
 - PDVSA Social Fund – Each EPS pays 3 % of its profits into the Fund



Nuclei of Endogenous Development (NUDES)

- Zones in which communities organize and discover potential projects, linked to their environment, their traditions or their region.
- In General: various cooperatives join to design a project for an abandoned or neglected physical space and receive state financing in case it is approved.
- Example: Nucleus “Fabricio Ojeda” in Caracas
 - 24 Cooperatives (330 people) joined to revive an abandoned inventory in 2004.
 - Today the place is an active community center hosting more than 60 cooperatives in various areas and other facilities such as health clinics and sports camps.
- Today in Venezuela: More than 100 active NUDES with more than 950 cooperatives in various fields, especially in agriculture.



Outlook → Strengthen the Cooperative Movement in Venezuela

- Qualitative census
- Strengthen the cooperation between cooperatives and communal councils
- Improve their integration into the national productive sector through “Supplier Diversity Programs”
- Amplify education for cooperatives
- Inter-Institutional Alliances on the governmental level
- Alliances between cooperatives
- International Alliances