

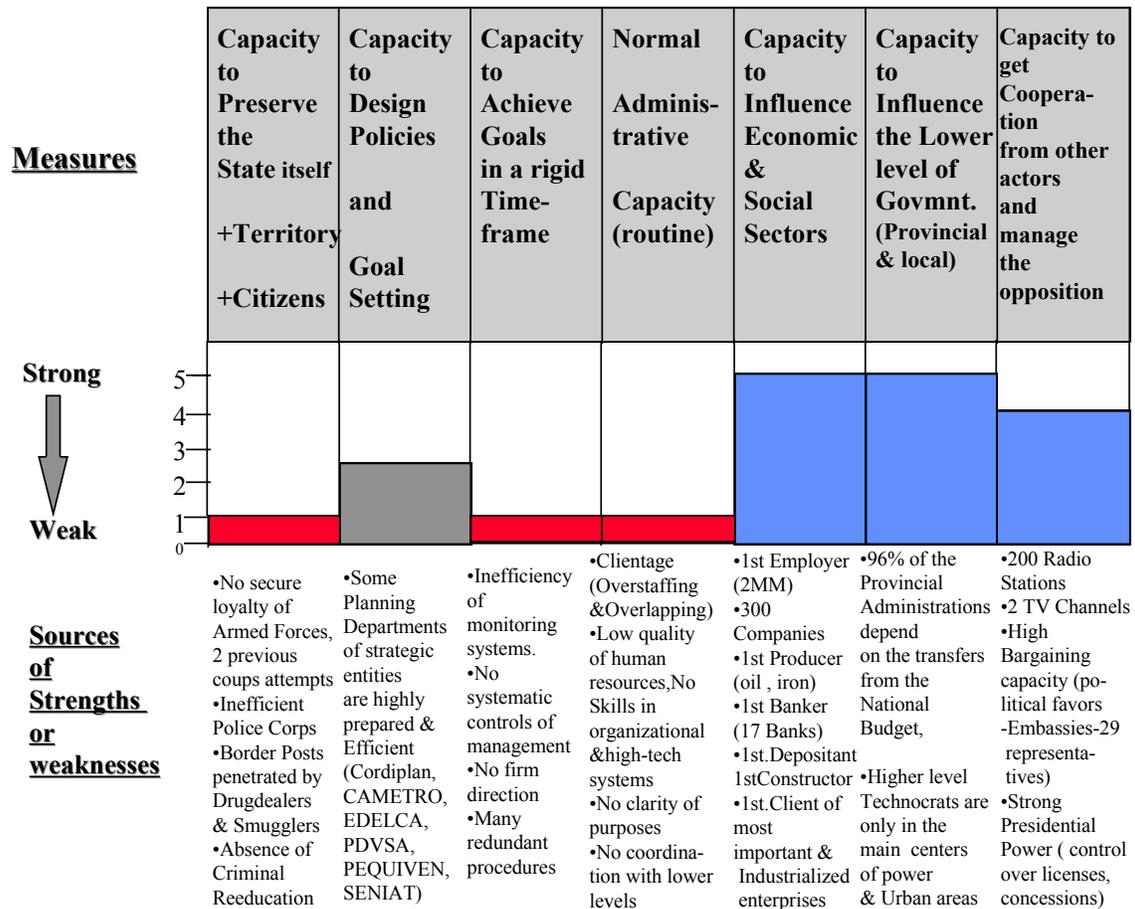
Date: 10/30/96

To: Prof. Merilee Grindle.

From: Vladimir Petit Medina

Subject: Country Briefing Memo 2./ Tackling the weaknesses and taking advantage of the strengths

## Assessing the strengths / State of Venezuela



- The State **is a strong political center** and, at the same time, **a weak manager responsible for the most important affairs. The state is in present danger** because of its inefficiency in dealing with many expectations and services under its responsibility and in maintaining the previous achieved goals. This equation represents the paradox of *a powerful giant with very limited strengths and highly susceptible of being attacked*.

- **Sources of power have not been used properly** ( high capacity to get cooperation, to influence both the lower level of the Federal Government and the economic and social sectors ) **while the sources of weaknesses** ( low capacity to preserve the state itself, to achieve goals and low normal administrative capacity ) **have increased rapidly because of the inefficiency addressing the principal demands and some kind of indolence.**
- Areas in which **the political party's influence** ( the historical supremacy of the two largest parties -Ad and Copei- converted into influential capacity to affect even the minimum administrative movement ) **and clientage have been insulated** represent the real exceptions to the system: **PDVSA< SENIAT< EDELCA<CAMETRO< INTEVEP**. In these organisms efficient planning departments , decentralized centers and technocrats are strongly supported by the top level executives. Also, sectorial development projects designed by these said entities have been implemented successfully ( Orimulsion marketing, change of the pattern of gas production, expansion of the subway system, expansion of the electricity supply, a new behavior of tax payers as a consequence of a very effective Tax Administration,etc).
- Another important problem to be taken into account is **the increasing difference between the capacity of the State in urban areas and rural environments** and the low level of both provincial and local bureaucracies.



*Then, taking advantage of the strengths through real efforts ( none of them may be considered granted without exercising it ) and reducing the weaknesses is the challenge (increasing the state capacity, technically and geographically speaking) : a real institutional strengthening process. Thus, the road is from the authority position itself to the leadership position, in order to exercise it as the capacity to mobilize the best resources of a social and economic system across the whole country. This is the only way to implement the reforms successfully. One more need: the need of tackling the institutional weaknesses demands immediate actions and such task has to be accomplished simultaneously with the implementation of the new policies. Previous experiences have shown that non concurrent implementations cause severe delays. Therefore, it is like walking on the razor's edge.*

**The operation is complex and very demanding, but possible and positive.**

**So, the initial field of battle is bureaucracy itself and other influential actors, policy elites and interest groups.**

**Recommendations:**

*The adjustment plan:*

- A specific timing ( rigid time frame ) must be set for the most severe decisions and a flexible one for the complementary measures and the sequence.
- The plan has to preserve some room to maneuver in order to allow the incorporation of new ideas. This may help to increase the level of participation or at least, the appearance of it.

- Specialized consulting is necessary not only to supervise the design itself but to help also monitoring the process, which is the most critical aspect of the strategy. I recommend to contract well-known and successful international authorities in the field of adjustment policies.

*Strategic actions:*

- Consensus Building on the main parts of the National Plan before launching it. This should be a real sales program ( marketing at top level ) with some sense of permanency and preserving some room to maneuver. It requires the proper use of the bargaining skills and the whole Presidential Power itself.



Targets:

- 1)PoliticalParties
- 2)ExecutiveBureaucracy
- 3)MilitaryPower;
- 4)Media;
- 5)Church
- 6)Economic sectors
- 7)Governors & Mayors
- 8)Unions

Also, IMF and Lenders must support the whole plan.

- *Educational Program:* As a media campaign in order to get support from the public opinion.
- *Sharing Responsibilities:*Decentralization and monitoring

