

CHAPTER 2: *IMPROVING LOCAL GOVERNMENT*



Like my good fortune in having worked in Puerto Rico when Munoz Marin was governor and the social environment of the commonwealth was vibrant with optimism and change, I went to Venezuela at a critical juncture in its development. In 1965 I began an assignment there which, with some interruptions, extended over the next seven years. During this period I served as consultant to the Foundation for Municipal and Community Development (FUNDACOMUN), a quasi-public agency created to promote the interests of local government.

After ten years of tyranny, the democratic forces rallied in the late 1950s, toppled strong man Perez Jimenez and his military cohorts, and began the process of establishing a democracy. 1/ Romulo Betancourt, president of Venezuela from 1959 to 1964 and the leader of one of the major factions that ousted Perez Jimenez, was, like Munoz Marin, a political genius, one of those public figures who tower above established political norms. In his efforts to rally the people to the cause of democracy, Betancourt promised to establish strong local government based on broad popular participation. FUNDACOMUN was the principal vehicle created to carry out this promise.

In the context of Latin America, the agency was a unique institution and held out the prospect of effecting fundamental changes in the processes of governance.

Unlike most other agencies in the less developed countries created to promote the interests of local government, FUNDACOMUN had a full complement of developmental tools. It was a municipal bank which offered loans and grants to local governments and started life with a capital fund of over \$30 million dollars. It was also empowered to extend technical assistance and to act as the principal trainer for local functionaries. The basic thought behind the linking of these different supports was that, rather than standing in isolation, they would reinforce one another. If, for example, a municipality was given a loan for mechanizing its solid waste collection and disposal program, it would receive technical assistance in vehicle maintenance, route scheduling and service billing, and the local staff would be trained to handle these new functions.

To assist in the organization of FUNDACOMUN, the Ford Foundation — which used the Institute of Public Administration (IPA) in New York as its contractor — and later the United Nations, were asked by the Betancourt government to offer support to the agency. I worked successively for both IPA and the UN and arrived in Venezuela as chief of party after FUNDACOMUN had been officially underway for about a year. I was accompanied by a specialist in municipal finance administration (to help provide a uniform system of bookkeeping related to a national system of accounts), another in municipal law (to assist with the crafting of new organic laws affecting local government), and a third in cadastre systems (to help establish a broader and more equitable base for the financing of municipal activities).

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My initiation included bureaucratic delays, misunderstandings among colleagues, and other tension filled situations interspersed with moments of exhilaration — the inevitable shock waves that accompany an introduction to a society in the throes of revolutionary change. Sometime during my first night in Caracas there was a shootout close to my hotel — presumably between a dissident political group and government forces. At one of the first meetings of the Board of Directors of FUNDACOMUN, someone who had commanded a civilian machine gun squad during the street fighting that accompanied the ouster of Perez

Jimenez threatened to reassemble his men and shoot the chairman. The chairman, who had also directed such a contingent, threatened to retaliate. As there was as yet no uniformed police force and the ubiquitous and poorly trained militia traveled about with automatic weapons, one was constantly and uneasily aware of the hazards of living in a society struggling to gain its balance.

On a lighter and only slightly vexing note, my assignment to an office at FUNDACOMUN was delayed several months because my counterpart, the director of municipal programs, believed my lofty position required me to sit at a specially constructed desk. When it was finally delivered, and the moment arrived for me to take my place in the inner sanctum, not only was the table so large as to be totally unsuitable as an office desk, it was much too low to accommodate my legs. Fortunately, it was soon discarded as our perceptions of one another took on a more human and realistic dimension.

The government, as well as the directors of FUNDACOMUN, appeared receptive to our team's technical recommendations, and we worked diligently to help the agency modernize municipal government and become an agent of change worthy of emulation throughout Latin America. 2/ We had reason for optimism. As was the case during my consultancy in Puerto Rico, the government of Venezuela was being directed by a large number of bright, energetic and totally dedicated professionals. During an extended period of exile many of them had gathered around centers of higher learning and in the process of studying and undertaking consultations had acquired a wide range of experience. As a new agency, FUNDACOMUN was unencumbered by bureaucratic legacies and could be developed along novel lines. Because Venezuela was in the forefront of the democratic movement in Latin America, the internationally supported aid projects brought with them an unusually generous supply of financial and professional assistance.

We sought to make FUNDACOMUN a model of professional efficiency. We estimated the manpower requirements of the agency and helped to establish recruitment, employee training, and career advancement programs, the basic elements of which still evoke my admiration. What I found most encouraging was

development of a professional recruitment program which extended to all of the major college campuses, and which succeeded in attracting into public service a number of young people from the evolving middle class whose families had never been associated with government.

As for substantive concerns, our principal attention centered on improving the ability of municipalities to finance their own improvement efforts. For example, our program of technical assistance demonstrated that a city of modest size, by putting into place a simple but comprehensive system for identifying and cataloguing real estate, could double its gross income in a period of two years. Through establishment of a simply applied double entry bookkeeping system, it could be doubled again in another two years. Thus, within a four year period, it would be possible for a representative municipality to provide credible support to the development process. At that point local planning could become productive, as financial resources would be available to allocate among competing needs — in contradistinction to the time-honored custom of simply preparing a "wish list" to be sent along to the national government.

We helped forge a series of novel approaches for improving other facets of municipal government. In urban planning, for example, we worked out a program of local assistance that featured a combination of aids: a financial loan to support establishment of a local planning office, a modest grant to get planning activities underway quickly, provision of technical assistance from one of the urban planners trained at FUNDACOMUN, placement of a Peace Corps volunteer within the local office, recruitment of professional personnel on the basis of merit, and assistance from national agencies with the execution of baseline studies. By the time I left Venezuela in 1972 virtually every municipality in the country which contained a major urban area had a functioning planning office.

The Peace Corps volunteers were particularly helpful in imparting a sense of professionalism to the newly established local planning offices. Although they were all young and few of them had either studied or had experience in urban planning, they were intelligent, eager and professional in their office behavior. As

a consequence, in a short time a number of the offices were able to demonstrate their usefulness to the councilors.

The training program established by FUNDACOMUN for improving the capability of local functionaries was also well thought out. It involved intensive, two- to three-day, seminars carried out locally. When it was discovered that heavy turnover of personnel in certain key positions cancelled the effects of training (such as was the case with municipal finance directors whose tenure of office was often measured in months rather than years) FUNDACOMUN, with our team's assistance, drafted legislative proposals to stabilize municipal employment.

During this period, I also became acquainted with Venezuela's public university system. For two years on a part-time basis I co-directed the city planning workshop at Central University in Caracas. The first year the university was on strike and no classes were held. However, in order to retain the faculty, I, along with the others, was paid the entire time. The second year was nearly as unproductive. There were classes most of the time, but matters were thrown into turmoil when the army suddenly invaded the campus (legally off-limits to the government) to root out terrorist groups allegedly using the university as a base of operations. Ignorant of events, I showed up for my class, only to find I was alone and forced to beat an ignominious retreat. After pleading with a soldier posted as sentry to turn his back and not to shoot an innocent *gringo*, I scaled the surrounding fence, jumped, and scrambled to safety — relieved but shaken.

Our program of technical assistance to FUNDACOMUN came to a close in 1972, and I left Venezuela to pursue further graduate studies and undertake consultations in other countries. Although I sought to keep abreast of the evolving scene in Venezuela, during the next decade and a half I was only intermittently aware of developments. Throughout this period the agency frequently received favorable mention in professional circles. At times it was compared in both its capability and influence to such internationally respected organizations as IBAM, Brazil's municipal support agency. Venezuela itself, while experiencing major economic fluctuations, related principally to the volatile nature of the petroleum industry, remained in the vanguard of the democratic forces in Latin America.

Several times during the following years, the presidency of the country, as a result of popular elections, passed from one political party to another.

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In 1988 I was offered the opportunity to return to Venezuela to assist with the evaluation of the long term program of the United Nations in support of municipal development. Unlike my former consultation in Puerto Rico, where I had sensed as I left the island that I was an accomplice to an impending calamity, I had departed from Venezuela on a wave of optimism. I hoped to be able to return and record steady, if probably uneven, progress. Instead, I met virtually total disaster. I was devastated: One of the professional activities with which I had been intimately associated, and in which I had taken so much pride, had, over the course of almost a quarter of a century, produced little that was discernable.

By 1988 FUNDACOMUN was a pale imitation of its former self, an organization barely alive, and involved chiefly with minor incursions into community development. Support to municipalities had virtually ceased. Other organizations, roughly similar to FUNDACOMUN, had been created by the national government, but they also were accomplishing little. My former Venezuelan colleagues were widely scattered, some had left the development field entirely, others had managed to continue in government service but had been reduced to the level of political hacks. Still others simply couldn't be located.

Local government was in an equally distressing situation. Candidates for municipal councils were still placed on the ballot by political leaders in Caracas, were elected by party rather than by name, and generally had little or no identification with local concerns. Stability of municipal employment was nonexistent and turnover was so rapid that any continuity of policy or program was impossible. In general, municipal employment was a minor, short term, political payoff.

Municipal revenues, as measured against total public income, continued to be among the lowest in Latin America. In the absence of discretionary income, urban planning was a useless appendage and little action was evident. Any largess that

was forthcoming from government for capital improvements, and in many cases it had been substantial, came from the central government. There appeared to be little awareness of the many operational manuals and other guidelines prepared by FUNDACOMUN and its advisors. Organized efforts at in-service training were, to the extent they existed at all, invisible.

A fine grained review of every local public initiative undertaken with the advice and financial support of FUNDACOMUN would unquestionably turn up a large number of physical facilities which proved helpful and remain in operation. Some public markets, bus terminals and housing come to mind. However, the simple provision of such facilities was not the reason for creating FUNDACOMUN nor for providing it support by the international aid community.

A few of my extemporaneous, and slightly overwrought, comments in letters home a few days after my return to Venezuela read:

"Conditions in Caracas have dramatically worsened. Congestion is horrendous. Traffic is so heavy that the *ricos* only use their new cars on special occasions while their second and third cars (heavy oldies) are employed to fight traffic and hold down injuries to minor wounds. Construction is taking place on virtually every block — monstrous, mostly ugly, buildings. And the banks! Surely, there are more per square mile here than anywhere else in the world. They seem to fill all available space.
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"Real estate prices have gone through the roof with interest rates between 40% and 50%, so you have to have been robbing the till — or dealing in drugs — to afford an apartment. And not a single service has been improved - not schools, not hospitals, not prisons, nothing . . .

"But one helleva lot of people have obviously been raking it in, while the have-nots and have-littles can't play catchup with inflation. Everyone became accustomed to having everything subsidized far below economic

costs and, in the bargain, simply not paying their taxes. Incredible and infinitely sad. . . ."

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After such a hopeful beginning, what had gone so woefully wrong? In reviewing the record, including the collected speeches and writings of President Romulo Betancourt, I now believe that I held an unrealistic view of the degree of political commitment that existed at the time to strengthening local government. 3/ I had too readily accepted what I had been told initially about the overall situation and had simply set about addressing the technical problems of the assignment. Over the long run it would have been better to have spent more time and thought on advancing legislation to strengthen the role of municipal government, and in promoting activities designed to broaden its base of political and popular support. It would have been wiser, for example, to promote high level policy seminars of a kind subsequently popularized by the Economic Development Institute (EDI) of the World Bank and the United Nations Centre for Human Settlements (Habitat) — both of which are discussed in the chapter on building training systems. Although there is no assurance that such measures would have produced positive results, at least they would have better addressed a series of fundamental issues.

Historically, in Venezuela, as well as in the other Latin American countries, virtually all funding of local capital improvements has come from the national government. With the nationalization of Venezuela's petroleum industry in 1976 and the wildly disproportionate income that accrued to the central government, few leading politicians could have been expected to relinquish their gift-giving role, particularly if the alternative involved the endless complications inherent in grassroots democracy.

There were, and remain today, powerful inhibitors of an historical nature to decentralization. For over a hundred years, Venezuela had fought to establish a central government capable of dominating local strongmen who often claimed entire regions as their personal fiefdom and who just as often marched with

formidable armies. As a result, state governors came to be appointed by the president of the country and to be viewed as his personal emissaries rather than as representatives of constituencies mindful of local concerns. Strong central authority was also seen as the only effective way to protect the country from the predatory practices of many multinational corporations, backed by the governments of the industrialized countries, that were exploiting the natural resources of Latin America. Finally, the central government had come to be viewed by many Venezuelan economists and intellectuals as the natural initiator and protector of the country's economic enterprises capable of operating on the international scene. As a consequence of such historically derived perceptions, powerful interests have been arrayed against efforts to empower local governments.

Unfortunately for the processes of democracy, the economy of Venezuela received an enormous boost when, in 1973, the Organization of Petroleum Exporting Countries (OPEC), of which Venezuela is a member, dramatically raised oil prices. Euphoria reigned within Venezuela. The government increased subsidies of key goods and services, such as, gasoline, electricity and basic foodstuffs, pricing them well below economic costs. Hard as it is to credit, between 1973 and 1984 Venezuela oil revenues amounted to more than 200 billion dollars — in the neighborhood of twenty times the size of the Marshall Plan for Europe after World War II. 4/ With such largess flowing through the national treasury, local administration was stifled. The massive government subsidies and expenditures of all types only began to be a matter of concern again with the worldwide depression that arrived in 1982, and the "Lost Decade of the 1980s" began for Venezuela as well as for the rest of Latin America. 5/

In the year following my UN evaluation mission of 1988, the government of Venezuela, with the prodding of the International Monetary Fund (IMF), finally brought itself to launch a far-reaching decentralization program aimed at strengthening the role and responsibilities of both state and municipal governments. Direct elections of state governors and local mayors and councilmen were initiated along with a programmed increase of financial transfers from the national to the state and municipal governments.

When in early 1993 I again visited Venezuela, I had the impression that, after two failed military-led coups in 1992, the country's political stability depended on whether or not people believed that, finally, local empowerment was indeed forthcoming. What in fact was forthcoming was a program of financial and technical assistance from the World Bank to assist with the resurrection of FUNDACOMUN, and through it, municipal governments and low-income urban communities. However, the assistance program was new, national elections were around the corner, and no one could predict for certain what a new national government would mean for FUNDACOMUN, for the urban poor, or, for that matter, the country itself. Unfortunately, the national elections of 1993 produced little to improve the civil society of Venezuela, and in the following elections, in 1998, both major political parties were overwhelmingly rejected. Hugo Chavez, former paratrooper, leader of one of the failed coups of 1992, and director of a new political party, was elected president. Fresh opportunities as well as ominous pitfalls could be foreseen.

However imperfectly it might be done at first, it is obviously crucial that local governments in Venezuela are enabled to assist in the forging of their future. Caracas is an environmental disaster, as is the second tier of the country's cities. One has to descend to the third and fourth tier before one encounters something approximating a relatively clean and easily negotiated urban environment. Many of these difficulties can not be laid at the door of the contemporary leaders, but date from the era when the clamor for industrialization led to the neglect of agriculture and the rural hinterlands. The decanting of the countryside to the major cities has so overloaded public services that one gains the impression that nothing does or can function effectively. Almost certainly this will remain the case until such time as the citizens of Venezuela are able to hold state and municipal political leaders, as well as their national leaders, responsible for decisions that effect local environments.

Experience, not simply in Venezuela but throughout the less developed world, has demonstrated that national governments are much more prone to share responsibility when their financial coffers have run dry or, alternatively, when

income has remained steady but the national bureaucracy has become so bloated and inefficient that it has been impossible for development projects to push their way through the morass. Consequently, while incentives to follow through with efforts of municipal development have been few in Venezuela, there have been powerful disincentives to the devolution of political power. Party leadership in Venezuela has found token local government useful for rewarding political supporters with short term employment and other minor handouts. Indeed, over the years the only national organizations that seem to have taken municipal government with any seriousness have been the political parties.

With greater distance and opportunity for reflection, I believe I vastly underestimated the fragility of public agencies in less developed countries, how easily their personnel can vary, and how even their basic mission can be distorted by a change in directorship. This is particularly true in Latin America, where chief executives are prone to act in a highly authoritarian manner, and often treat a public charge as though the agency they direct were their personal preserve. One newly appointed director of FUNDACOMUN summarily fired all the agency's professionals who had remained with the organization during the previous national administration. Another sought to have the agency become the coordinator for upgrading all of the country's low-income urban communities — a mission a colleague once likened to a Volkswagen Beetle trying to pull a string of tractor trailers up a mountain. Yet another director was the young and inexperienced daughter of the president of the country. She had only recently graduated from the university and could not have been expected to provide mature leadership to the agency.

Further, I do not believe that our project proved helpful to a number of the young people whom we provided with scholarships to study abroad. Those who studied such disciplines as municipal management and city planning did not acquire knowledge viewed as relevant to the private market — a potentially disastrous situation where a capricious public agency can, and usually does, dismiss employees without either notice or residual benefits, and where there are limited openings for those with such training. By dint of enormous effort a few of my former colleagues have managed to survive and prosper. One even became

president of an international development bank and another the dean of an urban planning faculty at a major university. I cherish their successes.

The Venezuelan experience taught me a number of valuable lessons. Perhaps the most important was an appreciation of the tenuousness of efforts to graft democratic processes onto a system of governance in which authoritarian behavior has historically been the norm. The popular attitudes and perceptions that direct administrative behavior are not subject to quick fixes. They change slowly, almost imperceptibly. It requires exceptional empathy and patience — along with a fine-grained appreciation of the local culture — to advise successfully on the design of administrative improvements that are sustainable.

NOTES

1. Venezuela's successful effort in 1958 to overthrow the ten year dictatorship of Perez Jimenez is described in Charles D. Ameringer's *The Democratic Left in Exile: The Antidictatorial Struggle in the Caribbean, 1945-1959*. (Coral Gables: University of Miami Press, 1974).

2. A municipality (*municipio*) in Venezuela usually covers an extensive rural area with a dominant urban center, often of considerable size, but which is not a separate political unit.

3. The principal lines of the political thinking of Romulo Betancourt are set forth in two of his publications, *Discursos*, (Caracas: Imprenta Nacional, 1961), and *Cuarto Aniversario del Gobierno Democratico*. (Caracas: Imprenta Nacional, 1963).

4. Arturo Uslar Pietri, *Golpe y Estado en Venezuela*. (Bogota: Grupo Editorial Norma, 1992). p.13.

5. Analysis of the economy of Venezuela during the decisive years 1945-1991 is contained in the publication of the FUNDAFUTURO group under the direction of Julio Cesar Funes, *Cuando Venezuela Perdio el Rumbo: Un Analisis de la Economia Venezolana Entre 1945 y 1991*. (Caracas: Fundacion Estudios del Futuro, June, 1992).