

Policy Brief: Lessons for Venezuela from Chile's Agri-food Sector Reform

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Introduction

Once one of Latin America's leading success stories with decades of development fueled by a vibrant oil economy, Venezuela is now in its seventh consecutive year of a recession. By the end of 2018, Venezuela's GDP was 70 percent lower than it was in 2012, and current projections indicate a 15 percent contraction in 2020. Today, Venezuela's population is experiencing difficulty accessing food and basic services at alarmingly rates constituting the most significant symptoms of this economic collapse.

This policy brief draws on a longer report from Chile's former Minister of the Agriculture, Carlos Furche, as part of a joint work by MSU and IFPRI. Chile's experience with laws, policies, regulations, and institutions governing the agri-food sector provides possible lessons for Venezuela's recovery once the political situation allows. The experience of Chile, relevant to Venezuela's because of the importance of a mineral export for the whole economy, helps inform the conditions that characterize the efforts of institution building, particularly in periods of transition between political regimes, which provide opportunities for restructuring and reform.

A Supportive Macroeconomic Framework: The experience from Chile shows the importance of an adequate combination of fiscal, monetary, exchange rate, and trade policies. Prudent fiscal and monetary policies have led to low inflation. A flexible exchange rate policy avoided the appreciation of the real exchange rate, supporting agriculture and other tradable products, and Chile's competitiveness in external markets. Low inflation also facilitated domestic savings intermediation, the expansion of banking credit, and the formation of an internal capital market, all of which helped to increase investments, including in the agricultural sector.

Legal Flexibility and Adaptive Capacity: A common finding to practically any institutional structure is the inertia that is established once legal frameworks are defined, which hinders future adjustments. Institutional cultures and the consolidation of corporate interests often make institutional reform processes difficult. The

Key Findings

- Chile's experience with laws, policies, regulations, and institutions governing the agri-food sector provides possible lessons for Venezuela's recovery
- Venezuela must prepare for an agricultural sector development strategy endowed with flexibility and adaptive adjustment capabilities
- Strong coordination and consultation mechanisms for policy development and implementation is necessary.

establishment of mechanisms that facilitate subsequent modifications seems to be a necessary condition, even more so in situations of social and political transition.

Defining Sector Development Strategies and Objectives:

Venezuela must prepare for a different type of agricultural sector development strategy and implement an institutional development framework endowed with flexibility and adaptive adjustment capabilities. The collapse of the country's oil production, in conjunction with technological changes in energy and climate change, challenges the historical oil sector dependent strategy. The evolution of the agri-food sector will require investments in the fundamentals of competitiveness (investments in science and technology, infrastructure, and human capital) within an economy more open to international trade

Strong Coordination and Consultation Mechanisms for Policy Development and Implementation:

The increasing complexity of food systems requires coordination needs with numerous agencies and public entities dependent on other government ministries and agencies of the state. Therefore, establishing formal decision mechanisms that incorporates the participation of the various departments and agencies involved, is especially important. This includes incorporating mechanisms that allow for agile interaction between public agencies, parastatal organizations, NGOs, foundations, and civil society organizations, capable of producing public goods that complement the state effort.

Functional Organization of the Ministry of Agriculture: Functions to be fulfilled by a ministry of agriculture must be reflected in the type of organizations that will be established. This includes determining whether the development of the fishing and forestry sector falls under the jurisdiction of the ministries of agriculture, as well as how to deal with the manufacturing sector linked to agro-food production and other environmental and health issues. The following functions are common to the development of an agri-food sector for which some specialized form of institutional organization is required:

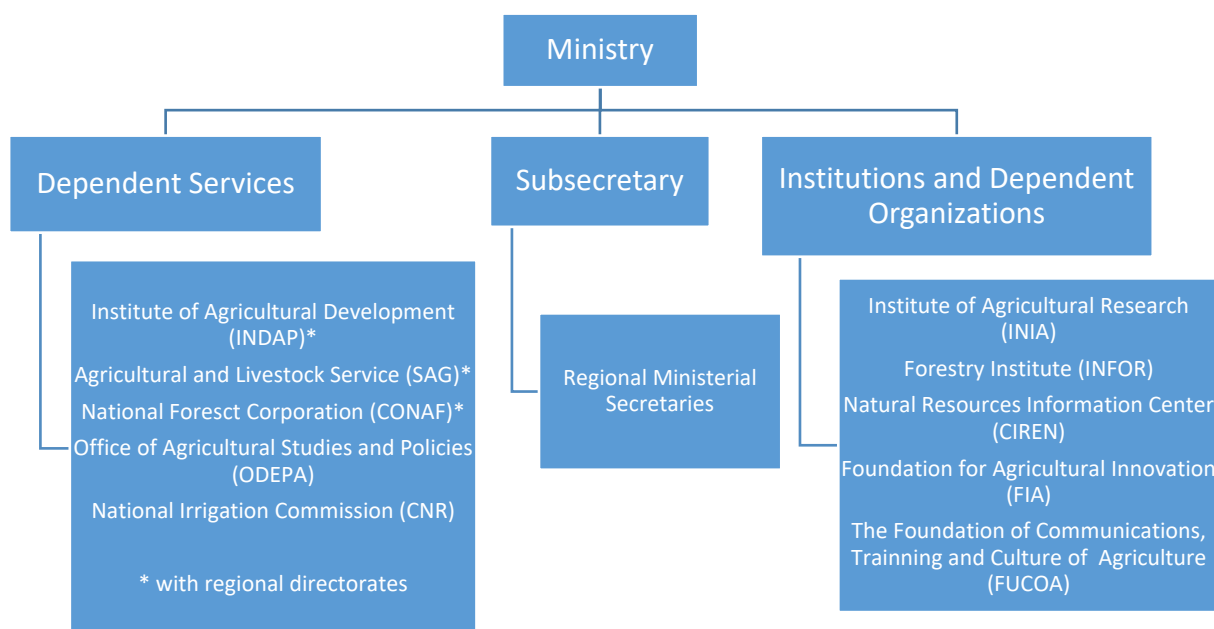
- Policy formulation and economic analysis
- Plant and animal health services
- Research and technology transfer assistance
- Support for family farming and small agriculture
- Irrigation and drainage services
- Agricultural financing

The Chilean agricultural sector has specific institutions with defined functions and legal authority, levels of autonomy and budgets that support their operations, and a variety of policy instruments to carry out their obligations.

Territorial organization: The agri-food sector is characterized by extensive geographical and national coverage, which also requires having channels and mechanisms that ensure the presence of the ministry and its institutions at the local level, and at the same time, guarantee consistency in its field-level actions. Chile opted for a type of organization structure with some mixed components, which combine dependence from the Ministry of Agriculture jointly with regional and local authorities.

Productive agri-food chains: An important aspect of the sectoral performance and governance is the establishment and recognition of productive value chains that can integrate into dialogues within the ministry of agriculture. Chile provides a model that is well evaluated by both public and private agents. This model contributes to formulating interests between the different segments of the value chain, defining common objectives and, in some cases to facilitating the flow of services and basic public goods, such as sanitary, traceability and safety. It is essential to develop a formalized work agenda, with specific objectives to ensure a productive relationship within and across agri-food chains.

Organizational Structure of Chile’s Ministry of Agriculture



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This brief has been prepared under the Associate Award (number 7200AA19LA00003) under the Feed the Future Innovation Lab for Food Security Policy (Award number AID-OAA-L-13-00001).

This research is made possible by the generous support of the American people through the United States Agency for International Development (USAID) under the Feed the Future initiative and the CGIAR Research Program on Agriculture for Nutrition and Health (A4NH). The contents are the responsibility of study authors and do not necessarily reflect the views of USAID or the United States Government or A4NH.

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Published by the Department of Agricultural, Food, and Resource Economics, Michigan State University, Justin S. Morrill Hall of Agriculture, 446 West Circle Dr., Room 202, East Lansing, Michigan 48824