

Box 4.3**Agricultural reforms in Chile and China help small farmers**

Chile dramatically illustrates how incomplete reforms can harm agriculture—and how completed reforms can have large benefits. The military government that took power in 1973 implemented a sustained program of policy reform. Agricultural production increased by a quarter in 1974, but then stagnated through 1983, thanks to the uncertainty over future policies and the incompleteness of reforms. In 1978–82 elimination of credit and input subsidies and appreciation in the real exchange rate hit agriculture hard, while delays in implementing reforms in land, labor, and water rights markets prevented an effective response (Valdes 1994).

In 1984 an aggressive devaluation and completion of reforms led to a vigorous recovery. The sector responded strongly. Agricultural labor force participation quickly rose—from a low of 14 percent of the total labor force to more than 19 percent, substantially higher than at any time in the previous decade. Agricultural growth increased from 0.2 percent a year in 1960–74 to 4.9 percent in 1974–90. Greater land productivity was a major factor.

China's agricultural liberalization led to a swift response. Before the reforms in 1979, China had good roads and irrigation infrastructure, excellent technical packages for grains and other crops, and effective application of fertilizer and other inputs. Between the 1940s revolution and the 1970s, irrigation capacity had

more than doubled and fertilizer production had increased significantly. But arable land per capita declined from about 0.2 to 0.1 hectare over those 30 years. State-imposed cropping patterns forced most cultivation into rice and other cereals. Collective farms had to fulfill grain quotas for delivery to the cities, and the national grain market was fragmented into 30 self-sufficient regions.

Starting in 1979, family farming through the "household responsibility system" swept the country, replacing communal farming. Although initially farmers were still obliged to deliver grain at low prices, they were otherwise permitted to produce what they wished at mostly market prices. Commerce in rural areas and between farm and city, previously repressed by the state, was allowed to flourish. Rather than have self-sufficient provinces, the state encouraged regional and national markets. Effective demand increased rapidly for high-value products (vegetables, fruits, meat, fish, eggs) that had been repressed by the earlier state-directed policies. China's peasant farmers—skilled, hard working, and strongly motivated—responded to the new opportunities with great vigor and launched five years of the fastest sustained agricultural growth ever recorded anywhere. Between 1978 and 1984 net agricultural output increased 7.7 percent annually and grain output 4.8 percent (Lin 1995). With the vast majority of China's poor people in rural areas, the incidence of poverty fell dramatically.

Box 4.6 Attacking poverty with information

Virtual Souk expands market access for artisans in the Middle East and North Africa

Fadma Aoubaida, a Moroccan weaver from Taliouine and a mother of seven—with the money she earned from selling her products on the Virtual Souk—repaired her roof and started building an indoor latrine, one of the few in her village. Ijja Aittalblhsen, another woman artisan in Morocco, spent her profits to buy cement and windows for her house. With future profits, she wants to buy a truck to transport rugs from her village to the market or buy bicycles that women can ride.

—BBC Online News, 14 October 1999

Artisans in the Middle East and North Africa have always crafted high-quality products using traditional techniques and ancestral know-how. But shrinking local markets and difficulties in gaining access to more lucrative national and international markets are leading to a gradual disappearance of culturally rich crafts—and with them an important source of income for poor people.

The Virtual Souk is bucking this trend. Since 1997 this Internet-based marketplace has been providing direct access to international markets for several hundred artisans from Egypt, Lebanon, Morocco, and Tunisia, many of them women. The network is expanding to other countries in the region, and there is demand to adapt the concept to East Asia and Latin America.

Online sales soared tenfold between the first and last quarters of 1999, reaching markets around the world, including countries in Europe and North America and as far as Australia, Japan, and South Africa. Participating artisans receive 65–80 percent of the proceeds, a much larger margin than through traditional channels. And the gains are more than simply financial. Through the Virtual Souk, artisans

gain access to opportunities for empowerment, capacity building, income generation—and for the use of their skills with dignity.

Cellular phone technology gives bargaining power to women in Bangladesh

I always sell eggs to middlemen. In the past, whatever prices they offered, I accepted because I had no idea about the going prices of eggs. . . . Last week, the middleman came . . . and desired to pay me 12 taka per hali [four units]. . . . Keeping him waiting, I rushed to check the prices through the Village Phone. The price was 14 taka per hali of eggs in nearby markets. I came back and refused to sell to him at the lower prices. . . . After a brief haggling, we agreed to buy and sell at 13 taka per hali.

—Halima Khatuun, a poor, illiterate woman who sells eggs, Bangladesh

A subsidiary of Grameen Bank, Grameen Telecom operates a village pay phone program that leases cellular telephones to selected bank members, mostly women in rural areas, who use the telephone to provide services and earn money. Today around 2,000 village pay phones are in place. The target is to install 40,000 telephones by 2002, introducing telefax and email services as well.

These phones have helped lower the cost of information gathering. This can be seen in lower prices for poultry feed, more stable diesel prices, and less spoilage of perishable goods due to more precise shipment dates. Women providing the phone services have gained confidence and new status as “phone ladies.” Telephone users include both rich and poor, but poor people make more calls for economic reasons.

Source: For the Virtual Souk, see www.peoplink/vsouk/; for the Grameen Telecom cellular phone program, see Burr (2000).