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PANEL 2: RURAL DEVELOPMENT AND AGRARIAN REFORM: INSTITUTIONAL CONSTRAINTS AND INNOVATIONS

ORGANIZER AND CHAIRPERSON

Laurent Martens (University of Ghent, Belgium)

PANEL DISCUSSANTS

Agrarian Reform in Southern Africa: Redistribution of Land and Water Use Rights *Johan Van Zyl, Johan Kirsten (University of Pretoria, South Africa)*

Innovations in Financial Markets: Implications for Rural Development
Richard L. Meyer, Geetha Nagarajan (Ohio State University, USA)

Rural Development and Farm Structures in Transition *Franciszek Tomczak (Warsaw School of Economics, Poland)*

Family Farms in a Globalized Economy: Fordism v. Nichism in Japanese Experience *Yoshio Kawamura (Ryokoku University, Japan)*

RAPPORTEUR

Abdul Bayes (Jahangirnagar University, Bangladesh)*

This discussion dealt with agrarian reform, with an emphasis on institutional matters. Institutional innovations have been defined as changes in the actual or potential performance of existing or new organizations, as well as changes in the relationship between an organization and its environment. The panel looked at four separate, but interrelated, themes: land and water use rights, rural financial institutions, farm structures, rural communities and rural/urban interaction. Each contribution was prepared with a specific regional focus: South Africa, less developed countries (LDC), Central and Eastern European Countries (CEEC) and Japan.

Necessity for reforms in South Africa

Van Zyl and Kirsten argued that reforms of land and water rights are necessary for sustainable, broad-based rural development in South Africa. The arguments

centre mainly upon three issues: equity/equality, efficiency and employment/linkage considerations. Several innovative approaches to bringing about a redistribution of land and water rights were discussed. By following a market-assisted approach to land reform, an opportunity was created for other innovations to bring about the necessary reforms. However, while these reforms are necessary, they are not sufficient to ensure rural development. Access to productive resources is only the starting point.

Research shows that agriculture can be the engine for rural development. This implies that the productivity of the farming sector should be increased. One of the most direct ways of increasing the real incomes of resource-poor farmers is to develop improved technology to increase the productivity of their main enterprise, staple food production. Increased staple food production may increase the per capita availability of home-produced foods, raise cash incomes by generating a marketable surplus of grain or allow subsistence food needs to be produced with fewer resources, thus freeing land and labour to produce higher-value crops. It also allows scarce funds to be used for purchasing other food, which could lead to improved dietary intake. Although improved technology and related measures could be of assistance, there are a number of constraints, largely of an institutional nature, that need to be addressed in an innovative fashion, as was shown in this paper.

Innovations in rural financial markets

Meyer and Nagarajan showed that a paradoxical situation has recently emerged in rural financial markets in low-income countries. Most programmes to extend the frontier of formal finance into rural areas have failed, but informal finance has thrived. This paradox can be explained in terms of asymmetric information and transaction costs. A number of innovations have been developed in microfinance which involve lenders, frequently NGOs, making small short-term loans to poor urban borrowers.

In summary, through innovation microfinance has found ways to solve, or at least reduce, some of the information and transaction cost problems that have plagued agricultural lending in many low-income countries. It is not yet clear, however, how far this can really extend the financial frontier into specialized agricultural areas, or be sustainable. Some analysts argue that expanded outreach contributes to sustainability through economies of scale. Others believe that there is a trade-off between outreach and sustainability so that, over time, organizations will shift their portfolios away from poor borrowers and small loan sizes in order to reduce costs and achieve higher levels of operational efficiency.

A large amount of experimentation is being undertaken by microlenders. Several that historically made only small group loans are now experimenting with making larger individual loans to their best customers. Some organizations operating exclusively in urban areas are experimenting with rural and agricultural lending. These experiments will reveal the extent to which recent microfinance innovations are capable of resolving the basic challenges of expanding financial services for agricultural and rural development.

Farm structures in transitional economies

Tomczak spoke about several issues in the transition process for agriculture and rural development in Central and Eastern European countries, in general, and for Poland in particular, relating to the choice between small-scale and large-scale farming, between agricultural and non-agricultural employment and between multifunctional and rural development. Tomczak believed that the changes which took place in Polish agriculture during the first period of transition were beneficial. However, excessive employment in agriculture remains the main problem causing low income in rural areas. Changes in this situation are expected to be slow and depend upon an increased demand for labour outside agriculture. There is a sense in which the social and political determination to finalize the construction of the new economic order is not sufficient.

Rural communities in postwar Japan

Kawamura dealt with major changes in rural communities in postwar Japan, especially focusing on developments since the 1980s, when Japan came onto the stage as a globalized economy. This has left agriculture and rural communities in a difficult position because of the lack of mobility in its major production factors, especially land. Depopulation of remote areas, as well as booming urbanization in other parts of the country, have brought serious problems to rural communities struggling to maintain basic community systems and local resources. Japanese farm households are sharply dichotomized, with a minority of full-time farms and with a large majority of part-time farm households, earning the major part of their income outside agriculture. The author recognized a positive correlation between economic and social activities at the community level, which suggests an important role for social groups and for cooperation for economic development. He also developed the concept of the 'niche' type of production, characterized by small-scale and labour-intensive production of multiple crops, suited to the environment, and with direct linkages between producers and consumers and between rural and urban populations.

Floor discussion: differences and similarities between regions

It was suggested that the characteristics of the rural financial markets in CEEC, in Japan and in South Africa are somewhat different. Nevertheless, some similarities between pre-agrarian reform in Japan and current reform in South Africa were recognized, particularly relating to the fact that the majority of the rural population existed, or exists, in a situation of extreme social, political and economic disadvantage compared with a rural elite. In relation to the transition process in Europe, it was emphasized that the reform of the rural financial markets had been delayed in some countries because of the strategic role that food plays in their economies.

It was then argued that examples of all types of innovative lending technologies, as described by Meyer and Nagarajan, can be found in South Africa, but that none of the institutions currently providing access to loan finance is even close to sustainability. Referring to the Tomczak paper, it was stated that some of the findings on Polish agriculture are shared by studies on South African agriculture. However, while the move to small farms in Poland is more direct, in South Africa the focus is rather on the removal of discriminating policies which favoured large farms or discriminated against smaller farmers.

Several participants expressed concerns over the market-based land reform approach in South Africa, and about the transfer of taxpayers' money to land-owners. Diverging views were expressed concerning the role of formal banks or of NGOs for microlending to agriculture. Attention was also paid to the role of cooperatives for rural development in Japan, as well as in the transition process in Central and Eastern Europe, where the concept should not be rejected on the basis of some unfortunate experiences under the previous political system.