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WORKSHOP REPORTS

I. RATIONALISING THE CARIBBEAN DEVELOPMENT BANK AND LOCAL SOURCES OF FINANCE

The group regretted that the relevant background paper by Mr. F. Alleyne was not made available before. Discussions were, therefore, delayed for approximately half an hour during which time members were allowed to study the document.

It was observed that there was another somewhat similar group working topic: "Strategy for Financing Land Reform". It was, therefore, decided that our effort would be concentrated in an examination of the sources of finance - those already in existence, and which may be made available.

1. There was the general consensus that in making any recommendations on this subject, we must accept that there is a need for the *changing of the existing structural features* which now govern both the general operation, and the financing of the agricultural sector. In fact, agriculture is considered the economic sector in most of the Commonwealth Caribbean and it cannot be treated in any form of isolation. There are inevitable interlocking interactions between the various sectors of the economy, and if our ultimate goal is a better way of life for all our people, we can only hope to maximise our achievements in this direction if the plan for growth and development takes into consideration the total economy.

Nevertheless, it is important to realize that in many of the smaller territories of the region, Agriculture *per se* must be regarded as the sector of major economic activity, if not the economic activity in the broad sense.

2. The group also agreed that our aims in the particular exercise was Agrarian Reform - as distinct from the more limited concepts which are frequently associated with Land Reform. Our thoughts are fixed on what Beckford refers to as his extension of "Integral" reform, i.e., the aim is both at improved productivity and a betterment of "the economic and social welfare of rural people".

3. Considering the well-known and well documented patterns of land ownership and control prevailing in the Caribbean, it was generally agreed that *acquisition* of land by the State was a necessary prerequisite of any programme for Agrarian Reform. This was of lesser importance in territories where Government already owned the greater portion of large acreages of land though in some cases these lands owned by Government were largely unsuitable for successful agriculture control over large acreages of land.

Acquisition is an expensive exercise, and adequate sources of finance must be mobilised. Sir Arthur Lewis stated quite clearly in his paper that the Caribbean Development Bank took no action in this area of financing. We ask ourselves: Could the Caribbean Development Bank change its policy?

Reference was made to Sir Arthur Lewis' explanation: "The Bank cannot lend soft funds to purchase land. These funds are voted by the Parliaments of developed countries, which are very sensitive on the subject of foreign aid. They will not permit their taxes to be used to *line the pockets of rich land owners.*"

It was observed, however, that Sir Arthur further pointed out that money could be borrowed on "ordinary commercial terms" for lending to Governments - at high interest rates and with relatively short repayment periods. This, he considered, to be ill advised.

The group recommended that:

1. Caribbean Governments, i.e., politicians, economists and planners, must realize the true significance of keeping local control of our land resources, and the Caribbean Development Bank should be required to provide adequate financing for all these aspects appropriate to development of these resources under an agrarian reform programme, inclusive of land acquisition when necessary.
2. Consideration be given to providing adequate incentives to local institutions (e.g., Insurance

Companies) to encourage them to assist in providing finance for general agricultural development, including acquisition.

3. Caribbean Development Bank should seek funds for this purpose from International Agencies, e.g., IADB etc. It was noted, however, that until the LCD's are independent in status they would not be able to benefit from such loan funds unless fundamental changes are made to the CDB's charter.
4. Caribbean Governments should use long-term security issued for purchase of land for agricultural development.

The Strategy of Acquisition

There were differences of opinion on the details of acquisition, e.g., it was felt that it is perhaps, best, to leave the details of strategy to individual territories - the policies to be determined by existing social conditions, including the pressure for land. The latter will include form of tenure, size of farm, organisation or production and marketing, etc.

Sources of Funds: Capital Vs. Operating Costs

Capital Financing

Roads, Water, Electricity - Due emphasis must be given to improvement of the quality of life in the rural environment with adequate provision of social amenities - thereby assisting in arresting the rural-urban drift.

The nature of the expenditure would require, to a large extent, external sources of financing. Possible sources are:

- (a) US/AID - as has been used in Jamaica
- (b) IBRD as in Trinidad (Crown Lands Development Project)
- (c) CDB could give particular emphasis to finance such infrastructural facilities in the LCD's.

Housing - Funds may be made available by granting of incentives to mortgage finance companies. It was suggested that special considerations be given to the provisions for finance - for the development of rural housing in general though conflict in the community may result if only agricultural housing is selected for special consideration. However, the argument could be made for an improvement in the quality of rural life and for the development of farming communities.

Land Development - Capital should be made available. The role of the CDB is considered crucial in this area and funds would be provided through the local Agricultural Credit Bank which should also be in a position to provide technical expertise to farmers.

Operating Costs - Sir Arthur states in his paper "... we are a bank of last resort ... we do not, for example, lend money for working capital, since that is what commercial banks are for; nor for short-term requirements like replanting bananas, or buying fertilisers". However, CDB does lend money to large farmers for the introduction of new technology or for additional fixed capital.

The bank should consider the establishment of crops particularly the crops up to production stage as capital investment and should review its policy whereby such elements as fertiliser purchase or replanting of bananas is considered as working capital.

The CDB should also consider a meaningful grace period for such permanent crops or long-term enterprises, e.g., in the case of citrus 5 to 6 years.

The group takes issue with Sir Arthur Lewis' paper in his reference to the relevance of commercial banks at the present time for financing agreement. Alleyne's paper on financing agrarian reform makes reference to traditional "credit-worthiness criteria" applied by financial institutions; such criteria result in

small holders, in particular, experiencing considerable difficulty in securing operational finance. It is the situation which in part, emphasises and perpetuates the dualism in our agricultural sector.

In addition, commercial banks frequently do not have suitable staff for processing loans for agriculture, also, their loan terms are seldom of a long-term nature, such as is necessary for agricultural financing. The group *recommends* that Governments consider:

1. Borrowing large sums of money at low interest rates from the commercial banks for re-lending into the agricultural sector. It is felt that low interest rates should be possible since large scale borrowing would reduce the cost of administration to the banking institutions.
2. If necessary, Governments could consider resubsidising the interest rates on re-lending the borrowed money to the farming sector.

Available Finance for Small Scale Producers

The group expressed particular concern about the large number of farmers who would usually be classified in the "subsistence" category, but also in aggregate, make a considerable contribution to the supply of domestic food production. This group of farmers are always at a disadvantage, and it is recommended that:

1. They must not be forgotten in any plan of action for credit disbursement.
2. Credit must be made available to them on the basis of trust and known proficiency in the particular enterprise. They are unable to provide the traditional requirements for security.

Recentralisation of Sources of Finance

The establishment of branches of the various financial institutions, particularly the Agricultural Credit Banks, is recommended in order to facilitate farmers and to attract them to use the special facilities, thus relieving them of the pressures of money lenders, shop-keepers and other such sources of finance characterised by extremely unattractive rates of interest. It was also suggested that these Banks should include opportunities for savings, thereby consolidating all financial involvement of farmers.