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IV. STRATEGIES FOR FINANCING LAND REFORM

The group recognised the possible wide range of land reform styles and systems and therefore attempted no precise definition. Instead, it was agreed that in the context of its discussions the group would consider land reform in the West Indies as having long-term rather than merely short-term objectives, the most important aims being:

1. The equitable redistribution of incomes in the society with the general improvement in standards of living.
2. Security of tenure.
3. Efficient usage of the natural resources of land and water.
4. Increased productivity of agriculture.
5. Stimulation of the flow of capital into and the continued growth of the agricultural sector.

Sources of Finance

Possible direct sources of funds for financing land reform may be grouped as follows:

- A. *The Public Sector*
Agricultural Loan Banks. Agricultural Credit Banks or Agricultural Development Banks
- B. *The Private Sector*
Commercial Banks
Insurance Companies
Credit Cooperatives (including Credit Unions)
Growers' Associations
Trade Dealer Credit
- C. *Regional Financial Institution*
Caribbean Development Bank
- D. *International Organisations*
Inter-American Development Bank (IADB)
United Nations Development Programme (UNDP)
World Council of Churches

In addition there are two possible indirect means of financing land reform programmes, viz:

- (a) Community contributions of labour; and,
- (b) Subsidies.

Direct Financing

THE PUBLIC SECTOR

Agricultural Credit Banks of some sort operate in most countries of the region but the effective utilisation of funds from these for financing land reform is limited by restrictive policies and qualitatively inadequate staffing. These banks, which could be the greatest source of credit for small and medium farmers, are further restricted in their usefulness by lack of sufficient loan capital.

It is recommended that in order for Agricultural Credit Banks to achieve their potential usefulness in financing land reform their policies and operations should be modernised to provide:

- (a) increased loanable funds, possibly through borrowing from insurance companies, commercial banks and the Caribbean Development Bank;
- (b) competent staff to undertake agricultural project evaluations;
- (c) supervised credit coordinated closely with the agricultural extension services;
- (d) more flexible loan policies;
- (e) loan repayment schedules based on the pattern and volume of farm enterprise returns;
- (f) financing for all levels of agricultural activity. from short-term crop advances to small farmers to long-term finance;
- (g) de-emphasizing land as collateral.

Furthermore, these banks should include in their policies provision for the granting of overdraft type credit to farmers and the financing of cooperative projects.

THE PRIVATE SECTOR

Commercial Banks

It is recognised that in addition to a characteristic preference for short-term high yield lending to finance commercial and industrial enterprise these institutions are not organised and equipped, in respect of technique and personnel, to service the needs of the small and medium size farmer. Even though they have always provided finance for the large farmers and plantations this has been mainly short-term.

At the same time in these banks exist probably the largest reserves of funds in these territories which should be made available for the financing of agriculture and land reform in particular and their role in the economy should be radically oriented to national needs and objectives.

Certain suggestions as to how they may become more useful in the context of agriculture and land reform programmes are:

- where not already introduced, Governments should legislate to restrict the flight of capital from these banks to the Metropolitan countries.
- they should be encouraged by positive pressures to localise their holdings.
- national central banks or Governments should impose selective credit controls in favour of agricultural tenants.
- they should review lending programmes and employ suitable expertise for valuation and service of agricultural loans.
- they should be encouraged to invest in the share capital of the agricultural loan banks.
- they could provide low-interest funds to the agricultural loan banks.
- to stimulate their investment in agriculture Governments could provide incentives such as tax exemption on earnings from agricultural loan bank shares.

Life Insurance Companies

These were identified as another major source of finance, especially for long-term development projects.

They should be given similar incentives to invest in agriculture as were suggested for commercial banks, i.e., of tax exemption on earnings from agricultural investments.

The Government should also introduce, where now absent, fiscal controls in capital exports from these companies and exact selective control of their investment portfolio in favour of agriculture. In view of their interest in long-term investment they might be encouraged to hold land bonds for the expropriation of land in redistribution programmes.

Credit Cooperatives

It was considered that while these were not in themselves possessed of substantial funds for financing agriculture that by their very special characteristics they could be very useful as intermediaries for channelling Government and agricultural bank credit to the individual farmer.

Credit Unions, which were apparently largely oriented towards consumption credit should be encouraged to extend their loans for agricultural development purposes.

Growers' Associations

There were important ones in all the territories but they serve mainly the short-term needs of their members and do not have enough funds to invest in the important fields of research and experimentation with new crops, crop varieties and technology.

Their investment in finance of land reform programmes would probably be restricted to assistance to new members who are growing the relevant crops.

Trade and Dealer Credit

Usually such credit is only short-term and its volume depends on the cost and availability of commercial bank credit. Such credit may, however, be very useful and contribute appreciably to supplement the base finance in land reform programmes.

Unfortunately, there is very little statistical data on the extent and importance of this type of credit in the Caribbean. Too great dependence on this source of credit should be avoided, because, particularly in the rural societies, people are often unaware of prevailing competitive credit terms and may be easily overcharged for the service.

REGIONAL FINANCIAL INSTITUTIONS

There is but one - the Caribbean Development Bank. This institution is restricted in potential because of its low resources and the very high cost of its borrowing. It has had therefore to be quite narrow in policy both in respect of loans and borrower territory.

It was thought that CDB could provide assistance to agriculture by extending the use of its very competent technical and professional staff:

- (a) to territorial governments to assist in planning and evaluation of land reform programmes; and,
- (b) to the local agricultural and commercial banks and other financial institutions to design loan policies and programmes.

It was also felt that the CDB should seek effective relaxation on the constraint regarding loans to purchase lands.

INTERNATIONAL ORGANISATIONS

While they were recognised as an important source of finance for agricultural and land reform projects it was also agreed that their loans tend to be very costly to administer and carry a variety of restrictions and conditions which were not necessarily in keeping with the territorial needs.

It is suggested that when such loans are negotiated they should be provided through the channel of the CDB which was in a better position to design the financing of projects to suit local conditions.

International organisations that may be of assistance in this way would include the World Bank:

- the Inter-American Development Bank
- the International Research Development Centre.

Other international organisations which extend technical and financial assistance through territorial branches are yet another source of limited but high impact finance. For example, the World Council of Churches and the Church World Service direct a dedicated interest in particular projects through the locally based organisation "Christian Action for Development in the Eastern Caribbean".

Indirect Financing

Subsidies

Government Subsidies - The West Indian Governments cannot subsidise an agricultural development on the large scale as is done in the metropolitan countries. Subsidies should therefore be restrictively applied. Land purchase should never be subsidised and lease rents should be paid by the farm occupier. Subsidies should be applied to research and extension services and to production and marketing of farm produce - as far as possible through the agency of growers' associations. It is accepted that government contribution of infrastructure and other non-recoverable expenditures in land reform programmes were a form of subsidy.

Growers' Association Subsidies - These associations are a small but highly effective source of subsidy which could contribute agricultural development and reform programmes in their particular sphere of interest.

Community Contributions of Labour

It was generally agreed that the greatest resource of the territorial communities was their labour and that the widespread high level of unemployment would also increase its marginal product and justify a considerable use of such labour to substitute for capital inputs in land reform programmes wherever this was practicable. The provision of infrastructural facilities was one such area in which such indirect finance could be important.