



## FROM RESEARCH TO POLICY: THE IMPACT OF BASIS CRSP FINDINGS

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### **BASIS Research: A Foundation for Solutions**

BASIS CRSP RESEARCH TARGETS three constraints that globally impede broadly based and sustainable growth: (1) ineffective agricultural resource use in post-reform economies, (2) unsustainable use of environmentally-sensitive resources, and (3) poverty and food insecurity traps. BASIS also has begun studying rural financial markets to determine how innovations in those markets can play a role in overcoming the constraints to growth.

The BASIS portfolio of eight carefully-selected research projects is designed to create knowledge about the constraints *and* deliver innovative policy solutions that will remove, relax, or sidestep them. Through its comprehensive research projects, BASIS produces cutting-edge findings and lasting contributions to scholarship, education, and training. This knowledge lays the foundation for innovative, effective policies that can facilitate broadly based, sustainable growth. Below are recent examples of findings in Africa, Asia, and Latin America; examples of policy outreach based on the research is in the section following.

*Land redistribution on the rise in KwaZulu-Natal.* Census surveys of land transactions show that 3.5% of commercial farmland available for redistribution was transferred to previously disadvantaged South Africans from 1997-2002. While the average annual rate of redistribution falls short of the government's target, the launch of the "Land Redistribution for Agricultural Development" program in 2001 had a dramatic impact on redistribution. In KwaZulu-Natal, the rate of redistribution doubled in 2002, and for the first time transactions financed solely from government grants redistributed

more land than did privately financed transactions. In addition, 14 farms were financed with a *combination* of grants and mortgage loans, representing a new mode of redistribution. BASIS found that these farms, on average, were larger and of better agricultural quality than those purchased privately; half were purchased by women as sole owners or as married co-owners.

*Unequal benefits from irrigation schemes in Malawi.* Many countries in southern Africa are decentralizing management of resources. In Malawi, decision-making regarding transfer of irrigation schemes is concentrated in the hands of a small group of better-off farmers. Most are owners of more than the average number of plots and are long-time participants in scheme management under government direction. BASIS found that these farmers tend to oppose redistribution of plots and may be better positioned to comply with strict rules regulating crop varieties planted, cropping calendars, and joint marketing ventures. Meanwhile, many poorer households show a growing dependence on "informal" irrigation along streambeds and in wetlands for both food and income.

*Education helps families avoid poverty traps.* Where farm or herd sizes are shrinking due to land scarcity, people need an alternate pathway to livelihood security. In northern Kenya, educational attainment is strongly correlated with the level and stability of expenditures. Nonfarm employment enabled by education provides steady cash income that can be invested in agriculture. It also provides alternatives for households lacking sufficient land or livestock to fully employ their household's labor. BASIS developed a theoretical model to explain how spatial inequality in infrastructure that affects labor

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## BASIS Briefs in 2003

productivity can induce rural-to-urban migration that restricts the educational attainment of children from poor families because migration can foreclose options to borrowing. This model was motivated by observations in northern Kenya showing that lending and transfers in support of educational investments were—surprisingly and contrary to popular rhetoric—nearly nonexistent.

*Pathways to food security.* The effect of food aid is to equalize food availability, measured by food production plus food aid, yet BASIS data show evidence of food inequality and inadequate targeting of food aid in the South Wello region of Ethiopia. Well-off households secure food availability with abundant entitlements derived from own-production and food purchases. Poorer households achieve minimal levels of food security through purchases. While food-giving to neighbors and kin is evident, it is significant only for well-off households and is a small contributor to food security. Ownership of land and animal assets have a strong positive effect on food security, and BASIS research shows that labor is an important determinant of food security status through the ability to generate off-farm income. Head of household characteristics, such as gender and age, have no significant effect on household food security.

*Innovations shown by vulnerable female-headed households.* Female-headed households constitute about 24% of households in the Ethiopia study region and tend to be poorer than male-headed households. However, female-headed households show greater non-farm innovations, earning more cash than males do in activities like petty trade, brewing, crafts, and remittances. While their average asset holdings are often meager, they show greater capacity to recover from external shocks like drought. During the post-drought period of 2000-2002, BASIS found that herds owned by female-headed households increased 73%. The herds of male-headed households grew by 30%.

*Client training vital to the success of credit bureaus.* There are strong reasons to think that a bureau's ability to mitigate moral hazard will not occur if clients are imperfectly informed, and yet in Latin America many bureaus are initiated without client training. This reinforces the paternalistic, top-down approach that the microfinance movement was supposed to avoid. Yet, organizations tend to fear the higher-level lenders being able to observe their clients' behavior. The use of a bureau to check clients is purely to the benefit of MFIs, while adding data into the bureau has few advantages for lenders and many risks. Database systems used in microfinance bureaus tend to severely limit how much one lender is able to observe about client behavior in another lender. BASIS is attempting to discover if disincentives to share are so strong as to lead to suboptimal outcomes and require government legislation on the degree of sharing.

- No. 14.** "Education, Nonfarm Income, and Farm Investment in Land-scarce Western Kenya," by Paswel Phiri Marenja, Willis Oluoch-Kosura, Frank Place, and Christopher B. Barrett. February. <http://www.basis.wisc.edu/live/basbrief14.pdf>
- No. 15.** "The Unfinished Business of Liberalization: Making Markets Work for All," by Steve Boucher, Brad Barham, and Michael R. Carter. April. <http://www.basis.wisc.edu/live/basbrief15.pdf>
- No. 16.** "Up the Lending Ladder: Extending Financial Services for the Rural Poor through Credit-Reporting Bureaus," by Alain de Janvry, Elisabeth Sadoulet, Craig McIntosh, Bruce Wydick, and Martin Valdivia; in cooperation with Alvaro Trigueros, Gustavo Gordillo, and Dean Karlan. April. <http://www.basis.wisc.edu/live/basbrief16.pdf>
- No. 17.** "Looking for Long-term Wellbeing: Access to Credit and the Impact on Rural Households," by Agnes R. Quisumbing and Linda Montillo-Burton. November. <http://www.basis.wisc.edu/live/basbrief17.pdf>
- No. 18.** "Meeting the Needs of the Rural Poor through Post-reform Financial Markets," by Stephen R. Boucher, J. Edward Taylor, Carolina Trivelli Avila, Antonio Yunez Naude, and Javier Escobal D'Angelo. November. <http://www.basis.wisc.edu/live/basbrief18.pdf>
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*Rural households gaining greater access to financial services.* By resurveying respondents and their children from a sample of agricultural households in the Mindanao region of the Philippines first surveyed 20 years ago, BASIS finds that access to financial services has become easier, though smallfarmers still have some difficulty. Devolution of governance and financing to local communities had a greater positive impact on households than did the shift from subsistence corn cultivation to sugarcane cash cropping that many families made in order to raise their income.

### **Scholarship, education, and training**

BASIS findings appear in leading peer-reviewed journals. Equally importantly, BASIS builds capacity in its study regions by supporting Ph.D. and post-doctoral training activities for graduate students and faculty, creating educational modules for universities, supporting local publication efforts, and funding participation in international meetings and writing projects by national and regional collaborators.

*Water resource management module.* The Malawi project helped produce modules on the social and environmental aspects of water resource management for the regional masters program in Integrated Water Resources Management taught at the University of Dar-es-Salaam in Tanzania and Zimbabwe.

*Bioeconomic modeling course.* The project in Kenya and Madagascar offered a course on training methods for

analyzing the coupled dynamics of human and natural systems. Key country staff are trained in systems dynamics methods and software that underpin the project's new bioeconomic modeling tool.

*Analytical and empirical tools for poverty research.* BASIS researchers conducted a workshop for practitioners and researchers in developing countries to familiarize them with state-of-the-art methods and theories of poverty analysis. More than 110 participants from more than 20 countries attended, including economists, poverty researchers, program managers, and personnel from government ministries and international organizations. The program was seen as so valuable that the International Association of Agricultural Economics is considering replicating the event biennially in developing regions around the world.

*Best institutional practices for farmworker and community equity-sharing schemes.* An MA thesis on this topic was completed at the University of Natal. The case studies and results of a cluster analysis of institutional, empowerment, management, and performance indicators observed at each equity-sharing enterprise were used in two journal articles.

*Important datasets created.* In addition to workshops, courses, and other training activities, many BASIS researchers and collaborators are making their data available at [www.basis.wisc.edu/data.html](http://www.basis.wisc.edu/data.html).

## **BASIS Outreach: Turning Research into Policy**

BASIS outreach activities help translate its research findings into policies that promote rural prosperity. One of the most effective methods of outreach results from relationships the projects build with key policymakers in the regions. This leads to direct policy involvement, as evidenced by the following examples.

*Agrarian policy, tax policy, and eligibility for social benefits in the Kyrgyz Republic.* The Ministry of Agriculture, Water Resources and Processing Industry established a working group that includes a BASIS researcher invited to participate because of his involvement in the BASIS farm management survey. He participates in the "farm development" subgroup, through which he channels empirical results of the survey and case studies. The Kyrgyz government intends for the new land tax rates to help equalize taxation of rural residents (who pay the land tax) and urban residents (who pay a personal income tax).

To make tax payments comparable, BASIS supplied information on mean values and variation in farm returns per hectare and per worker. Results of the analysis were reported to parliament and presented to the business community. In addition, current methods in the Kyrgyz

Republic for determining eligibility for social benefits in rural areas do not account for income received by farmers from subsistence farming and livestock rearing, which often make up a large share of total household income. BASIS data proved useful in estimating income from these sources disaggregated by region. The Ministry of Labor and Social Protection plans to incorporate the results into a new law on social benefits for the poor.

*Agri-food sector in the Russian Federation.* The head of the Department of Agrarian Policy stated that BASIS's work will result in political recommendations to strengthen the organizational, economic, and legal base of the agri-food sector. BASIS has organized several major conferences in Russia that deliver information and analysis to participants from ministries, farm groups, agribusiness, and academies.

*Poverty reduction strategies in Kenya and Madagascar.* In Kenya, a workshop on economic growth and poverty reduction presented key issues in agriculture and rural development for consideration by the government-led economic recovery strategy. In Madagascar, a national level stakeholder meeting drew praise from the Minister of Agriculture and President Ravalomanana. They requested the full proceedings and background maps and sent BASIS a message of thanks.

*Rural finance in Latin America.* In Guatemala, BASIS is helping design and conduct a training program for clients of Genesis Empresarial, a leading microfinance institution with a client base of over 40,000. In Peru, BASIS collaborated with the Ministry of Agriculture in designing a risk module for the Ministry's annual producer survey. The Ministry seeks to identify and analyze the frequency of production shocks affecting different crops and regions. Information gathered will be used in the government's plan to design new crop insurance products.

*Local policy committee formed in Ethiopia.* With members drawn from local administration, rural development departments, NGOs, and Addis Ababa University, this BASIS committee provides research findings and policy recommendations directly to Concern International, Save the Children-UK, and World Vision International.

*New business models for delivery of rural financial services in southern Africa.* BASIS is contributing to progress in the microfinance sector by analyzing innovations and delivery services in the region. Results were presented to USAID, and a proposal for a pilot rural trade finance program is forthcoming.

### **Policy conferences and workshops**

In addition to direct involvement in policy dialogue, BASIS organizes conferences and workshops, often solicited by USAID, to deliver policy information on topics of project



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### **BASIS CRSP Conference Outputs**

*Land in the Caribbean: Issues of Policy, Administration and Management in the English-speaking Caribbean*  
[www.mhtc.net/~terra/carib\\_workshop/](http://www.mhtc.net/~terra/carib_workshop/)

*Paving the Way Forward for Rural Finance: Synthesis Paper and Conference Proceedings*  
[www.basis.wisc.edu/rfc/literature.html](http://www.basis.wisc.edu/rfc/literature.html)

*Delivering Land and Securing Rural Livelihoods: Post-independence Land Reform and Resettlement in Zimbabwe*  
[www.wisc.edu/lrc/zimbabwe/zimbook.html](http://www.wisc.edu/lrc/zimbabwe/zimbook.html)

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expertise to a wide range of audiences. Many of these outreach fora occurred in 2003, with more scheduled for 2004.

*Paving the Way Forward: An International Conference on Best Practices in Rural Finance.* Held in Washington, DC, June 2003, this event brought together 400 academics, donors, practitioners, and development professionals from 50 countries to discuss successes and failures from past involvement in rural finance. A synthesis report was produced that identifies five strategic programming areas to address constraints to economic growth in the agricultural sector and rural areas:

(1) Mitigating Risk, (2) Improving Information Access and Management, (3) Diversifying Products and Services, (4) Strengthening the Legal Environment, and (5) Enhancing Value-chain Financing. These programming areas should help open the way to greater entry and sustainability of private financial institutions, as well as providing the foundation for more effective rural microfinance institutions that serve the needs of low-wealth households.

*Workshop on Land Policy, Administration and Management in the English-speaking Caribbean.* Held in Trinidad & Tobago, March 2003, the workshop attracted 78 participants from 13 Caribbean countries and many international organizations. A Caribbean Land Policy Network was established and a volume of country diagnostic studies produced.

*Enhancing Land Access to Broaden the Base of Economic Growth: An International*

*Conference for Central America and Mexico.* Based on new primary research on land access and land policies in Central America and Mexico, this conference will bring together leading academics and key policymakers in an effort to forge a regional consensus about best practice policies to enhance land access and the impact of growth on poor households.

*Combating Persistent Poverty in Africa.* Beginning in 2004, BASIS will take research findings and lessons learned directly to the international policymaking community through the *BASIS CRSP Policy Conferences*. These major conferences will bring together leading researchers, key development professionals and policymakers in order to design well-grounded policy and programming recommendations. By synthesizing knowledge generated by the research projects, the first conference will help reveal reasons many households are caught in a trap of persistent structural poverty. BASIS is identifying minimum asset thresholds below which households do not have the capacity to take advantage of market liberalization or new technologies. The conference will allow proactive steps to be taken by communities, local governments and donors to combat persistent poverty in Africa.

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### **Upcoming Conferences**

#### **2004:**

*Combating Persistent Poverty in Africa*  
[www.basis.wisc.edu/persistentpoverty.html](http://www.basis.wisc.edu/persistentpoverty.html)

*Enhancing Land Access to Broaden the Base of Economic Growth: An International Conference for Central America and Mexico*

#### **2005:**

*Agricultural Policy Reform for Transition Economies*

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THROUGH ITS INNOVATIVE RESEARCH and responsive outreach activities, BASIS CRSP helps extend markets, foster agricultural development and food security, and create economic opportunities for the poor.



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