Institutional Innovations to Improve the Viability of Equity Sharing Under Privatization and Farm Restructuring:

Helping Land Reform Beneficiaries Gain Access to Land and Financial Resources in Central Asia and Southern Africa

by

Principal Investigators:

Michael J. Roth, Senior Research Scientist, Land Tenure Center, University of Wisconsin-Madison, 1357 University Avenue, Madison, WI, tel: 608-262-8030, fax: 608-262-2141, mjroth@facstaff.wisc.edu

Michael C. Lyne, Professor, Agricultural Economics, School of Agricultural Sciences and Agribusiness, University of Natal, Private Bag X01, Scottsville, Pietermaritzburg, South Africa 3209, tel: 27-33-2605410, fax: 27-33-2605970, lyne@nu.ac.za

Co-Principal Investigators:

Malcolm Childress, Research Scientist, Land Tenure Center, University of Wisconsin–Madison, tel: 608-262-9548, fax: 608-262-2141, mdchildr@facstaff.wisc.edu

Roman Mogilevsky, Executive Director of CASE-Kyrgyzstan and Associate Professor at the American University, Kyrgyzstan, tel: ?, fax: 996-312-282776, rmogilevsky@hotmail.com

Contracting Institution: Land Tenure Center.

Collaborating Institutions: CASE, Institute of Natural Resources, Lima Rural Development Foundation, Rural Development Institute

31 August 2001

Abstract

In response to the BASIS Phase II RFP, $600,000 is requested over three years for research on organizational and institutional innovations to improve the viability of equity-sharing projects in KwaZulu Natal and Kyrgyzstan. An action-oriented research program is proposed that: uses case study methods to identify the institutional and finance problems that constrain the operation of equity-sharing schemes created under privatization and land reform programs; determines "best practices" for deepening beneficiaries' access to resources and encouraging their productive use; and applies these best practices in the design of a limited number of new experimental equity-sharing projects. A baseline survey administered to beneficiaries on experimental projects will monitor carefully designed benchmarks of performance. A farm performance survey in Kyrgyzstan and an annual census of farmland transactions in KwaZulu Natal, both initiated under BASIS Phase I, will be supported to monitor the rate of farmland redistributions and changing economic performance within the beneficiary population at large. Group enterprises have become an important feature of farm restructuring programs in Central Asia, and land reform programs in Southern Africa. This research proposes influencing the policy debate over their role through action-oriented research, multi-disciplinary collaboration, and engagement of policymakers and practitioners in research design and implementation.

Problem Statement

Central Asia and Southern Africa are undergoing political and economic transition, the former from state and collective farm ownership to private groups and individuals, and the latter to redress the apartheid and colonial heritage of a racially biased and unequal land ownership. Despite their different histories and policy contexts, however, a core problem is shared – poor people in rural areas are unable to make productive use of their land resources. This problem is most acute where it has not been feasible to privatize land, infrastructure or movable assets to individual owners. Instead many beneficiaries find themselves co-owning resources, often in diverse groups, that lack the constitutional rules and organizational arrangements needed to effect decisive management, curtail free-riding, and encourage investment by the co-owners and outside financiers.

This research proposes examining the underlying causes of the institutional and finance problems that result in unprofitable and unsustainable use of co-owned resources. These case studies will yield a set of "best institutional practices" that can be applied when establishing other land reform projects where beneficiaries share inclusive rights to resources including land, capital fixed improvements, infrastructure, and movable assets. The enterprise model that will be utilized to apply these "best institutional practices" is the equity-sharing enterprise. This term, coined in South Africa, refers to a private company in which financial equity is owned by workers, managers and other investors in the form of tradable shares that define the extent of individual rights to decide on company management and share company profits and capital gains. This is quite distinct from a cooperative or collective farming enterprise where voting and benefit rights are egalitarian and non-marketable, resulting in free-rider problems that undermine members' incentives to invest time and money in the enterprise.

Literature Review and Policy Context – South Africa

Land reform in South Africa has fallen far short of the goals set by the first democratically elected government in 1994 (Deininger *et al* 1999:12). In the province of KwaZulu-Natal where farmland transactions have been monitored since 1997, less than 0.5% of the commercial farmland owned by whites has transferred to historically disadvantaged owners each year, despite the presence of an active land market and the availability of government grants to purchase land on a willing buyer-willing seller basis. The slow pace of land reform has been attributed to two fundamental obstacles. First, it is difficult to partition large commercial farms into smaller, more affordable units owing to legal constraints and the high cost of surveying, transferring and registering sub-divisions (Graham 2000:19; Simms 1997). Second, prospective farmers lack capital and are unable to finance land with mortgage loans from commercial banks due to cash flow problems caused by high nominal interest rates and relatively low returns to land (Nieuwoudt and Vink 1995; Lyne *et al* 2000).

Faced with these problems, most of the disadvantaged people who have managed to acquire farmland have done so by pooling their meager resources and purchasing farms collectively, a trend that is likely to continue even if the inflation rate declines and legislation restricting the sub-division of commercial firms is repealed. During 1997-2001 more than half of the farmland purchased by historically disadvantaged people in KwaZulu-Natal transferred to groups and not to individual owners or married couples (Graham and Lyne 1999). This poses a major challenge to policymakers as the farms acquired by groups of land reform beneficiaries are already showing symptoms of becoming open access resources - stocking rates are often unsustainable and beneficiaries are unable or unwilling to make the investments needed to maintain shared infrastructure or to increase agricultural productivity (Hornby 1996, Lima 1998, Lyne and Graham 2000, Roth and Haase 1999).

These adverse outcomes signal institutional failure. In most cases, beneficiaries are assigned use rights to their co-owned land, but these property rights have not been clearly defined and seldom afford individuals exclusive rights to agricultural land. Moreover, large and diverse groups of land reform beneficiaries have not been encouraged to accept benefit rights[1] rather than use rights to land. A notable exception is the success of several equity-sharing schemes in the Western Cape province, which have redistributed commercial farmland and wealth while improving agricultural performance (Eckert *et al* 1996; Kirsten *et al* 1996; Hamman and Ewert 1998). These are company operations in which financial equity is shared between the previous owner and historically disadvantaged farm-workers, benefits and voting rights are proportional to tradable individual shareholdings (to prevent free-riding), and companies must comply with legal requirements that promote financial transparency and accountability. Operating assets are owned by the company, and enterprises are managed by an experienced farmer - frequently the former white owner - who is usually the majority shareholder. Importantly, these companies have been able to attract additional finance from banks and venture capitalists. Apart from financing these joint ventures, private financiers have also contributed expertise in building sound business organizations and training worker-shareholders to participate in a successful company (DLA 1998:8).

Private sector response to equity-sharing projects has been fueled by recent changes in government policy. In 1996, the South African Department of Land Affairs (DLA) made its land

[1] Benefit and use rights are different forms of property rights assigned to co-owners. Benefit rights allow co-owners to share in the profits and capital gains generated by their joint property. In this case, the co-owners do not use the land themselves but elect representatives who manage it on their behalf, hire an expert to manage it, or lease the property out. Use rights allow co-owners to use the property themselves.

grant available to farm workers to finance equity in land-based enterprises. Then in 1999, the DLA launched its Land Reform Credit Facility (LRCF) with the aim of drawing private sector finance and human capital into commercially viable land reform projects (LRCF 1999). This Facility offers loans with deferred or graduated repayment schedules to reputable banks and venture capitalists who finance, on similar terms, equity-sharing projects and land purchased by aspiring farmers. In essence, the LRCF inherits the (temporary) cash flow problem caused by high rates of inflation.

Early response to the LRCF has exceeded expectations. The loan target of R15 million (US$2.15 million) set for the first year was reached after only eight months (Lyne et al 2000). Together, government land grants and the LRCF could play a significant role in redistributing commercial farms to disadvantaged farmers and farm workers in South Africa. However, the real challenge lies outside the commercial farming sector in the homelands where most of the rural poor are concentrated and high quality resources are poorly utilized. Land that is well suited to high value irrigation and ecotourism projects has not been developed because the resources are shared by communities who face institutional and finance problems similar to those confronting land reform beneficiaries (DOA 2000;Wynne and Lyne 1995). Although there have been some well documented attempts to draw rural communities into land-based enterprises (e.g. operation Campfire in Zimbabwe), the idea of developing communal resources by formalizing mutually beneficial equity-sharing arrangements between communities and private financiers has not been researched or applied in South Africa. This research is important because weak institutional arrangements can skew the distribution of benefits away from community members, diminishing their incentive to participate in projects that offer potential improvements in both equity and efficiency.

Literature Review and Policy Context – Kyrgyzstan

During the Soviet era, almost all agricultural assets were state or quasi-state property. Rapid privatization of state assets in Kyrgyzstan's agricultural sector since 1992 has resulted in the creation of a large group of new agricultural enterprises whose common characteristic is shared ownership by groups of member-owners. Three broad classes of these newly privatized entities have emerged from privatization: agricultural production enterprises, agricultural service enterprises,[2] and water user associations. Seventy percent of arable land, almost all agricultural machinery, and almost all agricultural services (transport, chemicals, food processing) are owned and managed by privatization beneficiaries who have become shareholders in the new enterprises.

Growth in agricultural and economic output in Kyrgyzstan fell at an average annual rate of 5% and 12% respectively during the period 1990-96 accompanied by rampant inflation and high real interest rates (Roth 1998). While the agricultural economy has returned to growth during 1996-99, the basis for long-term sustainable economic growth will be difficult to maintain without improvements in efficiency, increased public and private investment, and institutional development of enterprises and service sectors. To a large extent, these improvements will depend on the ability of new equity-sharing enterprises to innovate and expand under adverse economic conditions (World Bank 1997).

The constraints to profitable farm operation are many. The trading system of the command economy has disappeared, but new, market-oriented systems of allocation and exchange are developing slowly. Assets received by new member-owners are aging and require

[2] While agriculture machinery has mostly been nominally privatized to workers of the former-state farms, in practice the management remains with either the successor collective farms, or a government agency, AilTechService, which operates as a leasing company through the local government administration. This agency also maintains a monopoly on the import of new equipment.

repairs or replacement. Capital to repair and replace equipment, buildings and livestock is extremely costly through the formal financial sector, itself fragile. Leadership positions often have little accountability to worker-members and transparent decision-making is lacking. Anecdotal evidence points to problems of asset-stripping by irresponsible leaders in some cases, and government interference in others. The legal framework governing shared ownership is untested and many areas remain open to interpretation. New investment is scarce and outside investors have shown little interest in participating in these enterprises, except in a few cases. Women are constrained from implementing their full range of rights, particularly during divorce or after the death of a spouse. Water-user associations face unresponsive water departments and the reluctance of members to pay for improvements previously supplied without charge.

Recent discussions of post-Soviet agriculture have focused on the decapitalization of collectively managed enterprises; current arrangements create incentives to defer or forego replacement of equipment (the "horizon problem" identified by Cook and Iliopoulos, 2000) and favor household plot production (Caskie 2000). Caskie comments that, "[t]he absence of capital investment will lead to the eventual exhaustion of the farm's resource base, as plant and equipment wear out and land impoverishment accelerates" (p. 207). This same tendency is observed in Kyrgyzstan, where co-owners caught in a "risk trap" are unwilling to accept the substantial risks of restructuring (the "portfolio problem" identified by Cook and Iliopoulos, 2000), but are also unable to maintain asset levels on the unrestructured farms (Childress 1999). Others focusing on the transition from collective to corporate management in post-Soviet countries emphasize the need for effective legislation regulating the rights of shareholders and workers to encourage transparency and greater investment in the restructured farms (Prosterman, Rolfes, Duncan 1999). Even though Kyrgyzstan has a fast-growing sector of small, independent farms that have broken off from the collectives, the small farmers remain dependent on service entities operated by shareholders, and most are members of a service cooperative or water-user association. Privatization constrained by indivisible assets or costly asset restructuring is thus forcing the issue of creating corporate forms capable of managing shared assets.

These concerns are exacerbated by the severe shortage of working capital and long-term mortgage credit faced by most farming enterprises. As noted by the Asian Development Bank (1998), "farm development is constrained by legal, structural, management and financial limitations which preclude many farms from immediate access to credit." Existing farm entities, their management and shareholders, need assistance in determining: 1) what type of lawful entity to choose; 2) what farm structures to adopt; 3) what technologies to use; 4) how to increase farm investment and acquire farm business training; and 5) how to obtain working capital or investment loans to enable investment.

Agribusiness reform has been more complicated than land and property reform because of market disintegration and debt overhang.[3] The profitability of the agribusiness sector is constrained by lack of credit access, low levels of investment, rapidly depreciating equipment and infrastructure, government interference and corruption, and uneven competition between privileged government firms and private ones. According to Mudahar (1997):

> The agro-industrial subsector is in serious crisis. Annual production fell more than 90 percent from 1990 to 1996 for most processed food commodities, largely because of low efficiency, poor product quality, poor packaging, loss of market, declining demand, lack of credit, and reduction in raw material supply….[T]he problems facing agro-industry need to be addressed through private and public sector partnership and the elimination of unnecessary regulation. Participation by foreign joint ventures is needed to get access to capital, technology, management, and export markets. Privatized enterprises need to be restructured further to make them more competitive, and the remaining state-owned enterprises need to be privatized and given appropriate post-privatization support.

[3] Debt overhang refers to debt inherited by the privatized collective and cooperative farming enterprises in the Kyrgyz republic, and which is now a liability shared by the new co-owners.

Management of the country's 631 irrigation schemes is another area in which asset privatization has resulted in "failed" shared-ownership of water resources. In former times, the management of state and collective farms exercised ownership of irrigation facilities. Now, in the post-privatization era, there is little consistency in who manages or controls water rights. By decree, the Ministry of Agriculture and Water Resources (MAWR) transferred water rights to Village Councils, which lacking staff and financial resources, found it impossible to fulfill these newfound responsibilities. The Village Councils have now transferred responsibilities for operating and maintaining water distribution systems to Water User Associations (WUAs), where established. However, while about 80 WUAs have so far been legally established, almost all are in an embryonic stage (World Bank 1999).

As shared ownership arrangements continue to evolve in Kyrgyzstan, ongoing changes are called for in the legal framework. Women's property rights are particularly problematic because tradition makes it harder for women to exercise their new legal rights over property. While women generally have legal and de facto access to land and other farm assets, their rights derive from membership in a household. However, when a woman lives outside a male-headed household, these rights are sometimes lost. In certain instances, particularly when families break up, both customary and written law may leave women vulnerable to losing all claims on jointly shared property (Giovarelli 2000). Recommendations for improving the management of equity sharing enterprises need to be sensitive to this potential for bias.

Each of these domains of shared ownership - farms, agribusiness and irrigation infrastructure - face the common investment constraint identified by Mudahar (1997):

> The high risks in agriculture…make it [the sector] a low priority for financing by the domestic private sector, including commercial banks…while regulations are

too cumbersome and offer inadequate economic incentives to foreign direct investment.

For Kyrgyzstan to consolidate economic growth, corporate governance mechanisms are required that protect shareholders equity, encourage members to contribute to the enterprise, and better integrate farm production with the agribusiness sector. Recent literature on "New-Age Cooperatives" has identified several institutional reasons (including the "horizon"[4] and "portfolio"[5] problems) for the poor performance of joint ventures that operate like traditional cooperatives. Converting the legal status of an enterprise from cooperative to company represents only a first step in effecting the institutional changes needed to encourage investment and profitability. Building appropriate institutions, and the capacity to manage them, is a long-term process that usually requires external facilitation and expertise.

Without resolution of internal management and incentive questions, horizontal and vertical linkages are difficult to develop. Yet in the absence of these external linkages and the liquidity needed to sustain a market for members' shares, equity-sharing enterprises are still unlikely to be able to offer shareholders good reasons to support the enterprise with their own equity and labor. Unlike Southern Africa, where an external financier[6] may be a candidate to embody and promote such linkages as an equity partner, no similar figure stands out in Kyrgyzstan. Other sources of long-term finance will thus need to be explored (e.g. vertical integration with processors, foreign partnerships, credit schemes and debt for equity exchanges).

[4] The horizon problem refers to the bias against long-term investment caused when members of a traditional cooperative are unable to realize the capital gains generated by prudent long-term investment because they are not allowed to sell their shares at market value.

[5] The portfolio problem refers to the bias against profitable but risky investments because members of a traditional cooperative have the same voting power regardless of their equity contributions or patronage. The few entrepreneurial members who are willing to finance more profitable investments are outvoted by the risk-averse majority.

Global applicability

Despite their geographical and historical differences, both research sites –South Africa and Kyrgyzstan – have a number of similar characteristics that combine usefully in a research program:

- Collective or group ownership and management of land and water resources and fixed capital improvements is emerging as a prevalent model in both transitions;
- Because of subdivision constraints (Southern Africa), debt overhang and farm size constraints (Central Asia) and financial market failures (both regions), there is need for strategies that improve the access of groups/communities to physical and environmental resources; and,
- Various factors -- organizational inefficiencies, free-riding, weak legal framework and moral hazard[7] -- constrain the willingness and ability of groups to finance the investments needed to maintain or increase farm earnings.

These issues are more widespread than the two countries concerned. Indeed, the problems described for Kyrgyzstan mirror closely the problems and history of privatization in neighboring Kazakhstan, and to a lesser extent Uzbekistan.[8] The policy experimentation taking place in South Africa has wide applicability in most southern African countries (most notably Zimbabwe) which share a common history of colonial expropriation of resources, dual economies, and concentrated ownership.

There are nonetheless important differences that must be accounted for in the research design. First, South Africa is further ahead in its thinking on the policy framework generally, and in particular on laws and regulations governing group enterprises. Second, South Africa has a more robust market in land and financial capital, which combined with a firmer policy and legal

---

[6] Credit for equity-sharing enterprises in South Africa is available from both public/state and private commercial sources.
[7] Moral hazard refers to the risk that some members will not comply with managerial decisions. This risk, which is more acute when legal provisions governing business organizations are uncertain, discourages other members and lenders from financing joint enterprises.
[8] Both Kyrgyzstan and Kazakhstan are considered aggressive reformers, while Uzbekistan has take a more gradualist approach to privatization.

framework, gives it more degrees of freedom in setting policy interventions (e.g. market-assisted land reform). Third, Kyrgyzstan lags South Africa in institutional capacity (governmental and non-governmental) to design reforms and assist beneficiaries in their implementation. The impressive breadth of NGO organizations in Southern Africa is without parallel in Kyrgyzstan so fundamental steps of facilitating enterprises will take longer to develop. Because of these differences, the Krygyz program will be slower in developing, and strategies that help bridge the gap in knowledge and experience between the two sites will be needed.

Research Objectives and Approach

This research program proposes to:

1. Identify the institutional and finance problems that constrain the operation of equity-sharing schemes created under privatization and land reform programs in Kyrgyzstan and South Africa;

2. Based on the constraints identified, determine a set of "best practices" for broadening and deepening beneficiaries' access to resources, and encouraging their productive use, through the study of successful equity-sharing schemes;

3. Apply these best practices to the design or redesign of a limited number of new or experimental equity-sharing schemes; and

4. Determine how these organizational and institutional innovations combined with greater land and financial market integration can improve their economic and environmental performance.

The research program will be action-oriented with a primary focus on identifying constraints, finding solutions to problems, and "acting out" solutions by processes of experimentation and interaction (Johnston and Clark 1982: 23-28). The research design in figure 1 will help guide enterprise selection in the two regions for each of two types of enterprises – groups engaged in agricultural production and marketing, and groups engaged in the management of environmentally sensitive resources (ecotourism projects in South Africa, irrigation projects in Kyrgyzstan).

Facilitating joint equity enterprises to resolve efficiency problems associated with land reform and farm restructuring brings forth images of the dismal performance of cooperatives and collectives, particularly in the Central American and former Soviet Union settings. Recent literature on "New-Age Cooperatives" has helped to identify some of the institutional reasons for the poor performance of joint ventures that operate like traditional cooperatives. Beyond exploring the reasons for institutional failure in the KR and SA cases, this research activity seeks to build upon the recent literature by exploring institutional solutions that 1) convert the legal status of the cooperative/collective/community to a company that manages joint enterprises and their horizontal and vertical linkages on behalf of its beneficiary members; 2) clarify and assign individual rights to property and benefit streams; and 3) establish incentive and penalty structures that encourage sound business practice, managerial accountability and investment by members and external financiers.

According to figure 1, the viability of rural (agricultural and ecotourism) enterprises is determined by differences in the macro or meso policy environment that affect incentives and legal certainty (cells I and III versus II and IV), and by differences in organizational and institutional arrangements (cells I and II versus III and IV). Quadrant (I) is the worst-case scenario, i.e. poor policy environment and ill-designed organizational structure governing the operation of enterprises. Quadrant (IV) is the best case scenario – positive policy environment and well-designed organizational structures. Although South Africa is further ahead on its policy framework governing group enterprises and has a more robust market in land and financial capital, it is clear that some projects have not performed as well as others. Likewise, in Kyrgyzstan where the policy framework and factor markets are weaker, under-performing enterprises can be distinguished from those with relatively good performance.

Figure 1: Case Study Research Design, Equity Sharing Enterprises			
		Macro or Meso Policy Environment: Missing or Imperfect Factor Markets	
		Policy Constrained For Growth	**Policy Conducive for Growth**
Micro Environment: Organizational and Institutional Arrangements	**Constraining growth:** Large beneficiary group Non transferable shareholdings No external capital Weak accountability Poorly defined property rights Non-proportional income sharing	**(I)** KR N=5	**(II)** SA N=5
	Promoting growth: Small beneficiary group Transferable shareholdings External capital Strong accountability Well-defined property rights Proportional income sharing	**(III)** KR N=5	**(IV)** SA N=5

Research within each region is anticipated to proceed through four stages, with the Kyrgyz research proceeding at a slower rate due to the differences cited earlier (see boxes A and B). However, the following general research approach is anticipated:

Stage I, Identification of Constraints and Best Practices. A limited number ($n \leq 20$) of group enterprises will be selected for case study from South Africa and Kyrgyzstan (ten each). In practice, it might not be possible to draw five case studies from each cell of Figure 1. However, an effort will be made to select a range of enterprises that reflect high to low agricultural productivity, and agricultural to environmental land uses. In-depth interviews using a structured, open-ended questionnaire will be held to explore economic, financial, and institutional reasons for enterprise performance. Particular attention will be paid to institutional arrangements and how they impact internal rules, practices, compliance, incentives, and access to finance. How these arrangements affect women's access to resources will be emphasized. The analysis will aim to identify combinations of institutional arrangements that impact positively on performance (measured in terms of financial health, outreach and empowerment). These "best practices" will then be used to design and implement new enterprises and business plans under Stage II.

Stage II, Facilitation of Pilot Equity-Sharing Models. During the second year of the research program, two projects each from South Africa and Kyrgyzstan will be selected for further facilitation. If possible, enterprises with different land use patterns will be chosen. In South Africa, the pilot equity-sharing enterprises will be located in KwaZulu Natal, even though the case studies focus largely on the Western Cape because there are no equity-sharing projects in KwaZulu-Natal and very few in other parts of South Africa. Although there are some geographic, enterprise, and ethnic differences between the two regions,[9] it is essential that the positive experiences gained in the Western Province be transferred to other regions such as KwaZulu Natal. Best practices will be modified to suit local conditions.

Depending on the factors deemed important for determining success, beneficiaries will need to be identified, organizational arrangements decided upon, constitutions written, business plans designed, entities registered, and financing secured. These activities will be carried out by facilitators and fieldworkers knowledgeable in the best practices (via workshop training provided by researchers) and the legal framework. Two types of indicators will be determined. Indicators of performance will be established for each enterprise, and household impact indicators will be established through a baseline survey administered to a sample of 40 beneficiaries within each enterprise.[10]

---

[9] For example, "colored" farm workers in the Western Cape would most likely have a better grasp of their rights and obligations as shareholders than the black land reform beneficiaries in KwaZulu-Natal.

[10] Requires a new survey to be designed for South Africa. In Kyrgyzstan, the already existing Farm Performance Survey can serve this purpose as long as the experimental enterprises are drawn from or included in this sample.

Box A: Detailed Activities, Southern Africa
Stage I: (Oct 2001 – Sept 2002). The research program will commence with 10 case studies on established equity-sharing and community-based land reform projects in the Western Cape. Case studies will be selected to ensure variation across a number of known variables such as financial performance, enterprise type, use of external finance, relative shareholdings of workers, geographic region, size of beneficiary group, gender composition, and choice of legal entities and business organization. In-depth interviews will be conducted with the manager, board members, trustees, external financiers, local officials from the DLA, and the firms contracted to help with project planning, training and facilitation. Interviews will explore economic, financial and institutional reasons for the performance of each case study, where performance will be measured in terms of financial health, outreach and empowerment of historically disadvantaged farm-workers. Particular attention will be paid to institutional arrangements and how they impact on management, compliance, incentives, and access to finance. New Institutional Economic theory will play an important role in designing and analyzing the interviews. The analysis will aim to identify combinations of institutional arrangements that bear positively on the performance indicators. These "best practices" will then be considered for application in two proposed equity-sharing projects in KwaZulu-Natal. Ideally, these proposed projects (one in agricultural production and one in ecotourism) will already have been screened for their economic viability and financial feasibility by a prospective financier (*e.g.* Ithala bank), and will involve new enterprises on communal land rather than going concerns on private land.
Stage II: (Oct 2002 – Sept 2003). During the second year of the research program, field-workers will refine and apply the "best practices" to two enterprises – a farm production enterprise and an ecotourism project, preferably on communal lands. This will require identification of the beneficiaries; meetings with stakeholders (including the beneficiary community, tribal authorities, DLA, financiers and prospective manager) to propose and explain the desired institutional arrangements; negotiating acceptable constitutions; registering legal entities; the election, training and mentoring of representatives and office bearers; instructing members in their rights and obligations; refining business plans; and securing grant and private finance on favorable terms. To achieve these tasks, the field-workers will also have to be trained. In particular, the "facilitators" who deal directly with the beneficiary community must understand why the recommended practices are "best practices." Researchers will document progress and compile a set of benchmarks to monitor outcomes as the enterprise takes shape. A baseline survey of 40 beneficiaries within each project will be conducted to facilitate the monitoring process. The benchmarks will include measures of financial performance (e.g. value of shares, projected versus actual cash flow, beneficiary benefits), outreach (e.g. number and gender composition of historically disadvantaged shareholders) and empowerment (e.g. regular election of trustees, participation of trustees in board meetings, household incomes and employment opportunities). The researchers will also conduct a census survey of farmland transactions recorded in 2001 and 2002, marking the 5th and 6th consecutive annual census of transfer deeds in KwaZulu-Natal. The census provides information about the new and previous owner(s), farm size, location and, where relevant, purchase price and mortgage finance.
Stage III: (Oct 2003 – Sept 2004). The third year will be used to monitor the projects established in Stage 2, to conduct the census survey of farmland transactions recorded in KwaZulu-Natal during 2002, and to disseminate findings. The monitoring process will include a panel survey of the beneficiaries sampled in Stage II to measure the costs and benefits of their participation. A regional workshop is anticipated at this time to present findings to policymakers and practitioners, and to engage them in discussions on intervention strategies. Depending on timing and resources, the workshop would be expanded to include associates from select countries within the region (*e.g.* Namibia and Zimbabwe) with comparable research or experiences to share.

Box B: Detailed Activities, Kyrgyzstan
Stage I: (Oct 2001-Sept 2002). Three sets of enterprises will be identified for study and samples chosen: farm-level producers (2 smaller peasant enterprises and 2 larger collective farms) drawn from the Ministry of Agriculture and Water Resources (MAWR) Farm Survey, agro-industrial enterprises (2 processors, 2 machinery providers/services), and 2 water user associations. Taken from geographically diverse sites, these ten case studies will focus on the origin, value, maintenance and rights to shared assets (including land, buildings and equipment), relation of members to governmental and private agricultural services, sources of investment capital (particularly member equity, credits, equity partners and stock emissions), and pathways to financial viability. Legal and procedural instruments and internal rules used by these enterprises will be analyzed. Enterprises will be visited multiple times across different seasons, and in-depth interviews also conducted with the institutional actors, such as suppliers and buyers, with whom they do business. Information on strategic approaches to production, marketing and capital accumulation (in the farm and agribusiness areas) will be stressed. In addition a targeted analysis of the establishment and transfer of property rights to and from women will be a discrete focus of the case studies. This material will be prepared in a fashion which will make it useable as teaching material for the Rural Advisory Development Service, policymakers in government, NGOs, and for university curricula, emphasizing “best institutional practices.” A parallel analysis of the 468 enterprises in the farm survey will test hypotheses from the case studies for generalizability to a universe of co-owned enterprises.
Stage II: (Oct 2002-Sept 2003). In the second year, one enterprise each from the three categories of co-owned enterprises will be identified for further facilitation, but possibly with a longer lag time due to the poorer information base in Kyrgyzstan. Drawing on the South African experience, the Stage 1 material, the experiences of local NGOs, and working in consultation with the MAWR, the project will also attempt to identify potential equity partners for interested firms from a range of domestic and international sources, including new member contributions, producer associations, NGOs, vertical integration with processors, foreign investors, importers, financial service companies, stock offerings, non-governmental organizations and hybrid credit/equity stake models (e.g. loans for shares) and land sales. The research will make recommendations about the legal, procedural and financial steps needed to create equity-sharing schemes and suggest areas where legal or policy reforms could be made which would encourage the use of these instruments. The farm survey will continue to monitor overall sectoral changes in the indicators described in Stage 2, providing a four-year panel to track changes in farm performance.
Stage III: (Oct 2003-Sept 2004). While continuing to work on facilitation of enterprises, and monitoring their performance, work will begin on strengthening collaboration between the Kyrgyz and South African research community. A Kyrgyz researcher will travel to South Africa to observe the equity-sharing schemes and share findings at the Southern Africa regional workshop. Based on the linkage with the South African researchers and the experience of the first two stages, a detailed handbook of recommended practices for the management of equity-sharing enterprises will be produced and disseminated.

Researchers will advise on the types of organizational and institutional reforms to be implemented (these changes will not extinguish individual rights to communal property, but will rather encourage voluntary substitution of benefit rights for certain use rights); responsibility for implementing the reforms will lie with participating NGO and government bodies. For example, in South Africa, projects will not be implemented in KwaZulu-Natal unless a Project Identification Report (PIR) demonstrating full acceptance by community members, tribal authorities and financiers has been approved by the DLA. Otherwise, government will not award grants to the intended beneficiaries to purchase equity in the project. This precedent will also help to discourage private financiers from persisting with joint ventures that skew benefits in favor of tribal authorities or companies (tourism ventures for example) rather than land reform beneficiaries or community members.

Stage III, Monitoring of Pilot Enterprise Performance. The third year will be used to monitor the performance criteria on projects established under Stage II, to monitor beneficiary perceptions and benefits by paneling the respondents sampled in Stage II, to examine modifications made in the business and implementation plans to correct problems and address unforeseen constraints.

Monitoring Agrarian Structure and Farmland Transactions

Apart from the monitoring of beneficiaries of restructured enterprises in Stages II and III above, the research program will also continue to support two longitudinal surveys initiated under BASIS Phase I – The Annual Census of Farmland Transactions in KwaZulu-Natal, and the Farm Performance Survey in Krygyzstan.

The Annual Census of Farmland Transactions tracks the number of historically disadvantaged people who gain access to land, in what form (individual, corporate, communal), and the financing instrument used (grant, cash, mortgage loan) for KwaZulu Natal. Annual surveys were initiated under BASIS Phase I in calendar years 1998 (for deeds transactions in 1997), 1999, 2000 and 2001. The proposed research would continue this survey for calendar years 2002-04. Although the number of land transactions involving groups as buyers in KwaZulu-Natal during 1997-2000 represented only 16% of all transfers to historically disadvantaged people, they accounted for more than half of the area redistributed. Surveys of land reform projects conducted by Lima (1998:29-43) and Graham (2000:46) suggest that group sizes range from 8 to 500 households, with large groups occurring more frequently than small groups. Continuing to monitor these trends will show whether access to land and finance by the historically disadvantaged is improving or being impeded, thus helping researchers to assess the impact of policy interventions or to identify further constraints.

The Farm Performance Survey funded by BASIS and the British Know-How project in FY2000 consists of a national random sample of 468 farms, stratified by rayon, oblast and farm type in proportion to the national farm population. Funds provided by this proposal will enable the MAWR to continue this survey in calendar years 2002 and 2003. The survey data made available to the research team will provide indicators on the performance of pilot enterprises. In addition, the survey will provide data on sources of inputs for production including machinery and irrigation water, contractual and financial mechanisms for input acquisition, output marketing, and internal decision-making on resource access, use and individual and collective rights to resources. This survey will complement the case studies by providing national, quantitative indicators linking on-farm production with systems of managing shared land and equipment, and linking producers and water-users with agribusinesses. Like the Annual Census in South Africa, the time series will make it possible to measure changes in institutional characteristics and performance over time.

Indicators and Results Monitoring

A variety of indicators will assist researchers in identifying best institutional practices for purposes of both facilitating new experimental enterprises and informing scholars and policymakers beyond the immediate impacts of this project. These include for the case study enterprises, *inter alia*, their financial performance, use of external finance, relative shareholdings of workers, size and gender composition of beneficiary group, and choice of legal entities and business organization. Specific indicators and their measurement will be determined during the course of designing the research methodology and survey instruments, and data will be collected only once in Stage I for Kyrgyzstan and South Africa.

In stage II of the South African research, a panel of 40 beneficiary families will be established and baseline information collected on their socio-economic status, value of their shares, and their rights and obligations associated with enterprise membership and participation. A follow-up survey in Stage III will help monitor changes in these indicators and assess the net benefits of beneficiaries participating in the new experimental enterprises. Ideally, this follow-up survey would take place later, for example in years 4 or 5, to allow a longer-time frame for their (beneficiary) establishment. The decision when and whether to conduct this survey will be made at the end of year 2 based on progress made with facilitating the new enterprises and a determination whether the research program might be extended into subsequent years with additional core or add-on funding.

A number of indicators will be tracked throughout the life of the project to help monitor new enterprise performance (resulting from direct project interventions) and successful enterprise restructuring (only partially attributable to present and past BASIS interventions):

Kyrgyzstan

- Indicators of total costs, debts, asset values and profitability of restructured corporate enterprises and individual holdings based on the MAWR farm survey.

South Africa

- Rate of farmland distributions to the historically disadvantaged in KwaZulu Natal based on census data
- Annual and cumulative credit financing channeled through the Credit Facility to aid disadvantaged households in acquiring land based on data provided by the Directorate of Land Affairs

Kyrgyzstan and South Africa

- Number of enterprises restructured by the project
- Number and gender of beneficiaries affected
- Financial performance of restructured enterprises
- Level of beneficiary benefits and their representation in enterprise management and decision making

Anticipated Outputs

The types of outputs anticipated for Southern Africa and Kyrgyzstan will vary slightly because of differences in the needs of target audiences, existing capacity, and state of knowledge:

Region	Stage	Output
South Africa	1	BASIS Brief on best institutional practices
	2	BASIS Brief on facilitation of equity-sharing schemes on communal land
		BASIS Brief comparing the quantity and quality of farmland transferred to disadvantaged men, women and groups by different modes of land redistribution
	3	Southern Africa workshop presenting results to policymakers, financiers and relevant NGO's
		Manual summarizing the best practices, guidelines for implementing equity share projects on communal land, and study results
		Report on land transfers in KwaZulu-Natal from 1997-2002
		Two journal papers dealing with the case studies and experimental projects respectively
Kyrgyzstan	1	Report on successful approaches to management of equity-sharing enterprises
		Training materials (slides, graphics, fact sheets) and seminars presented for agricultural enterprises and the agricultural support services community
		Analysis of the establishment and transfer of property rights to and from women in a written report and module in training materials
	2	Policy report of use to governmental decisions makers and donors
		Sets of situation outlook reports useful for agricultural enterprises and local governments
	3	Handbook of best practices. Set of legal and regulatory recommendations
Central Asia and Southern Africa	4	Interregional Workshop
		Synthesis document

In South Africa, the briefs and manual will be disseminated to key personnel at the DLA, Ingonyama Trust Board (which administers communal land in KwaZulu-Natal), LRCF, the Environmental Justice Networking Forum (EJNF) and their 250 participating organizations, Itahala Bank and other financiers (either directly or via the Council of South African Banks). In Kyrgyzstan, reports (in Kyrgyz, Russian and English), training materials and seminars, will be made available to the agricultural sector and supporting institutions. The project will also use the contact network and agricultural newspaper of the MAWR/Rural Advisory Service (RADS) to diffuse the material to the approximately 400 local councils in the country. Finally, researchers will target regional and international journals for publication outlets, and the BASIS Brief series for scholarly publication.

Synthesis

One or more research publications synthesizing the research from the two comparative sites are planned for the fourth year of the program,[11] but a number of discrete activities are programmed to ensure that research findings are globally focused, including: 1) US-KR, US-SA, SA-KR and KR-SA researcher-to-researcher collaboration to share and disseminate findings; 2) a KR-SA Policy Symposium in year 4 to help distill findings on common constraints and solutions; and 3) regional workshops to share BASIS findings within the region, but also to learn from other leading scholars with knowledge and experience to share. Finally, the ongoing series of policy seminars supported by BASIS will help to further focus the research toward global priorities, but also to serve as a conduit for disseminating research findings to bilateral and multilateral donors that are beyond the reach of the country and regional workshops.

Contribution to BASIS Themes and USAID Objectives

Institutions critically influence the processes used by households and individuals to gain access to, exercise rights over, and use factors of production. This research seeks to better understand the factors constraining the performance of equity sharing schemes in two important areas

Box C: Activity Matrix and Timeline

	Pre Project Startup	Year 1 Oct 2001 to Sept 2002	Year 2 Oct 2002 to Sept 2003	Year 3 Oct 2004 to Sept 2005	Year 4 [a] Oct 2005 to Sept 2006
Global Activities:					
MOUs and solicitation of add-ons to scale up project					
Study tour to Southern Africa					
Workshops				Cross Regional	KR & SA Equity Sharing Symposium
Research Program Southern Africa:					
Case studies of established equity sharing and community based land reform projects					
Identify equity share project(s) for implementation					
Plan, finance and facilitate new enterprises					
Training seminars					
Measure benchmarks for monitoring progress					
Cross-regional workshop					
Research Program in Kyrgryzstan					
Case studies of viable shared ownership enterprises					
Training seminar					
Identify potential equity sources or partners					
Identify equity share schemes for implementation					
Plan, finance and facilitate new equity enterprise					
Seminars and policy workshops					
Impact Monitoring					
Census of farmland transactions (SA)	4th Survey	5th Survey	6th Survey		
Farm Performance Monitoring Survey (KR)					
Survey of beneficiary households to monitor performance (SA)			Beneficiary baseline	Performance Survey	

a. Year 4 not funded to date.

undergoing political and economic transition – Central Asia and Southern Africa. Lessons learned from the case studies and the facilitation of new equity-sharing enterprises will also help to identify and resolve the social, institutional and organization problems associated with rural privitization and farm restructuring. The proposed research thus links closely with the first BASIS theme, *Constraints to Effective Agricultural Resource Use in Post-Reform Economies*.

The proposed research also supports the second BASIS theme, *Constraints to Coordinated, Sustainable Use of Environmentally Sensitive Resources*. How to maintain or improve the wealth of a country's natural resources (arid and irrigated cropland, pastures, water and wildlife) under privatization and farm restructuring poses complex problems of sustainability as old rules and practices pass away but new institutions and systems are delayed in implementation or are slow in coming. The economic collapse of countries like Kyrgyzstan and the dual economy of South Africa, have created substantial poverty, that if not addressed, runs the risk of pushing the poor onto fragile lands or into unsustainable land use practices. The focus on irrigation and ecotourism enterprises, when choosing experimental enterprises to facilitate, seeks both to improve livelihoods and conserve the environment by building better institutions to manage common property resources, improving incentive structures, and strengthening the integration of the land and financial market.

The research also gives emphasis to identifying and resolving gender constraints. It will monitor how the proposed equity share project(s) impact men and women in terms of their access to land, capital, employment, project benefits, voting rights and exercising resource management decisions. This process will indicate the extent to which the institutional innovations can broaden and deepen the participation of rural women in using land or assets more productively. Secondly, it assesses the scheme's ability to improve women's access to financial capital while promoting more sustainable/productive use of rural land in areas where land may be leased but not sold. Thirdly, the annual census of farmland transactions (South Africa) and the Farm Survey (Kyrgyzstan) will show gender differences in land and capital access, and suggest land and financial reforms needed to broaden access and raise productivity.

The proposed research also supports USAID mission strategic objectives (see annexes for Kyrgyzstan and South Africa). In South Africa, the research project would support the mission's objectives of increasing effective partnership among government, NGOs and the private sector under the goal of *Building Democracy*. It would also support SO3, improving the capacity of key government and NGOs to formulate, evaluate and implement economic policies to promote economic growth and equity, and SO4, increased access to financial markets for the historically disadvantaged. In Kyrgyzstan, the research would support mission goals to deepen financial markets and develop appropriate legal infrastructure for commercial activities, particularly SO2 (accelerated development of private enterprises) and SO3 (more competitive private financial markets) under the mission's Economic Transition strategic objective, and SO1 under the mission's Democratic Transition strategic objective.

Collaboration and Networking

Michael Roth (agricultural economist) of the Land Tenure Center (LTC), University of Wisconsin-Madison and Michael Lyne (agricultural economist) of the Department of Agricultural Economics at the University of Natal will be responsible for the overall design and implementation of the research program. They will be supported by a number of key researchers including Meergul Bobukeeva (KR, law), Malcolm Childress (LTC, development studies), Stuart Ferrer (SA, agricultural economics), Roman Mogilevsky (KR, economics), Renee Giovarelli (RDI, law), Susana Lastarria-Cornhiel (LTC, sociology), and Peter Greene (SA, agricultural management). LTC will serve as the BASIS contracting institution responsible for communications with the BASIS ME and USAID, and for the administration of subcontracts with the INR, CASE, and the Rural Development Institute.

The program will also involve a number of NGO partners and networks including:

Center for Social and Economic Research in Kyrgyzstan (CASE-Kyrgyzstan). CASE-Kyrgyzstan was founded in 1998 by the Center for Social and Economic Research (CASE, Poland). It is an independent non-governmental research organization whose purpose is to assist the social and economic development of the Kyrgyz Republic through research, training and advisory activities. The Center is one of the first think-tanks in Kyrgyzstan. All of the Center's activities are based on the principle of independence from the government and non-engagement with any political parties and organizations.

Environmental Justice Networking Forum (EJNF). The EJNF will be used to disseminate findings. The EJNF lobbies for, and disseminates information to its 250 participating organizations (POs). These POs publicize environmental problems and opportunities affecting historically disadvantaged people. Based in Pietermaritzburg, KwaZulu-Natal, the EJNF has branches in seven of South Africa's nine provinces and employs a permanent staff of 12 of whom all but one are non-white.

Institute of Natural Resources (INR). The INR, located in Pietermaritzburg, South Africa, operates at the nexus of people, environment and development in southern Africa. Its research, consulting, training and facilitation activities are structured around four foci: natural resource management, integrated development, agriculture and agribusiness, and coastal research and management. It has a long experience implementing projects and managing government and donor funds in partnership with rural and urban communities, development and conservation organizations, research organizations and the private sector. The INR served as the local collaborator for administering contracts for activities in the southern Africa region under BASIS Phase I. It will continue to administer BASIS funds for the South African researchers under this proposal.

Lima Rural Development Foundation. Lima was established in 1989 as a non-profit organization under Section 21 of the South African Companies Act with the objective of providing an integrated rural development service to rural communities. At present, Lima has a permanent staff of 55 of which 85% are non-white, 40% are women and 42% are professional or technically trained. Of Lima's ten-person management committee, four members are black and four are women. Lima will be responsible for facilitating the equity-sharing project(s) during the second year of the research program. The facilitators will be trained and supervised by Peter Greene who will also adapt the set of "best practices" to suit conditions at the project site, deal with the formalities of registering legal entities, develop business plans, negotiate terms with financiers, host other researchers, prepare progress reports and contribute to publications and presentations.

Strategies for developing institutional and host researcher capacity

Researcher skills will be enhanced through shared learning, a cross-regional study tour and regional workshops. A number of degree students, 2 in South Africa, and 1 in the US – will receive training under the project. In addition, formal training will be given to the field-workers tasked with facilitating the institutional changes recommended for the proposed land reform project(s). In turn, the facilitators and researchers will train and mentor members of the beneficiary community, their elected representatives and office bearers.

Policy and Program Intervention.

The research program will also endeavor to engage government and the private sector as participants in the program to both help focus the research toward national priorities and assist in policy formulation.

In South Africa, design of the pilot equity sharing projects will of necessity involve Ithala Bank and the LRCF as financiers. Likewise, the Ingonyama Trust Board will play a central role in the design stage because it is legally responsible for brokering and administering long-term leases over communal land. Lima will be involved in the facilitation of new equity enterprises. The DLA will assist in selecting the pilot projects as it must approve a "Project Identification Report" before grants can be awarded to beneficiary households to purchase equity in the joint venture. Dr Lyne has a close relationship with staff at the EJNF's head office in Pietermaritzburg and with the manager of DLA's Land Reform Credit Facility (LRCF) that he was instrumental in establishing.

In Kyrgyzstan, the research will involve personnel from the MAWR in analytical roles, working with both the case study and survey data. This involvement is consonant with MAWR plans to develop a policy analysis department. The preparation of "best practice" materials and training programs for their use will be developed jointly between the project and the MAWR's Republican Center for Land and Agrarian Reform, and the affiliated Rural Advisory Development Service. The MAWR will also assist in the selection of model enterprises for inclusion in Stage 1 and 2, and assist with identifying sources of investment. The project will work with MAWR to prepare a set of "best practice" guidelines for the three types of enterprises (production, agribusiness, WUA's) and implement training for interested agricultural enterprises, NGOs and the Rural Advisory Development Service. MAWR will manage the farm survey data gathering and data processing. In Stage 3, specialists from MAWR will meet with South African colleagues to share findings.

Costs and Scalability

Managing to develop a proposal that meets the targets of the RFP – *inter alia,* technical merit, geographic scope, global applicability, interdisciplinary research team, training and capacity building, engaging policymakers and practitioners, dissemination, and synthesis – proved difficult on the $200,000 per year requested in the RFP. The attached budget seeks to meet these targets, but resources are admittedly tight.

The principal and co-principal investigators will endeavor to contact USAID missions and regional bureaus to explore opportunities for additional funding. While these opportunities are by no means certain, anticipating them now will enable time to develop strategies for their implementation. A number of indicative opportunities would be explored should this proposal be funded:

1. Identify, facilitate and monitor one or more additional equity-sharing projects in Kyrgyzstan and KwaZulu Natal;

2. Resurvey the new farm entrants surveyed in KwaZulu-Natal during BASIS CRSP Phase I to assess changes in their *de facto* property rights and levels of investment in agriculture;

3. Extend the pilot survey in South Africa beyond the 3rd year of the project with additional funding for data collection and analysis;

4. Support additional time and travel by Kyrgyz researchers and policymakers to South Africa for study tours and participation in an interregional workshop (not yet funded);

5. An interregional workshop on organizational and institutional innovations within Equity Sharing Schemes in Central Asia and Southern Africa.

REFERENCES

Asian Development Bank. 1998. “Agricultural Area Development Project.” Processed.

Bloch, P.C. , Delehanty, J and Roth M.J.. 1996. “Land and Agrarian Reform in the Kyrgyz Republic.” Land Tenure Center, University of Wisconsin – Madison, Research Paper #128.

Caskie, P. 2000. “Back to Basics: Household Food Production in Russia*.” Journal of Agricultural Economics*. Volume 51, Number 2, pp.196-209.

Childress, M. 1999. “ Policy Brief: Land and Agrarian Reform and Farm Performance in Chui Oblast, Kyrgyz Republic.” Processed. SAC/DFID Land and Agrarian Project.

Deininger, K, Naidoo, I, May, J, Roberts, B & van Zyl, J. (1999) Implementing ‘market-friendly’ land redistribution in South Africa: Lessons from the first five years. Unpublished World Bank working paper.

DOA. (2000). Institutional arrangements for sustainable production on capital intensive projects in Ingonyama areas with specific reference to the Mooi and Tugela valleys. Unpublished report prepared for the KwaZulu-Natal Department of Agriculture, South West Region, Hilton.

DLA. (1998). Feasibility study for the support of commercial land transfer projects. Unpublished report prepared by the Department of Land Affairs, Pretoria.

Eckert , JB, Hamman, JN & Lombard, JP. (1996). Perceiving the future: Empowering farm workers through equity sharing. *Development Southern Africa*, 13(5)693-712.

Giovarelli, Renée (2000). “Women’s Rights to Land in the Kyrgyz Republic.” presented at Workshop, Bishkek, Kyrgyz Republic, June. (with Chinara Aidarbekova, Jennifer Duncan, Kathryn Rasmussen, and Anara Tabyshalieva).

Graham, AW. (2000). Land redistribution in KwaZulu-Natal: An analysis of farmland transactions recorded in 1997 and 1998. Unpublished MSc(Agric) thesis, Agricultural Economics, School of Agricultural Sciences and Agribusiness, University of Natal, Pietermaritzburg.

Graham, AW & Lyne, MC. (1999). Land redistribution in KwaZulu-Natal: An analysis and comparison of farmland transactions in 1997 and 1998. *Agrekon*, 138(4):516-525.

Hamman, J & Ewert, J. (1998). A historical irony in the making? State, private sector and land reform in the South African wine industry. Unpublished paper presented at the South African Sugar Association Conference, Johannesburg.

Hornby, AD. (1996). An analysis of the development constraints on a micro-institution in the KwaZulu-Natal land reform pilot programme. Unpublished Master's thesis submitted to the

Centre for Social and Developmental Studies, Faculty of Humanities, University of Natal, Durban.

Johnston, B.F. and Clar, W.C. 1982. *Redesigning Rural Development: A Strategic Perspective*. Baltimore: Johns Hopkins University Press.

Kirsten, JF, Van Rooyen, J & Ngqangweni, S. (1996). Progress with different land reform options in South Africa. *Agrekon*, 35(4):218-23.

Lima. (1998). Options for government's settlement/land acquisition grant. Unpublished report prepared for the National Land Committee, Johannesburg

LRCF. (1999). The Land Reform Credit Facility: Project Status Report at 16th August 1999. Khula Enterprise Finance Ltd., Johannesburg.

Lyne, MC & Graham, DH. (2000) The impact of land redistribution on tenure security and agricultural performance in KwaZulu-Natal. Unpublished paper submitted to *World Development*.

Lyne, MC, Zille, P & Graham, DH. (2000). Financing the market-based redistribution of land to disadvantaged farmers and farm workers in South Africa: Recent performance of the Land Reform Credit Facility. Unpublished mini-symposium paper presented at the XXIV Congress of the International Association of Agricultural Economists, Berlin.

Mogilevsky and Childress. 2000. "Farm Profitability in the Kyrgyz Republic: An Empirical Exercise." Processed. BASIS CRSP Project.

Mudahar, M.S. 1997. "Kyrgyz Republic: Strategy for Rural Growth and Poverty Alleviation." World Bank, World Bank Discussion Paper No. 394.

Nieuwoudt, WL & Vink, N. (1995). Financing of land purchase by small-scale farmers. *Development Southern Africa*, 12(4):509-17.

Prosterman, R., Rolfes, L and Duncan, J. 1999. "A Vision for Agricultural Land Reform in Russia" Rural Development Institute, RDI Reports on Foreign aid and Development #100.

Roth, Michael. 1998. Comparative Overview of Privatization, Land Redistribution and Farm Restructuring in Africa and the Newly Independent States. Seminar prepared for the SEGIR Privatization Roundtable: Issues in Land Privatization, 10 December 1998, USAID.

Roth, Michael and Dwight Haase. 1999. *Land Tenure Security and Agricultural Performance in Southern Africa*. Paper prepared for the Johannesburg World Congress on Land Use and the Sustainable Development of Natural Resources (submitted for publication).

Simms, P. (1997). Land redistribution in South Africa - some practical lessons. In *Proceedings of the 11th International Farm Management Congress, Vol. 1*, ed. L. Bauer. International Farm

Management Association and The Canadian Farm Business Management Council, Olds, Alberta, Canada.

World Bank. 2000. "Kirgizskaya Respublika: Prepyastviya dlya rosta—reforma selskova khozyaistvo agrobiznesa i dlya skoreshogo rosta." Processed. Paper prepared for Seminar on Integrated Bases of Development for Questions of Growth.

Wynne, AD & Lyne, MC. (1995). Communities, institutions and natural resources: An assessment of case studies from KwaZulu-Natal. *Development Southern Africa*, 12(5):649-667.

Annex A

Researcher Qualifications

Principal Investigators:

Michael John Roth is senior research scientist with the Land Tenure Center and adjunct professor with the Department of Agricultural and Applied Economics, University of Wisconsin-Madison. He holds a B.S. in Agronomy (Business Option) from Kansas State University, and M.S. and Ph.D. degrees in Agricultural Economics from Purdue University. He is currently program director of the BASIS CRSP, but has resigned effective September 2001. He is also project manager and lead researcher on the LTC/CASS Land Reform and Resettlement II project in Zimbabwe funded by USAID. Professor Roth has widespread experience in developing collaborative research and training programs with a policy and results-oriented focus. As program director of the CRSP, he is primarily responsible for CRSP leadership and oversight of technical programs, strategic planning, program development, reporting, and fund raising with USAID global bureau/missions and other donors. Under Phase I of the BASIS CRSP, he served as one of several key researchers on a study of Resource Access and Asset Management Strategies to Mitigate Food Insecurity in Amhara province, Ethiopia, and organized a symposium on Agricultural Policy, Resource Access and Nutrition in Eastern and Southern Africa. He has conducted research on land tenure and agrarian reform, and advised on land policy and rural development, in a number of African and Central Asian economies, including Ethiopia, The Gambia, Ghana, Kyrgyzstan, Mozambique, Somalia, South Africa, Uzbekistan, Zambia and Zimbabwe. He has more than 70 publications in journals, book chapters, proceedings, research bulletins, and conference papers.

Michael Charles Lyne is a professor in Agricultural Economics at the University of Natal, Pietermaritzburg, South Africa. He holds BScAgric(Economics), MScAgric(Economics) (*cum laude*) and PhD(Agric) degrees from the University of Natal. Professor Lyne was awarded the Economic Society of South Africa's Founder's Medal for Best Doctoral Thesis in 1991. In 1992, he was awarded the inaugural British Petroleum Research Scholarship in Rural Development and a Centre for Science Development (CSD) Grant to conduct research in the USA (Land Tenure Center, University of Wisconsin-Madison) and New Zealand (Lincoln University). He was selected as one of ten finalists for the Four Outstanding Young South Africans Award in 1995, and received a second CSD Grant for research abroad (Rural Finance Program, Ohio State University) in 1998. Professor Lyne has more than 50 publications in peer-reviewed journals, book chapters, conference proceedings and occasional paper series. In the last five years he has delivered papers at conferences in the USA, Zimbabwe, Lesotho, Namibia and South Africa. Eight of his papers have earned prizes. He has consulted widely in the field of agricultural development and, in 1999, his work with the South African Department of Land Affairs established the Land Reform Credit Facility to finance joint ventures between historically disadvantaged farmers and private financiers. He is principal investigator for the South African component of BASIS CRSP Phase I.

Co-Principal Investigators:

Malcolm Childress is a Research Scientist at the University of Wisconsin – Madison Land Tenure Center. He holds a Ph.D. (Development Studies) from University of Wisconsin – Madison. He has published on the economics of worker-managed enterprises and farm investments as well as on agricultural policy and land market dynamics in several developing countries. His research and project implementation has focused on worker-owned agricultural enterprises in Central America and Central Asia, and on issues of agricultural investment, land markets/land administration and farm competitiveness in Central America, the Caribbean, Albania and Kyrgyzstan. He is currently managing the research project, “Farm Size, Farm Type and Competitiveness in the Kyrgyz Republic.”

Roman Mogilevsky is an economist working on macro- and microeconomic and social problems of Kyrgyzstan. The author of over 60 scientific papers, he is an executive director of CASE-Kyrgyzstan. He is also an associate professor of American University in Kyrgyzstan and Kyrgyz-Russian Slavonic University, and works as an expert for different Asian Development Bank, UNDP, TACIS, and USAID projects. Mr. Mogilevsky graduated from Kyrgyz Technical University and received his candidate (Ph.D.) degree at one of the research institutions of the Russian Academy of Sciences in Moscow.

Other Key Researchers:

Meergul Bobukeeva is an attorney with the DFID/Scottish Agricultural College Land and Agrarian Reform Project. She has participated in the drafting of the Land Code and the Land Code regulations, the Law on Cooperatives, the Law on Registration of Land and the Law on Mortgage. She has been involved directly in training programs for government officials engaged in land reform and in preparing training materials for them. She writes and speaks frequently on land and agrarian reform law and its relationship to the Civil Code and other legislation.

Stuart Ferrer, holds a Ph.D. (Agricultural Economics) degree from the University of Natal in Pietermaritzburg where he lectures applied environmental economics and financial management at the School of Agricultural Sciences and Agribusiness. Dr Ferrer also works part-time for KwaZulu-Natal Wildlife as a resource economist, and has consulted to the World Bank, Water Research Commission, DLA, and the Department of Water Affairs and Forestry. His consultancies include an evaluation of the LRCF and an assessment of its financial sustainability. Since graduating in 1999, Dr. Ferrer has published three articles in peer-reviewed journals and he will be traveling to Moscow in September 2001 to present a contributed paper at 5th International Conference of the International Society for Ecological Economics.

Renee Giovarelli has an LL.M. from the University of Washington School of Law. She is currently Staff Attorney and Senior Legal Consultant at the Rural Development Institute. She has extensive experience with legal issues on land tenure reform, land market development, and farm reorganization, and also has specialized in intra-household and gender issues related to land tenure, especially in the Kyrgyz Republic. Her general fieldwork experience in the former Soviet Union and Eastern Europe has given her a comprehensive understanding of land law and policy issues in developing and transitioning economies. Her technical assistance experience is extensive and includes writing land tenure reform and rural development legislation and regulations, including a model regional mortgage law for Russia; developing and advocating legal frameworks that support land market development; developing laws for reallocating land and resolving land conflicts; designing and advocating procedures for reorganizing state and collective farms into smaller and more efficient farm units; establishing and implementing procedures for initiating and sequencing land market liberalization reforms; and developing and delivering training sessions to in-country nationals on land ownership, markets, financing, taxation, and transactions.

Susana Lastarria-Cornhiel is a sociologist and senior research scientist with the Land Tenure Center who received her Ph.D. from the University of Wisconsin-Madison. In her 20 years at the Land Tenure Center, she has undertaken research on land reform, land markets, land privatization, and the role of gender in land tenure systems. Dr. Lastarria-Cornhiel has worked in the Andean (Peru, Bolivia, Ecuador, Colombia) and Central American (Nicaragua, El Salvador, Honduras) regions of Latin America, in Africa (Uganda and Mozambique), and in Eastern Europe (Albania and

Macedonia). Research responsibilities have ranged from research design to implementation and analysis, both as an individual researcher and as part of a research team. Research methods utilized in these projects have included random and stratified sample surveys, case studies, rapid diagnostic studies, and key informant interviewing. She has published in a number of journals, contributed chapters to edited volumes, and number of research papers. She has also been invited to deliver paper presentations at a number of international fora such as the IASCP, LASA, World Bank, FAO, and the UN. Most recently, she was Visiting Scholar at the Food and Agriculture Organization (FAO/Rome).

Peter Greene is the General Manager of Lima Rural Development Foundation. He holds a Bachelor=s degree in agricultural management from the University of Natal, and has ten years of experience in the management of integrated rural development projects. His areas of specialization include agricultural project management, institutional development, and the implementation of land reform and integrated rural development projects. In particular, Peter has managed Sappi=s Project Grow for Southern KwaZulu-Natal, the land reform pilot program in KwaZulu-Natal from 1995 to 1997, and DLA=s regional office in Ladysmith from 1997 to 1999. Amongst other land reform projects, he implemented the Ngome community game reserve, the Amahlubi state land project, and the USAID-funded land rental project in Bergville.

USAID Strategic Objectives: South Africa
USAID in South Africa is focusing its resources on four major long-term challenges: "[1] Consolidating democracy and improving the quality of governance; [2]…improving services to the disadvantaged population in education, health, housing and other areas…; [3] Making appropriate economic policy and regulatory changes…to achieve higher, sustained economic growth; and [4] Expanding participation of the disadvantaged majority in the private sector and ownership of businesses, houses, and other assets so that the benefits of growth are spread more equitably within South African society."
Agency Goal: Building Democracy "USAID's democracy and governance programs supports South African efforts to strengthen and consolidate democracy and participatory governance in five areas: human rights and administration of justice, conflict resolution, public and civil society participation in policy development, and effective partnership among government, NGOs and the private sector. **Strategic Objectives:** SO1: Selected Areas of Democratic Governance Deepened and Consolidate
Agency Goal: Encouraging Broad-Based Economic Growth
Strategic Objectives: SO1: Selected Areas of Democratic governance deepened and consolidated SO2: Improved policies, systems, and capacities, contributing to a transformed educational system SO3: Improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies to promote economic growth and equity SO4: Increased access to financial markets for the historically disadvantaged population SO5: Improved access to environmentally-sustainable shelter and urban services for the historically disadvantaged population
Source: USAID webpage, FY1998.

USAID Strategic Objectives: Kyrgyzstan
In its programs leading up to FY 1998, Kyrgyzstan's economic restructuring program followed a three-stage progression: "(1) primary focus on short-term economic stabilization measures…; (2) support for privatization of small- and medium-sized enterprises; and (3) establishment of financial markets and development of an appropriate legal infrastructure for commercial activities….[USAID anticipates completion of the first two activities]…in FY1997. In FY1998,…[USAID envisages deepening]…its support to the third stage, in part by strengthening the now nascent financial sector through direct support to financial market institutions. Efforts will also continue in terms of further developing the legal and commercial infrastructure…"
Strategic Goal: Economic Transition
Strategic Objectives: SO1: Increased soundness of fiscal policies and fiscal management practices SO2: Accelerated development and growth of private enterprises SO3: A more competitive and market-responsive private financial sector
Strategic Goal: Democratic Transition
Strategic Objectives: SO1: Increased, better informed citizen's participation in political and economic decision making SO2: Demonstrate more effective, responsible and accountable local government
Source: USAID Webpage, FY1988