BASIS

Trip Report: Innovating Institutions to Help Land Reform Beneficiaries

Kyrgyzstan: 1-10 July. 2002
By Mike Lyne, Michael Roth and Malcolm Childress

Institutional Innovations to Improve the Viability of Equity Sharing Under Privitization and Farm Restructuring: Helping Beneficiaries Gain Access to Land and Financial Resources

Overview

BASIS researchers Mike Lyne from the University of Natal, South Africa and Malcolm Childress and Michael Roth from the Land Tenure Center, University of Wisconsin, in the US, visited Kyrgyzstan during the first two weeks of July 2002 (see schedule in Annex A). Roman Mogilevsky of the Center for Economic and Social Research in Bishkek assisted these researchers with organizing the venue, obtaining a visa for Mike Lyne, and arranging transport for the field tour. Alymbek Erdolatov helped set up a field tour and accompanied researchers Childress, Lyne and Roth on a three-day visit to carry out case studies on three enterprises undergoing restructuring.

Purpose

The purpose of the trip was fourfold:

- Review progress of BASIS work in Kyrgyzstan by Principal Investigators Mike Lyne and Mike Roth, including activities and project outputs undertaken to date;
- Undertake case studies of enterprises undergoing restructuring to identify constraints to growth and performance (see Annex B);
- Explore with USAID/Bishkek agricultural officer, Tracy Atwood, prospects for a mission add-on to the BASIS project to help extend and deepen resources for project activities in Kyrgyzstan; and,
- Begin work on developing the workplan (activities, budget and timeline) for the next fiscal year beginning in October 2002.

Progress Summary and Accomplishments

A. Background Studies

Three background reports in Kyrgyzstan have been completed in draft form to date:

Agricultural Businesses – Organizational and Legal Forms Permitted by the Legislation of the Kyrgyz Republic. CASE

Taxation and Other Financial Costs of Agricultural Entities. CASE

Financing Agricultural Restructuring in the Kyrgyz Republic: Can Donor Capital and New Credit Institutions Fill the Investment Gap by Alymbek Erdolatov, Malcolm Childress and Roman Mogilevsky

Mike Lyne earlier in June submitted comments on the paper *Financing Agricultural Restructuring in the Kygyz Republic*. During the trip Mike Roth provided additional comments (10 July memo) aimed at finalizing the first two reports – *Agricultural Business and Taxation* – as project working papers for posting on the BASIS web page, and the last paper *Financing Agricultural Restructuring* as a journal article.

B. Survey of Agricultural Enterprises

In 1999, BASIS helped support the implementation of the First Survey of Agricultural Enterprises by the Center for Land and Agrarian Reform. Statistical data were collected from 468 sampled agricultural enterprises on various aspects of their ownership structure, governance, land assets, land use, livestock holdings, access to financial resources, assets and liabilities, input availability and costs, yield and output, and enterprise earnings.

This project proposed resurveying as many of these enterprises as possible in November 2001 to help monitor changes in agrarian structure. In November 2001, CASE undertook the resurvey of agricultural enterprises: 323 enterprises were reinterviewed, 22 refused to be surveyed, and 123 could not be relocated. A total of 140 new enterprises were selected to replace those enterprises lost due to refusals or failures to locate.

This Second Survey of Agricultural Enterprises surveyed 463 agricultural enterprises including 168 individual farms, 233 peasant farms (group farming units), 43 collective farms, and 19 state farms. Preliminary descriptive statistics have been generated and researchers briefly reviewed the results during the study visit. The two surveys – 1999 and 2001 – create a panel of data that will form one focus of analysis in the next fiscal year.

Beyond this analysis, the loss of 123 enterprises between the first and second round surveys represents a high failure or loss rate that begs rather large questions about the reasons why. Possible explanations include enterprises abandoning the farming operation, or consolidation, or breakup of the farming enterprise into new individual or group forms. Both explanations have important implications for the dynamics of agrarian reform in Kyrgyzstan.

It would be useful to resurvey a subsample of these lost agricultural enterprises to identify reasons for the inability of entrepreneurs to relocate them in the second-round survey. However, the BASIS project did not budget resources to cover this activity, and due to time constraints on the Center for Land and Agrarian Reform and CASE in Kyrgyzstan, it is questionable whether the time would exist to undertake a resurvey even if funds were available.

The research team is currently considering the option of eliminating the 3rd annual farm survey scheduled for November 2002 and in it's place conducting a study of "lost" agricultural enterprises. The Farm Survey would again be carried out in November 2004, creating panel data on agricultural enterprises for 1999, 2001 and 2003. This decision would need the input of the Center for Land and Agrarian Reform which relies on this annual survey for its information. Alternatively, researchers have submitted a request for additional resources to the USAID/Bishkek mission to help supplement current BASIS resources for the farm survey.

C. Case Studies of Equity Sharing Enterprises

In this current fiscal year, Kyrgyz researchers were to select and interview approximately 10 enterprises for further intensive study. During the field trip, researchers Childress, Erdolatov, Lyne and Roth carried out three case studies (summarized in Annex B). Researchers Erdolatov, Childress and Renee Giovarelli of the Rural Development Institute are scheduled to carry out another 4-5 case studies later in July.

These case studies have confirmed that there are indeed many similarities between farm privatization in the Kyrgyz Republic and land reform in South Africa, both in problems being experienced by beneficiaries in making use of productive assets, and in solutions being tested. South Africa is further along in the process of restructuring and has adopted a broader mix of policy instruments to aid in the restructuring. Having Mike Lyne from South Africa visit the Kyrgyz situation first hand was instrumental in confirming his and the group's thinking on synergies between the two regions, a situation that researchers hope to further develop in future years by the visit of Kyrgyz researchers and policymakers to South Africa.

However, while the case study research was informative, it nonetheless revealed substantial constraints to the emergence of growth in current restructurings. The policy environment in Kyrgyzstan as expected is far less favorable for economic growth and in most situations the enterprises visited were struggling to make ends meet.

It is still too premature to assess whether any of the enterprises visited will become candidates for BASIS facilitation and restructuring. There is risk that the case study research will be pulled in the direction of more and more case studies being undertaken without sufficient time being given to synthesize constraints or carefully think about criteria for selecting enterprises for restructuring. Researchers are currently considering the strategy of pursuing fewer but higher quality case study assessments in the current workplan period. After careful review of these case studies as candidates for restructuring, enterprises will be selected for facilitation, or additional case studies will be undertaken as needed in the next workplan period.

Next Steps

Between now and the end of September 2002, the following actions or activities will need to be undertaken:

1. Researchers will seek to finalize two working reports and post them on the BASIS web page.
2. Researchers Childress, Erdolatov and Giovarelli will undertake in late July 4-5 additional case studies.
3. Researchers Childress and Giovarelli will submit their trip report.
4. Michael Roth will continue to work with USAID officers Tracy Atwood (Bishkek) and Neal Cohen (Pretoria) to solicit their interest in adding resources to the BASIS CRSP.
5. Researchers Lyne and Roth in August will prepare the workplan for the next fiscal year beginning in October.

Annex A:

Schedule of Activities

Date	Activities
30 June 2002	Roth departs Ethiopia for London, UK.
01 July	Roth departs London and Lyne departs South Africa for Bishkek, Kyrgyzstan.
02 July	Roth arrives in Bishkek, meets with Childress and Tracey Atwood (USAID mission) to discuss add-on funding for BASIS Kyrgyzstan project.
03 July	Lyne arrives in Bishkek. Roth and Childress present BASIS project to USAID partners – farmer to farmer program, Chemonics and Chechi – at monthly roundtable. Lyne, Roth, Childress, Roman Mogilevsky and Alymbek Erdolatov meet at CASE office to arrange work schedule, review progress made with the BASIS project in Kyrgystan, and to consider ways of analyzing farm survey data.
04 July	Roth, Lyne, Childress, Erdolatov and interpreter travel to Cholpon Ata and interview the Financial Director of Koopromservice Ltd (see Annex B). Overnight at Lake Issyk Kul.
05 July	Roth, Lyne, Childress, Erdolatov and interpreter travel to Tyup and interview (a) Chief Director of Kalinina Association of Peasant Farms, and (b) Managing Director of Ecoproduct Ltd (see Annex B). Overnight at Lake Issyk Kul.
06 July	Roth, Lyne, Childress and Erdolatov return to Bishkek. Lyne commences write up of interview discussions presented in Annex B. Roth prepares preproposal for USAID add-on funding in Kyrgyzstan (Annex C).
Sunday 07 July	Lyne completes Annex B. Roth completes BASIS add-on Kyrgyz Preproposal.
08 July	Roth, Lyne and Childress meet with representatives of USAID contractors (Allen Decker, Chemonics; Douglas Myers, ARD/Checchi; Georg Bergman, Winrock; Dana Frey, Barents) to provide debriefing on field tour Roth, Lyne, Childress and Mogilevsky meet at CASE office to develop Kyrgyz workplan (forthcoming) for the next fiscal year beginning October 2002. Roth prepares parameters for USAID add-on funding in South Africa.
09 July	Roth departs. Lyne and Childress exchange files and documents. Lyne and Erdolatov meet with Dean and staff at the Kyrgyz Agrarian Academy. Lyne, Childress and Mogilevsky meet to debrief.
10 July	Lyne departs Kyrgyzstan. Roth arrives in Johannesburg. One-day stopover planned to meet with Vuyi Nxasana, Chief Director, Land Tenure Reform, Directorate of Land Affairs, South Africa on proposal for add-on activities. Meeting cancelled. Worked instead preparing comments on Kyrgyzstan working papers. Roth returns to Pietermaritzburg, South Africa from Johannesburg.
11 July	Lyne returns to Pietermaritzburg, South Africa from Kyrgyzstan.

Annex B:

Case Studies of Agriculotural Enterprises in Kyrgyzstan

1 Koopromservice Ltd ("PAKS") near Cholpon Ata, 4 July 2002

1.1 *Enterprise type*

PAKS is a fruit juice processing enterprise that has been operating for ten years, first as a cooperative and more recently as a company with limited liability. The cooperative was launched with equity contributions from eight members. At that time, the Soviet government was actively encouraging private cooperative initiatives. The original members were close friends whose experience in juice processing had come from working in a State-Owned Enterprise. Low earnings prompted the departure of four members. It seems that these members managed to extract capital gains even though the enterprise was registered as a cooperative. This was achieved by withdrawing their equity in US dollars with each dollar equated to one Ruble of initial investment.

The current enterprise is registered as a private company and has four shareholders. One shareholder holds 70 percent of the financial equity and the other three each hold ten percent. The company employs the shareholders as managers, with the majority shareholder serving as managing director. The interview was conducted with the financial director, a minority shareholder.

BASIS researchers Alymbek Erdalotov (first from left) and Malcolm Childress (second from right) speaking with PAKS financial director (second from left) about financial constraints affecting the performance of nearby fruit processing plant in the background.

1.2 *Perceived problems*

The respondent regarded financial capital as the most binding constraint. Although PAKS has been a client of the Kyrgyz Agricultural Finance Corporation (KAFC) for the past six years, debt capital is expensive with current annual interest rates reaching 26 percent for working capital. PAKS managed to repay its loan for working capital in 2001/2, but was in arrears on a loan taken to finance new buildings and equipment. As a result, KAFC would not provide the additional finance needed to commission the new plant. Nevertheless, PAKS was preparing an application for a seasonal loan from KAFC to finance working capital in 2002/3.

Retained earnings and advance payments made by customers (primarily yogurt and ice-cream manufacturers in Bishkek) were regarded as the only other sources of liquidity. Grants are not available for “successful” small and medium-sized enterprises like PAKS, and the notion of raising additional capital by taking on more equity investors was rejected – largely for reasons of distrust.

Product markets are reliable and include buyers in neighboring Khazakstan. On the other hand fruit supply is uncertain, preventing PAKS from entering forward contracts with buyers. The supply of fruit to juice processors varies with fruit quality. When growing conditions are favorable, a larger proportion of the fruit crop can be sold on the fresh fruit market where prices are higher. Although risk-averse growers might be willing to contract a portion of their expected crop to a processor, PAKS saw little point in bearing the (ex-post transaction) costs of negotiating such contracts because; (a) it did not consider the growers to be trustworthy, and (b) it could not rely on the legal system to enforce contracts.

To reduce its exposure to an uncertain fruit supply, the shareholders established a separate business to grow apples for PAKS. Twenty-six hectares of land were purchased and orchards established. However, the shareholders were unable to protect their property against thieves who cut down and stole half of the immature trees for firewood. It appears that land tenure is not secure, especially for owners regarded as outsiders. The respondent claimed that there was no investment in new orchards. She also complained that electricity charges were too high and that PAKS priced its products too low.

1.3 *Governance issues*

According to the financial director, the change in legal status from private cooperative to private company was motivated by a poor perception of cooperatives after the collapse of the Soviet Union. In her view, the change did not alter enterprise governance because the cooperative had always been managed along company lines: Contrary to cooperative principles, the majority shareholder had dominated decision-making, and shareholders had benefited from capital gains when shares were sold. In addition, there was no visible change in the distribution of profits as dividends had yet to be declared. Nor did the conversion improve financial transparency because shareholders had not exercised their right to appoint an external auditor.

2 **Kalinina Association of Peasant Farms, Tyup, 5 July 2002**

2.1 *Enterprise type*

Kalinina is comprised of 200 member households. Adult members are employed by the enterprise and each household contributes a share of its land (originally 0.5 Ha) and machinery. The enterprise is managed by a chief director. The interview was conducted with both the chief director and farm accountant.

Kalinina produces wheat and barley seed, grows potatoes, buckwheat and oilseed crops, raises livestock (including sheep, cattle, pigs and horses), makes hay, processes butter and vegetable oil, mills grain and provides machinery services to small owner-operators. Seed production usually accounts for the greatest share of farm profit. Livestock are not profitable and are retained only to meet cash flow obligations. According to the accountant, the return on investment was 6 per cent in 2001/2.

Historically the enterprise was a collective farm of 4000 hectares. Although the chief director regarded the collective as a “successful” farming operation it was technically insolvent at the time it was privatized. Privatization meant that each member was assigned a share of the collective’s land and machinery assets. Members could then exit Kalinina by physically withdrawing their land and farming it as an owner-operator. Ongoing privatization reduced Kalinina’s stock of member-owned land from 4000 to 650 hectares. Shares in other assets were liquidated in cash or kind, leaving the association overcapitalized in machinery. To help spread the fixed costs of its machinery, Kalinina hires an additional 420 hectares from the State Land Redistribution Fund.

2.2 *Perceived problems*

Privatization left Kalinina technically insolvent, with debt obligations to the State exceeding its own assets. For this (and other) reasons, Kalinina is not creditworthy and labors under a liquidity crisis. To make matters worse, it had been unable to recover 1.5 million Soms owed by private farmers who had purchased seed from Kalinina on credit. The legal system is too unreliable and costly to enforce these contracts. To reduce cash outflows, management paid dividends in kind rather than cash. Each member receives 150 kilograms of grain per hectare of land contributed. Livestock are slaughtered to reward workers for good performance. Butter and wheat are bartered for diesel (at rates very unfavorable to Kalinina). Members receive land rather than cash when they leave the association. This process has fragmented the land operated by Kalinina as each member owns a particular field.

High taxes reduce earnings and compound the farm’s liquidity problem. Income earned from machinery services attracts Value Added Tax (VAT) of 20 percent. In addition, land used for workshops and to store machinery is classified as “non-agricultural” and attracts very high land taxes. The director also complained that it could not secure a long-term lease for the land that it rented from the State Land Redistribution Fund. Recent policy changes stipulate that long-term leases must be allocated by public auction, and Kalinina could well lose the land to a higher bidder. Low wages, weak dividends and the risk of losing more land have all contributed to the ongoing loss of members. Micro-credit programs targeted at small owner-operators have also encouraged defections. In addition, the interview revealed a number of governance issues that might have accelerated this outflow.

2.3 *Governance issues*

A recent policy decision that sanctions land sales means that members of associations like Kalinina can liquidate their shareholding by withdrawing and then selling their land. An active land market would therefore allow members to adjust the size of their shareholding (to suit their own risk/return preferences) and to realize capital gains proportional to the size of their own investments. This goes some way toward addressing the “portfolio” and “horizon” problems that undermine the performance of traditional cooperatives. Dividends are also proportional to shareholding. This further reduces free-rider problems and encourages member investment. However, this incentive mechanism breaks down when all of the shareholders are employed by the enterprise because dividends and capital gains are usually small compared to wage earnings. Incentives to invest in Kalinina are also dampened by its policy of assigning equal voting rights to members regardless of their level of investment. Regular voting and reporting lose their importance when the electoral process is fundamentally flawed.

3 **Ecoproduct Ltd, Tyup, 5 July 2002**

3.1 *Enterprise type*

Ekoproduct produces fruit juices and fruit “wines” (a blend of fruit juice and alcohol). Originally the enterprise was registered as a Consumers Union and produced a range of 20 fruit juices plus wine and vodka. However the enterprise stopped operating in 1997 when the government fixed vodka prices. Two long-standing friends bought the business in 1999 and converted it to a company with themselves as equal shareholders. One of the shareholders manages the enterprise. The company has four full-time employees and hires up to 30 part-time workers during peak seasons. The interview was conducted with the manager of this successful business. Loans raised by the shareholders to purchase the business are already 70 percent redeemed, and the intention is to repay all outstanding debt by the end of the current (2002/3) season. Profits grew from 32,000 Som in 1999/0 to 394,000 Som in 2001/2.

Accountant (first person on left) and managing director (first person on middle right) posing with researchers Malcolm Childress (sitting in foreground) and translator (Julia) and CASE researcher Alymbek Erdolatov (background) in the front office of Ecoproduct Ltd. following interview.

3.2 *Perceived problems*

Ecoproduct is struggling to finance operating and capital expenditure. The company has excess tank capacity because its lacks the liquidity needed to purchase bottles for its final product. Raw materials are abundant in the area and competition from fresh sales is weakened by distance to markets. Demand for the company's products is strong and output was expected to rise from 150? tons in 2001/2 to 400 tons (300 tons of fruit juice and 100 tons of wine) in 2002/3. The manager attributed the cash flow problem mainly to a combination of tax and credit issues. Credit cannot be accessed from formal lenders because the owners purchased a business that was, and still is, indebted to the State. Annual license fees and excise duties that must be paid to produce and sell alcohol drain liquidity precisely when it is most needed at the beginning of each season. As was the case with PAKS, the notion of raising additional capital by taking on more equity investors was rejected for reasons of distrust. Cash flow problems were also attributed to seasonal changes in the demand for wines and juices.

To date, Ecoproduct has financed all of its operating and capital expenditure from retained earnings. Many of its business strategies are aimed at alleviating liquidity problems. For example, rather than paying the social development tax (29% of the wage bill) in cash, management rents 56 hectares from the State Land Redistribution Fund and uses wheat produced on this land to pay the tax in kind. This highlights the anomaly of taxing farmers on the one hand and subsidizing rentals on the other. Taxable inputs are purchased only from registered VAT vendors in order to preserve net cash flows.

Overall, taxes are considered excessive and poorly designed. Low earnings and liquidity problems had prevented Ecoproduct from declaring dividends. The manager doubted that third-party investors would be willing to take up equity under these conditions.

Other problems stem from inappropriate policy and weak legal-regulatory institutions. In terms of the government's new "Comprehensive Development Programme" Ecoproduct is expected to increase its output by ten percent each year, and management is obliged to demonstrate how it intends to meet these targets. Government does not have the expertise to provide agribusiness firms with useful information about export opportunities, or to help them negotiate and execute deals with foreign buyers. More importantly, the absence of an affordable judicial system that can be relied on to enforce contracts in a just and predictable way appears to have elevated moral hazard to a level where contracts and shareholder agreements are meaningless. As a result, agribusiness firms tend to rely on cash transactions to purchase inputs and to sell products, and are reluctant to make use of equity capital offered by outsiders. Ecoproduct would like to secure some of its fruit supplies and product sales (to reduce risk and improve its creditworthiness) but sees little point in negotiating forward contracts.

Government does check that the plant is safe and sanitary every second year, and retains the right to test product quality. The manager felt that government certification enhanced consumer confidence.

3.3 *Governance issues*

The incentive-generating principles upon which companies are usually based center on proportionality between levels of equity capital invested by shareholders and their benefit and voting rights; the ability to exit by selling shares at their market value; and transparency in financial reporting and electoral procedure. Ecoproduct entrenched these fundamentals when it registered as a company. It could be argued that the business did not warrant such a complex legal entity given its simple ownership and control (management) arrangements. On the other hand, Ecoproduct might owe much of its success to the assurance (afforded by company registration) that the incentive-generating principles would not be compromised by future changes in ownership and control. The manager confirmed that share prices would be based on net asset value, and that financial statements were examined every year by tax inspectors.

Annex C:
Preproposals for Add-on Funding to the BASIS CRSP:
Institutional Innovations to Improve the Viability of Equity Sharing Project

Organizational Inefficiency, Policy Risk, and Weak Enforcement: Constraints to Equity Sharing and Agrarian Contracts

Objectives:

Develop proposal for add-on to the BASIS Collaborative Research Support Program (CRSP) funded by USAID Global Bureau.

Identify constraints to access and utilization of land, labor and financial capital in farm and agribusiness enterprises created by farm restructurings.

Discern efficiency enhancing agrarian contracts, organizational forms and institutions to improve enterprise performance.

Collaborating Institutions:

Land Tenure Center, University of Wisconsin
Center for Social and Economic Research, KR
Kyrgyz NGO (TBD)
LIMA Rural Development Foundation, SA
University of Natal – Pietermaritzburg, SA

Principal Contracting Organizations:

LTC (Prime) and CASE (Subcontractor)

Principals Investigators (LTC):

Malcolm Childress and Michael Roth with Roman Mogilevsky as co-PI

Project Details:

- Add-on from USAID mission to BASIS CRSP based on proposal and budget to be developed.
- 2-3 year time horizon – October 2002 to September 2004 (2005).
- Indicative Funding Level: +/- $150,000/year
- 25% matching on US based costs
- Activities will help extend and deepen current BASIS CRSP research and capacity building.

Activities:

1. **2003 Biannual Farm and Agribusiness Enterprise Survey.** 450 + enterprises. Purpose – a) monitor pace of agricultural restructurings; and b) evaluate changes in enterprise performance. Provide support for survey, statistical analysis, printing and dissemination of report.
2. **Leading Farmers, Successful Entrepreneurs Panel.** Establish panel in one oblast to semi-annually assess farming/agribusiness conditions and policy constraints. Panel will comprise 10 entrepreneurs and 10 policy makers from local and regional and national government. Policy brief prepared for National Investment Round Table Board following each meeting.
3. **Constraints to Equity Sharing and Enterprise Performance.** Identify key sectors – e.g. individual and peasant farming enterprises, dairy and fruit processing. Use case study methods to identify constraints to vertical/horizontal coordination and equity sharing including for example problems of moral hazard and high transaction costs affecting coordination, contracts, leases, financing, and group ownership and management of land and capital assets. Identify alternatives.
4. **Enterprise Facilitation.** Identify and facilitate contracts or new organization forms on one additional equity sharing enterprise. Identify Kyrgyz NGO (tbd), involve staff in case study research, and provide training to NGO staff in facilitation methods by LIMA South Africa.
5. **Study Tour.** Visit by Kyrgyz delegation to South Africa to study equity sharing enterprises. Study tour to the Land Tenure Center, University of Wisconsin – Madison.
6. **Outreach.** Provide policy briefs and training seminars on pathways for improving equity sharing and enterprise performance to audience of enterprise owners, public officials, and local NGOs.

Resource Requirements:

LTC: Project management and administration. Senior Researchers. International Travel and Per-diem. Documentation and visiting scholar support for study tours.

CASE: Addition of part-time statistician for farm survey and junior researcher for facilitation. Field research and training support for survey, case studies and facilitation.

LIMA and University of Natal: Senior Researcher and Trainer to participate in case studies with NGO partner plus training on facilitation.

Best Organizational Features and Financial Products to Enhance Private and Group Farming Under Land Reform in South Africa

Objectives:

Develop proposal for add-on to the BASIS Collaborative Research Support Program (CRSP) funded by USAID Global Bureau.

Identify constraints to land and financial capital utilization in equity sharing enterprises created by land redistribution programs.

Discern financial innovations and organizational features that enhance the productivity of private and group enterprises.

Collaborating Institutions:

Land Tenure Center, University of Wisconsin
University of Natal – Pietermaritzburg, SA
LIMA Rural Development Foundation, SA
Institute of Natural Resources (INR), SA

Principal Contracting Organizations:

LTC (Prime) and INR (Subcontractor)

Principals Investigators (LTC):

Michael Roth, Land Tenure Center
Mike Lyne, University of Natal

Project Details:

- Add-on from USAID SA mission to BASIS CRSP based on proposal & budget to be developed.
- 2-3 year time horizon – October 2002 to September 2004 (2005).
- Indicative Funding Level: +/- $100,000 to $150,000 depending on activities and scale
- 25% matching on US based costs
- Activities will help extend and deepen current BASIS CRSP research and capacity building.

Activities:

1. **Facilitation of Equity Sharing Enterprises.** Current BASIS CRSP research has funding to substantially plan and facilitate the implementation of 2 new equity sharing enterprises. Additional resources needed for: a) legal expertise (Johann Hamman & Associates) to draw up legal constitutions; and b) deepen resources of researcher Stuart Ferrer and senior trainer Peter Greene in facilitating project plans and beneficiary training.
2. **Training in Best Practice Features and Facilitation Procedures.** Develop case study write-ups on two new equity sharing enterprises including background history, beneficiaries assets, land resource plans, new organizational forms, financial market linkages, and procedures on best practices to facilitate new equity sharing enterprises. Background papers will be used as training materials to extend knowledge on best practices and procedures to government officials and NGOs (e.g. LEAP, MidNET and AFRA) through a mini workshop or training program.
3. **Demonstration Tours.** Support for LIMA to organize demonstration tours of national, provincial and local government officials and NGO representatives to visit experimental enterprises and review first-hand organizational forms and performance on the ground.
4. **Comparative Research on Group Ownership Models.** Graduate student and field level research on: **(A)** comparing equity sharing enterprises with common property associations (CPAs) with focus on organizational features that impede or enhance performance; and/or **(B)** comparing financial tools employed by the Land Bank, commercial banks and Ithala parastatal in delivering financial capital to the poor, accessing LRAD grants, and repayment histories.
5. **Research on Black to White Farmland Transfers.** Recent BASIS research monitoring private market land transactions in KwaZulu-Natal is finding significant land transfers from black to white populations. Graduate student and field level research will be used to diagnose causes and propose solutions to minimize this slippage in South Africa's land reform.

Resource Requirements:

LTC: Contract administration and financial management. Time of senior researcher, Michael Roth and graduate student. International Travel, per-diem, and direct costs.

INR: Local subcontract administration

LIMA/University of Natal. Time of Johann Hamman, Stuart Ferrer and Peter Greene to deepen facilitation of new equity sharing enterprises and conduct training programs and demonstration tours. University of Natal: time of graduate students, researchers, and research expenses to write up case studies and conduct action-oriented research.

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