



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

# ***Staff Paper***

## **Investment in Soil Conservation in Northern Ethiopia: The Role of Land Tenure Security and Public Programs**

Berhanu Gebremedhin and Scott M. Swinton

**Staff Paper 2002-13**

**July, 2002**



Department of Agricultural Economics  
MICHIGAN STATE UNIVERSITY  
East Lansing, Michigan 48824

MSU is an Affirmative Action/Equal Opportunity Institution

# **Investment in Soil Conservation in Northern Ethiopia: The Role of Land Tenure Security and Public Programs**

Berhanu Gebremedhin and Scott M. Swinton

[b.gebremedhin@cgiar.org](mailto:b.gebremedhin@cgiar.org) and [swintons@msu.edu](mailto:swintons@msu.edu)

## **ABSTRACT**

Soil erosion seriously threatens the future agricultural productivity of Ethiopia's highlands. In analyzing the determinants of soil conservation investments there, this study goes beyond the conventional physical factors to examine institutional, social capital and public program effects. The double hurdle statistical analysis from 250 farms in the Tigray region reveals different causal factors for soil conservation adoption versus intensity of use.

The determinants of adoption of soil conservation measures vary sharply between stone terraces and soil bunds. Physical propensity toward erosion (e.g., slope, slope shape and soil texture) and land suitability for conservation helped determine conservation investments in all cases. But institutional and social determinants of investment differed importantly between bunds and terraces. Long-term investments in stone terraces were associated with secure land tenure, labor availability, proximity to the farmstead, and learning opportunities via the availability of food-for-work projects. By contrast, short-term investments in soil bunds were strongly linked to insecure land tenure and the

Copyright © 2002 by **Berhanu Gebremedhin and Scott M. Swinton**. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

absence of food-for-work projects. Farm beneficiaries of public soil conservation programs were less likely to invest privately in either type of conservation practice. Social capital, as measured by farmer perception of community pressure to curb soil erosion, did not contribute significantly to either kind of conservation investment.

The intensity of stone terrace adoption (measured as meters of terrace per hectare) was determined by expected returns but not by capacity to invest. Higher intensity of stone terrace construction was favored by fertile-but-erodible silty soils in (rainy) highland settings that offered valuable yield benefits from soil conservation. Intensity of terracing was also greater in remote villages where limited off-farm employment opportunities made construction costs relatively low.

Previous research has highlighted the need for public policy interventions to supplement private incentives to make soil conservation investments in erosion-prone mountain areas. Our results highlight the importance of the right kind of public interventions. Direct public involvement in constructing soil conservation structures on private lands appears to undermine incentives for private conservation investments. When done on public lands, however, public conservation activities may encourage private soil conservation by example. Secure land tenure rights clearly reinforce private incentives to make long-term investments in soil conservation.

**JEL Classification codes:** Q24, Q12.

**Key words:** Soil conservation; soil erosion; land tenure; Ethiopia; double-hurdle model.

# **INVESTMENT IN SOIL CONSERVATION IN NORTHERN ETHIOPIA: THE ROLE OF LAND TENURE SECURITY AND PUBLIC PROGRAMS**

Berhanu Gebremedhin and Scott M. Swinton\*<sup>1</sup>

Michigan State University  
Department of Agricultural Economics  
Staff Paper No. 2002-13

Dr. Berhanu Gebremedhin  
ILRI  
P.O. Box 5689  
Addis Ababa                      ETHIOPIA  
Tel: 251-01-463215  
E-mail: b.gebremedhin@cgiar.org

\*Dr. Scott M. Swinton  
Department of Agricultural Economics  
Michigan State University  
East Lansing, MI 48824-1039, U.S.A.  
Tel: 1-517-353-7218; Fax: 1-517-432-1800;  
E-mail: swintons@msu.edu

\*Corresponding author.

<sup>1</sup>Berhanu Gebremedhin is Post Doctoral Scientist-Agricultural Economist with the International Livestock Research Institute in Mekelle, Ethiopia. Scott M. Swinton is associate professor at Michigan State University, East Lansing, MI, U.S.A.

The authors wish to acknowledge financial support from a Rockefeller Foundation African Dissertation Internship Award and the U.S. Agency for International Development Food Security II Cooperative Agreement with the Department of Agricultural Economics at Michigan State University. They also acknowledge the institutional support of Mekelle University College, Mekelle, Ethiopia, during the field work and the International Potato Center in Lima, Peru, during writing. For helpful comments on earlier drafts, they offer special thanks to John Kerr, John Pender, Tom Reardon and two anonymous referees. Of course, the authors alone are responsible for any remaining errors.

## **Investment in Soil Conservation in Northern Ethiopia: The Role of Land Tenure Security and Public Programs**

### **1. Introduction**

Developing countries have been grappling with how to reconcile the three objectives of how to increase agricultural production, reduce poverty and use their natural resources sustainably. With the land frontier shrinking due to population pressure, future growth in agriculture will increasingly have to come from yield increases rather than from area expansion (Eicher, 1994). Production will have to increase in such a way that future production capacity of the natural resource is enhanced rather than diminished (Delgado and Anderson, 1993).

The major environmental problem of developing countries is land degradation in the form of soil erosion and nutrient depletion, both of which undermine land productivity. Land degradation is especially serious in Ethiopia, where the agricultural sector accounts for more than 50% of gross domestic product and employs over 80% of the population. Hurni (1985) concluded that Ethiopia is the most environmentally troubled country in the Sahel belt.

Land degradation is most severe in the highlands (over 1500 meters altitude) which account for more than 43% of the country, 95% of the cultivated area, 75% of the livestock and host about 88% of the population. The Ethiopian Highland Reclamation study as quoted in Bojo and Cassels (1995) estimated that by the mid-1980's about 50% of the highlands (27 million hectares [ha]) was significantly eroded while more than one-fourth was seriously eroded. Hurni (1988) estimated that soil loss in cultivated areas averages 42 metric tons/ha/year, far exceeding the soil formation rate of 3-7 mt/ha/yr. Stahl (1990) estimated that by the year 2010 the amount of total land incapable of supporting cultivation would reach 10 million ha.

Despite the magnitude of the problem, public intervention in soil conservation in Ethiopia is a recent phenomenon. Land degradation was largely neglected by policy makers until the 1970's. After the early 1970's national efforts to conserve land intensified. These interventions relied on mobilization of farm households and food-for-work (FFW) projects to conserve degraded lands through the construction of soil bunds, stone terraces, and afforestation. However, little prior research guided the national conservation programs. Perhaps as a result, Shiferaw and Holden (1999) noted that peasants have occasionally dismantled conservation structures built on their farm lands. Appropriate public policies to promote soil conservation requires understanding of the incentives and constraints that farm households face in their decision to conserve land.

This study examines the factors affecting farmers' decisions to invest in land conservation in the Tigray region of northern Ethiopia, focusing on land tenure and public programs. Land tenure insecurity has been a problem in Ethiopia due to frequent redistribution (Admassie, 2000). In so doing, it distinguishes between factors affecting short-term investments in soil bunds and long-term investments in stone terraces. Further, it makes a distinction between determinants of the decision to invest and the decision on how much to invest in conservation, given the decision to make some investment. In the remainder of the paper, we review previous research on determinants of soil conservation investment, develop a conceptual model with associated testable hypotheses, set forth a derived empirical econometric model, and present results, focusing on how the determinants of conservation investment (adoption) differ from those of *degree* of investment (density of conservation structures).

## **2. Previous Research On Determinants of Soil Conservation Investment**

The role of property rights and social capital in providing incentives for the adoption of soil conservation in developing countries has only emerged since the late 1980's. Prior to that, land tenure institutions had been explored in the context of developed countries with well defined property rights. McConnell (1983) showed that optimal private soil depletion decreases as the farmer's planning horizon increases in length from farm renter to family farm to corporate farm. Lee (1980) also showed that tenure security encourages soil conservation investment. But McConnell and Lee both assumed that land tenure status was known with certainty. By contrast, in many developing countries, especially where private ownership of land is not allowed and only usufruct rights are permitted, the expectation of future land tenure may change over time (Besley, 1995). The interaction between land tenure expectations and willingness to invest in soil conservation has been investigated in relatively few cases. The hallmark study by Feder et al. (1988), showed land titling in Thailand to be associated with increased adoption of land improvements, including soil bunds and stump removal. Likewise, Besley (1995) found evidence that in Ghana, more secure land tenure was linked to land improvements (although the ones examined did not include soil conservation investments). Place and Hazell (1993) deny that their study of land rights as determinants of land improvement decisions in Ghana, Kenya and Rwanda implies that land rights play a significant role, but their results suggest that land rights do play a role in the choice to improve land, if not in the type of land improvement selected. In the Horn of Africa, the only published, quantitative study of conservation adoption to include land tenure was that of Shiferaw and Holden (1998) in Andit Tid, Ethiopia. They measured expected land



tenure security at the extreme level of lifetime tenure or not; however, this was too rough a measure of time horizon to detect any influence on adoption behavior.

Despite the dynamic nature of conservation investments, most studies failed to distinguish between short-term and long-term investment types. The chief exception to this generalization is Hayes et al.'s (1997) study of land improvements in the Gambia, which found that the probability of long-term investments (in fences and wells) was enhanced by the presence of complete (rather than preferential) land tenure rights. Most other studies employed either a single measure of land tenure status (Ervin and Ervin, 1982; Feder et al., 1988; Shiferaw and Holden, 1998) or a single measure of land improvement (Gavian and Fafchamps, 1996; Pender and Kerr, 1998; Shiferaw and Holden, 1998), making it impossible to link the degree of land tenure security with the durability of the land improvement investment. Yet major differences exist in the time horizon and magnitude of net benefits associated with such practices as planting grassy strips, building soil bunds and constructing stone terraces. Besley (1995) analyzed several types of land improvement in Ghana, but he interpreted the results in light of the extent of land rights rather than their durability.

Because soil erosion also has off-site costs, neighbors and others have a stake in it. Yet with one exception, the influence of other people's opinions on farmer adoption of conservation practices has not been examined. In the sole study of which we are aware, Bultena and Hoiberg (1983) found the timing of conservation tillage adoption to vary significantly with the perceived attitude of the local community towards farmers who fail to use conservation practices.

Another shortcoming in the conservation literature is the assumption that the factors affecting adoption of conservation practices are the same as those that determine its intensity of

use. Instead, most studies have focused on adoption alone, using logit, probit or linear probability models (e.g., Feder et al., 1988; Place and Hazell, 1993; Besley, 1995; Gavian and Fafchamps, 1996; Hayes et al., 1997; Shiferaw and Holden, 1998).

In the instance of costly soil conservation practices such as terracing, there is reason to expect that adoption and degree of adoption are based on different criteria. Adoption may be a threshold-based decision depending upon awareness, planning horizon, and capacity to invest. By contrast, degree of adoption may depend on marginal profitability factors. The validity of this distinction between adoption factors and intensity of use factors is an empirical question.

However, this hypothesis cannot be tested by tobit analyses that treat the decisions jointly, such as Pender and Kerr's (1998) model of soil conservation investment in India. In their Missouri, USA, study, Rikoon et al. (1996) found differences between the factors associated with adoption and continued use of banded application of herbicides. However, they failed to link their models econometrically. To date, no conservation adoption study of which we are aware has formally distinguished between adoption and intensity of use decisions as has been done in the consumption literature (Yen, 1993; Lin and Milon, 1993). The closest any has come to making this distinction was Place and Hazell's (1993, p. 16) observation that "multinomial logit analysis ... showed that land rights have less effect on choice of improvements than on the probability of undertaking an improvement."

These research gaps raise the following questions: (1) How do institutional, public program and social capital factors influence soil conservation investments? (2) How do the determinants of investment vary between short-term and long-term soil conservation investments?

(3) How do the determinants of investment vary between whether and how much farmers invest in land improvements?

Two alternative soil conservation investments – soil bunds and stone terraces -- offer contrasts in length of investment and effectiveness of erosion abatement. Soil bunds are embankments made by ridging soil on the lower side of a ditch along a slope contour. They can be constructed by hand digging or plowing. Stone terraces are constructed walls that retain embankments of soil. Their construction involves the preparing a base for the wall, transporting construction rocks, and carefully layering the stones. Stone terraces are more effective than soil bunds in preventing soil erosion on steep slopes prone to heavy runoff. Of course, building stone terraces require considerably more investment of time and inputs than does building soil bunds.

This study attempts to provide answers to the questions above regarding determinants of investment in soil bunds and stone terraces by 250 farm households in northern Ethiopia during 1992-95. Investment in soil conservation practices is estimated using a double-hurdle econometric model that examines separately the determinants of the decision on *whether* to invest from those of the decision on *how much* to invest, given investment.

### 3. Conceptual model

In order to highlight the institutional and organizational influences affecting conservation investments, we present a model of soil conservation decisions in which both land tenure institutions and public image play roles. Farmer utility is assumed to be increasing in accumulated wealth ( $\Omega$ ) and public image ( $I$ ), as indicated in Equation (1):

$$\begin{aligned}
& \max_{CI} U(E[\Omega_T], I) \\
& \text{subject to} \\
& E[\Omega_T] = \sum_{t=1}^T \delta^t (py_t a_t E[T_t] - w_{CI}(K_h) CI_t) \\
& y_t = y(s_t, z_t) \\
& s_t = s_0(1 - e(R, \sum_{\tau=1}^t CI_{\tau-1}, \sum_{\tau=1}^t PC_{\tau-1})) \\
& I_t = I(s_t)
\end{aligned} \tag{1}$$

This equation defines the present value of accumulated wealth ( $\Omega_T$ ) at the end of the farmer's planning horizon (T) as accumulated annual crop revenues minus the unit cost ( $w_{CI}$ ) of conservation investments ( $CI_t$ ) as discounted by factor  $\delta$ . It is assumed that the unit cost of conservation investments is decreasing in level of worker experience ( $w_{CI}'(K_h) < 0$ ). Price (p) variability is captured by distance from farm to nearest road or market. Expected crop revenues are the product of crop price (p), yield ( $y_t$ ), land area ( $a_t$ ), and the binary expectation of whether land tenure will be retained in period t ( $E[T_t]$ ). Yield in season t, in turn, is concavely increasing in current soil depth ( $y'(s_t) > 0$ ) and depends also upon other conditioning factors ( $z_t$ ) such as weather, pest attacks, and soil fertility.

Soil depth increases linearly with initial soil depth ( $s'(s_0) > 0$ ) and decreases concavely with erosion ( $s'(e) < 0$ ). The erosion function, in turn, is assumed to be bounded to the interval [0,1] and increasing in factors (R) that govern soil propensity to erode ( $e'(R) > 0$ ) such as steepness and length of slope. Erosion is further assumed to be concavely decreasing in cumulative soil conservation investments, both private ( $e'(\sum CI_{\tau-1}) < 0$ ) and public campaigns that build soil conservation structures on the farmer's land ( $e'(\sum PC_{\tau-1}) < 0$ ). The cross partial

derivatives of  $e(\cdot)$  with respect to  $R$  and  $CI$  or  $PC$  are assumed negative. Note that because the erosion function is bounded to the  $[0,1]$  interval, the interaction effect of public and private conservation investment ( $\partial^2 e / \partial CI \partial PC$ ) is indeterminate in sign. There is potential substitutability between private and public soil conservation investments, but there is also potential complementarity if farmers learn from experience with public projects and therefore opt to make private investments. Which effect dominates is an empirical question.

We assume a populous setting where new lands of comparable quality are not available, so cropped land area ( $a_t$ ) equals the initial land endowment ( $a_0$ ) times the expectation of retaining land tenure in season  $t$  ( $E[T_t]$ ). This expectation is assumed to be binary and non-switching, such that the farmer either expects ( $E[T_t]=1$ ) or does not expect ( $E[T_t]=0$ ) to retain tenure in season  $t$ ; once tenure is expected to be lost ( $E[T_t]=0$ ), it cannot be regained in a later period. Finally, public image in any period ( $I_t$ ) depends upon the degree of off-field soil erosion affecting other community residents, which is inversely connected to current soil depth ( $s_t$ ) (hence, public image is increasing in field soil depth,  $I'(s_t) > 0$ ). For simplicity, we ignore conservation maintenance activities.

Substituting the definitions in Equation (1) into the utility function yields the unconstrained, undiscounted Hamiltonian:

$$H = U(E\{\sum_t \delta^t p y_t (s_0 [1 - e(R, \sum_{\tau} CI_{\tau-1}, \sum_{\tau} PC_{\tau-1})], z_t) a_0 E[T_t] - w_{CI} CI\}, I[s_t]) \quad (2)$$

By differentiating Equation (2) with respect to choice variable CI, we can identify the factors expected to influence the optimal rate of soil conservation investment under conditions of perfect factor markets:

$$\frac{\partial H}{\partial CI} = \frac{\partial U}{\partial \Omega} \frac{\partial \Omega}{\partial y} \frac{\partial y}{\partial s} \frac{\partial s}{\partial e} \frac{\partial e}{\partial CI} (a_0 E[T_t]) + \frac{\partial U}{\partial I} \frac{\partial I}{\partial s} \frac{\partial s}{\partial CI} - \sum_{t=1}^T \delta^t w_{CI} = 0 \quad (3)$$

These conditions specify that optimal soil conservation investment takes place where the marginal utility of the cumulative added yield equals the marginal cumulative discounted cost of the conservation investment required to achieve the added yield. In this model, apart from the familiar wealth argument, marginal utility also accrues via the improved public image of the farmer who is not creating economic externalities in the form of gullies and muddied water that irritate neighbors. The signs of both marginal utility terms are positive; hence, farmers who care about their image in the community as well as garnering wealth will find it optimal to invest in more soil conservation than those farmers who care about wealth alone.

This optimality condition also highlights the importance of the subjective expectation of enjoying land tenure in time period  $t$  ( $E[T_t]$ ). Because this term appears multiplicatively in the wealth term, the expectation of land tenure dictates the length of the planning horizon, thereby largely determining whether soil conservation appears desirable at all and if so, the type of conservation practice chosen. To illustrate, a capital budgeting analysis of conservation investments in northern Ethiopia (Gebremedhin, Swinton and Tilahun, 1999) suggests that the higher initial cost of stone terracing takes longer to pay off in crop yield gains than do soil bunds.

However, the larger cumulative, discounted net revenue from stone terraces after five or more years made it the more beneficial choice for longer planning horizons (Figure 1).

### 3.1 Hypotheses

From the conceptual model above, several hypotheses can be derived that merit empirical examination. These hypotheses can be divided between factors that affect adoption and those that affect the degree of soil conservation investment. The two sets of explanatory factors differ primarily in length of planning horizon, based on the expected duration of land tenure.

#### Adoption hypotheses

Based on the physics of soil erosion, physical factors should affect adoption patterns:

HA<sub>1</sub>: Where productive soils are more prone to erode ( $R$  is large), farmers will be more likely to adopt soil conservation. This follows given  $e'(R) > 0$ ,  $e'(CI) < 0$ ,  $e'(R) < 0$ , and  $\partial^2 e / \partial CI \partial R < 0$ .

But land tenure status affects the likely returns from conservation investments, generating twin hypotheses based on the type of conservation investment:

HA<sub>2L</sub>: Where land tenure is expected over the long term ( $E[T_t] = 1$  for  $t > 5$  years), farmers will adopt durable soil conservation measures (such as stone terraces). This follows from a) the temporal growth paths of cumulative net returns for stone terraces versus soil bunds as illustrated in Figure 1, and b) the need to maintain the inequality in Equation (3) which militates for making larger investments in order to obtain more than compensating discounted returns.

HA<sub>2S</sub>: Where land tenure is expected only for the near term ( $E[T_i]=1$  for  $t \leq 5$  years), farmers will either adopt cheaper, less durable soil conservation measures (such as soil bunds), or else they will refrain altogether from investing in soil conservation (for the reasons in the previous hypothesis).

Given that public and private investments in long-term structures can substitute for one another,

HA<sub>3</sub>: Where farmers have already benefited from publicly constructed soil conservation structures on their own land, they will be less likely to invest in private ones ( $\partial CI / \partial PC < 0$ ). This direct substitution effect is expected to be dominant in the instance of stone terraces, where public and private constructions are identical on public and private lands.

However, when public soil conservation campaigns have provided learning opportunities without building conservation structures on the farmer's own land, they may encourage adoption by reducing the perceived cost of conservation investments:

HA<sub>4</sub>: Where public soil conservation activities (PC) take place in the same community but not on the household's own land, farmers will be more likely to adopt soil conservation. This result follows from a) the experience effect reducing real conservation investment costs ( $w_{CI}'(CI) < 0$ , and b) awareness of the effectiveness of conservation, leading to more accurate assessment that  $y'(s)s'(e)e'(CI) > 0$ .

Finally, the hypothesized role of social capital suggests that:

HA<sub>5</sub>: Where farmers feel community pressure to conserve soil ( $U\{I[s]\}$ ), they will be more likely to adopt soil conservation measures. This follows from the second term in Equation (3), making the community pressure effect on derived demand for the CI input even stronger and amplifying willingness to pay for conservation.



In an impoverished, rural setting where capital and labor markets are imperfect, farm-level endowments of these factors affect capacity to invest (Clay et al., 1998; Pender and Kerr, 1998). Hence, endowments of labor and capital may affect the likelihood of farmer adoption of conservation practices, implying:

HA<sub>6</sub>: Where capacity to invest per unit of land is greater, farmers will be more likely to adopt conservation practices.

Degree (intensity) of adoption hypotheses:

If the factors affecting adoption differ from those that affect degree of adoption, then we expect the degree of investment to depend more on marginal factors related to costs and returns from the degree of investment. Two hypotheses emerge:

HD<sub>1</sub>: Land tenure status is relevant to the decision on *whether* to make soil conservation investments, but it is not relevant to *how much* investment is made, given the decision to invest. This hypothesis emerges from the assumed relation between the investment return time paths illustrated in Figure 1, such that the wealth-maximizing return depends entirely on the time horizon.

HD<sub>2</sub>: Where expected return on investment per unit of land is greater, farmers will invest more in soil conservation.

#### **4. Empirical methods and data**

These hypotheses were tested using data from a survey of villages, farms, and fields in the Tigray region of Ethiopia during 1995-96. Agriculture in the region is characterized by mixed subsistence farming, where oxen are the only sources of draft power. Soil erosion and

deforestation are very severe. Intense tropical rainstorms, steep slopes and inappropriate land use have resulted in heavy soil loss. Extensive efforts to conserve soil have been made in the region since 1991. These efforts take three approaches: (1) private investments in terraces and bunds by farmers assisted by the agricultural extension service, (2) public conservation investments via mandatory community labor, and (3) public conservation investments via food-for-work (FFW) projects. FFW payment is used for conservation works, mostly for micro-dam construction, area closures and afforestation. In some cases, FFW also is used to construct stone terraces on hillsides.

#### **4.1 Data**

The survey covered 250 farm households in 30 villages spread among six districts in the Tigray region (Gebremedhin, 1998). It focused on farmers' adoption of soil conservation practices, including stone terraces, soil bunds, and vegetative plantings. A variety of background information was also collected in order to associate adoption with the major classes of explanatory variables in the literature.

For sampling purposes, the area was classified into four topographic zones: steep, moderately steep, hilly, and plain. Representative villages were purposively selected in each topographical class. The number of villages selected was proportional to the land area covered by each class. A sampling frame of household heads in each village was then prepared and a random sample of 250 households drawn. The number of households sampled from each village was proportional to the number of households in the village (Gebremedhin, 1998).

Data were collected at village, household and plot levels. Most village level data came from observation and interviews with village leaders. Data on household characteristics and

agricultural activities were collected via interviews with household heads. Physical characteristics of farm fields were observed and measured during site visits. Farm field observations included area, slope, shape of slope, position on slope, soil texture, and the lengths of any stone terraces and soil bunds that were present.

The explanatory variables included in the empirical models were selected following the literature on farm-level investment theory (Clay et al., 1998; Feder et al., 1992). Following this literature, farm investment can be modeled as a function of:

1. market access factors (as a proxy for return on investment factors),
2. physical incentives to invest,
3. capacity to invest,
4. land tenure security (as a proxy for riskiness of investment),
5. socio-institutional factors,
6. household demographic characteristics.

The roles of market access and physical incentives are captured in the conceptual model above, as are land tenure and other socio-institutional factors. For simplicity, the conceptual model omitted the relevant capacity constraint on investible funds. As an individual farmer's behavioral model, it omitted the household demographic characteristics that become relevant conditioning factors in a cross sectional data set.

The dependent variables used in the study were classified as adoption (use or non-use) and intensity of use of soil conservation practices. Intensity of use was measured as the number of meters per hectare (m/ha) of terraces or bunds constructed. An average estimated length of 700

meters/ha. of stone terraces or soil bunds is required to conserve a hectare of land to reduce soil erosion effectively on typical slopes in the area.

#### **4.2 Econometric Specification: Double-hurdle vs. Tobit Models**

Our research objectives were to understand both the factors affecting the probability of adoption and the factors affecting the intensity of practices adopted. As such, it was necessary to go beyond the typical binary dependent variable methods applied to cross-sectional surveys on technology adoption (Feder et al., 1992).

The decisions on whether to adopt and how much to adopt can be made jointly or separately. When the decisions are joint, the tobit model is appropriate for analyzing the factors affecting the joint decision (Greene, 1993). This assumption has been the norm in previous research into the determinants of the intensity of soil conservation investments (Sureshwaran et al., 1996; Pender and Kerr, 1998). However, adoption and intensity of use decisions are not necessarily made jointly. The decision to adopt may precede the decision on the intensity of use, and the factors affecting each decision may be different, as assumed in the present case. In this case, it is more suitable to apply a “double hurdle” model in which a probit regression on adoption (using all observations) is followed by a truncated regression on the non-zero observations (Cragg, 1971).

The double hurdle model is designed to analyze instances of an event which may or may not take place, and if it takes place, takes on continuous positive values. In the case of farmer adoption of soil conservation practices (e.g., building terraces or bunds), a decision on adopting the practice is made first, and then decision on the intensity of use (how many meters per hectare

of terracing or bunds) follows. Following Cragg (1971), the decision on adoption can be modeled as a probit regression:

$$f(y = 1 | X_1, X_2) = C(X_1' \beta) \quad (4)$$

where  $C(\cdot)$  is the normal cumulative distribution function, and  $X_1$  and  $X_2$  are vectors of independent variables, not necessarily distinct. The decision on the intensity of use can be modeled as a regression truncated at zero:

$$f(y | X_1, X_2) = (2\pi)^{-1/2} \sigma^{-1} \exp\{-(y - X_2' \gamma)^2 / 2\sigma^2\} C(X_1' \beta) / C(X_2' \gamma \sigma) \text{ for } y > 0 \quad (5)$$

Whether a tobit or a double hurdle model is more appropriate can be determined by separately running the tobit and the double hurdle models and then conducting a likelihood ratio test that compares the tobit with the sum of the log likelihood functions of the probit and truncated regression models (Greene, 1993).

### 4.3 Regression Specification

Based on the general model of soil conservation investment presented above, the regression models were specified for investments in both stone terraces and soil bunds to mitigate soil erosion. All regression equations used the explanatory variables in Table 1, which correspond to the six categories identified in the general model.

The *market access factors* affect the relative profitability of investment in conservation practices. Ideally such factors would include crop prices, cost of labor and materials used for

conservation and the yield effect of conservation practices. However, information on the effect of conservation on yield was not available. Moreover, the large number of infra-subsistence farmers meant that crop sale prices were unavailable. Instead, relative prices were proxied by distance from marketplace. Labor input is a major cost component in conservation investment in the study area. Distance from an all-weather road was used to proxy for differences in the opportunity cost of labor. The expected effects of these on conservation investment were ambiguous, as distance reduces both crop income and off-farm work opportunities during the dry season.

*Physical incentives* to invest in conservation practices include the village level ecological factors and physical characteristics of plots. We expect that the greater the land degradation in a village, the more likely resident farmers would be to invest in conservation practices. Villages in hilly areas tend to suffer more soil erosion and thus should benefit more from soil conservation. Highland zones have higher rainfall than the intermediate highland zones and so should experience greater soil erosion, giving more incentive for conservation practices to reduce runoff.

The field-level physical factors associated with soil erosion (and hence likely benefits from soil conservation) include slope steepness, concave or convex (rather than rectilinear) slope, and non-clay soils. Due to the expected low return of investment on very steep slopes, a squared degree-of-slope term was included to capture this effect. Larger fields cultivated for longer periods were also expected to favor soil conservation investment. By contrast, distance of plot from homestead, and plot fragmentation were expected to detract from investment due to increased transaction costs.

The factors expected to affect the *capacity to invest* include cash income, wealth, land area and family labor. Of these, the cash income and wealth data were unusable due to under-

reporting. Usable data included land area, measured as hectares of cultivated land, and family labor, measured as number of household members aged 15-64. The effect of land area is ambiguous. On one hand, more land indicates greater wealth and capacity and should encourage investment. On the other hand, more land may reduce the need to conserve land. Own labor availability should encourage investment either due to availability of labor to do the work or due to the need to feed more people.

Three different measures were used to capture the degree of land tenure security, an institutional factor in *investment risk*. In the immediate period, risk was measured in terms of whether or not the land was owned or leased. For the medium term, tenure security was measured by whether farmers believed that they would cultivate the same plots five years from the time of the survey. Long-term tenure security was gauged by whether farmers believed they would bequeath the plot to their children. At the village level, time elapsed since the last land distribution was used as measure of the stability of land tenure. Given evidence elsewhere that land improvements may be made to enhance tenure security (Otsuka, Suyanto and Tomich, 1997), the medium and long-term land tenure security variables were checked for endogeneity.

Several *socio-institutional variables* were expected to encourage farmers toward investing in soil conservation. These include community pressure, contact with the agricultural extension service, and availability of FFW projects. Due to the substitution effect, public soil conservation campaign beneficiaries were expected to invest less in private soil conservation.

Household *demographic variables* include age, sex, dependency ratio and literacy of household head. We expected older, male and literate household heads with fewer dependents to

be more likely to invest due to experience and the influence of extension posters about soil conservation.

The models were initially specified as household-level random effects models, in order to accommodate correlation in management among fields within the same household (Deaton, 1997).

## **5. Regression results**

A likelihood ratio test rejected the tobit model in favor of the double hurdle model (Gebremedhin, 1998, p. 187). The test confirmed that the adoption and intensity of use decisions are in fact separate for this data set. Hence the results reported here are for the double hurdle model only. Results for all variables are reported in both the probit and truncated regression models, despite the fact that they confirm Hypothesis HD<sub>1</sub> (that land tenure status is relevant only for the probit model).

The random effects models were found to yield insignificant coefficients of within-household and within-village correlation of disturbance terms, so household effects were dropped from the models. Likewise, the Hausman tests for endogeneity of the land tenure-related explanatory variables yielded no evidence of simultaneity. The probit models of stone terrace and soil bund adoption were tested for independence of these decisions against a bivariate probit alternative; the likelihood ratio test could not reject the hypothesis of independence.



## **5.1 Determinants of adoption**

The regression results (Table 2) show that household investment in both stone terraces and soil bunds is influenced by a wide range of factors. Physical incentives to invest, household capacity to invest, land tenure security and socio-institutional factors were important in explaining household adoption of stone terraces, and market access was also important for adoption of soil bunds. Overall, the likelihood of adoption of stone terraces was modest; an average farmer had 18 percent predicted probability of adopting the practices. By contrast, the predicted probability of adopting soil bunds was far less, just over one percent during the 1992-95 study period. Interestingly, many of the determinants of adopting soil bunds had effects contrary to those on stone terraces.

### **Physical determinants of adoption**

The physical factors influencing soil conservation are the ones that relate most closely to hypothesis HA<sub>1</sub>: “Where productive soils are more prone to erode, farmers will be more likely to adopt soil conservation.”

Degree of slope increased the use of both stone terraces and soil bunds, up to a maximum steepness. Plot location influenced both kinds of structures. Farmers prefer to use soil bunds on toe slopes, as indicated by the negative signs on middle and upper slope locations. By contrast, they are more prone to build stone terraces on middle and lower slopes where they can curb erosion. The fact that hilly topography of villages was an important determinant of the adoption stone terraces but did not matter for soil bunds suggests that Tigrayan farmers believe that stone terraces are more effective when soil erosion is more severe. Compared with the base case of clay

soils, farmers preferred to construct soil bunds on sandy soil textures that are both more prone to erode and easier to work with than clays. All these factors are consistent with the null hypothesis that physical propensity toward erosion enhances the likelihood of soil conservation adoption. Farmers are more likely to build both soil bunds and stone terraces on plots that they cultivated longer, suggesting the importance of stable tenure for soil conservation. Results appear mixed on the influence of slope shape, in that concave shape favors adoption of terraces while mixed shape detracts from adoption of bunds. The negative effect of rainy upper highland villages ran counter to initial expectations, but may be explained by a tendency toward waterlogging of vertisol soils that occurs in some of the upper highland areas. Soil type was omitted from the model, but waterlogging concerns would discourage farmers from practices that would retain water on vertisol fields. On the whole, the evidence strongly supports the importance of physical factors behind adoption of soil conservation measures.

The coefficient estimates for land tenure security in Table 2 provide the primary basis for testing hypotheses HA<sub>2A</sub> and HA<sub>2B</sub>. Farmers with secure land tenure who 1) expect to bequeath their fields to their children and 2) live in villages with no recent land redistribution are both more likely to build stone terraces and less likely to build soil bunds. By contrast, field owners who currently operate a field are associated with soil bund use, either because tenure insecurity causes them to limit investment or because unimproved fields are more likely to be rented out (and hence benefit only from short-term bund conservation). Overall, the evidence gives resounding support for the linked hypotheses that tenure security favors long-term soil conservation investments like stone terraces, whereas insecurity favors short-term investments, such as soil bunds.

Socio-institutional factors are the key to testing the three remaining adoption hypotheses.

Hypothesis HA<sub>3</sub>, that farmers benefiting from publicly constructed conservation structures substitute for private investment, can be tested by examining the coefficient estimates on the “Public conservation” variable. Evidently, households that had benefited from public conservation campaigns were less prone to adopt either soil bunds or stone terraces, as expected.

The hypothesis that nearby public soil conservation activities that take place off the farmer's own land may encourage private soil conservation investment (HA<sub>4</sub>) can be tested via coefficient estimates on the “FFW available” variable. The availability of FFW increased adoption of stone terraces but decreased that of soil bunds. This is consistent with the fact that FFW projects emphasized the rehabilitation of hillsides, focusing in part on stone terraces, but not on soil bunds.

The effect of community influence (social capital) in inducing adoption of soil conservation (HA<sub>5</sub>) is tested via the “Community pressure” variable. This had no significant effect on adoption of either terraces or bunds. Although the signs of the coefficient estimates are consistent with our expectations, there is no compelling statistical support for this hypothesis.

The capacity to invest and convenience of doing soil conservation were the basis for testing hypothesis HA<sub>6</sub> and played roles that are consistent with the maintained hypothesis of wealth in the utility function. The presence of more working-age household members favored adoption of labor-demanding stone terraces, as did ownership of large plots that would yield greater rewards to the costs of construction. By contrast, households having many plots were more inclined to build soil bunds which demand less labor. Distance of plots from the homestead detracted strongly from the propensity to build stone terraces, with each added hour of walking reducing

the probability of building terraces by 29 percent. Village distance from markets had mild negative effect on adoption of soil bunds.

## 5.2 Determinants of level of soil conservation investment

The second stage of the double hurdle model measures extent of adoption among adopters of the soil conservation practices. The truncated regression of stone terraces showed that the factors that influence adoption and intensity of use of stone terraces are different (Table 3). This result was robust whether the intensity of use model was specified with actual non-zero values or predicted non-zero values from the first-stage probit analysis. As expected under hypothesis HD<sub>1</sub>, the land tenure status variables that were key to the decision on *whether* to invest in soil conservation (the probit model) were insignificant in the decision on *how much* to invest (the truncated regression model). Likewise, the capacity to invest and socio-institutional factors that were important in determining adoption, had no influence on intensity of use. The one exception was plot area, which detracted from terrace density. Given that the dependent variable measures meters of stone terracing *per hectare*, larger fields have fewer meters of terracing per hectare because of terrace indivisibility and diminishing marginal returns to terrace construction within a field. The truncated regression for soil bunds was insignificant and is not reported.

On the other hand, there is clear evidence that farmers invested more stone terraces where expected returns were higher (HD<sub>2</sub>). In villages that were more distant from markets and roads, terrace density was significantly higher. In such remote villages, off farm employment opportunities are limited and lower wages prevail (Gebremedhin, 1998, p. 196), reducing the cost of hired labor as well as the opportunity cost of family labor. On the revenue side, stone terracing

was significantly denser where slopes were steeper (up to a maximum) and in highland settings, where rainfall is higher and the expected benefits from erosion abatement are highest. Similarly, plots operated by current owner longer received more terracing, presumably because the evidence of erosion was greater and perhaps also because land tenure security was greater. Likewise, silty soils, which tend to be very fertile, also received more terracing.

### **5.3 Discussion of results**

The importance of physical determinants of soil erosion in influencing the adoption of conservation practices by Tigrayan farmers reinforces similar findings elsewhere (Ervin and Ervin, 1982; Pender and Kerr, 1998; Shiferaw and Holden, 1998; Sureshwaran et al., 1996). The specific results are consistent with the region's hilly and rugged terrain. The significant negative quadratic term indicates that farmers are disinclined to invest in conservation practices when slopes become very steep.

The cost of conservation works is especially important. It includes not only cash costs, but also the transaction costs of travel to plots distant from the homestead or highly fragmented and small. Such plots are more likely to be developed with soil bunds than with stone terraces. Clay et al. (1998), in their Rwanda study, likewise found that distance of plots from homestead discouraged investment in stone terraces.

Where labor markets function poorly, the availability of family labor encourages adoption of labor-demanding conservation technologies (Pender and Kerr, 1998). The labor market in Tigray is likely to be imperfect due to information asymmetry or transaction costs. Hence it makes sense that in this case too, the availability of family labor encouraged adoption of stone terraces.

Neoclassical economic theory suggests that, *ceteris paribus*, reduced risk and longer planning horizons should enhance expected returns and encourage investment. Land tenure security and stability embody both of these attributes. Our results from Tigray confirm that farmers who have long term land tenure security are more likely to invest in costly but durable stone terraces, while farmers who have only short term land tenure security are more likely to invest in cheaper, less durable soil bunds. The greater specificity of the tenure status variables used here allows more insights to be gleaned than in Shiferaw and Holden's (1998) single variable for lifetime tenure security. Our results echo those of from the United States that tenure security encourages land improvements, notably the use of conservation practices (Besley, 1995; Feder et al., 1988; Gavian and Fafchamps, 1996; Hayes et al., 1997; Lee, 1980; and Ervin, 1982).

The determinants of conservation adoption and intensity of use have been considered to be the same in most of the conservation literature. A notable exception is the work by Ervin and Ervin (1982), which modeled conservation effort separately from adoption. Our results demonstrate that the factors affecting adoption and intensity of use of stone terraces in Tigray are, in fact, different. Intensity of use of stone terraces is affected by the opportunity cost of labor and the expected return from investment. While development of off-farm employment opportunities may detract from intensified use of conservation practices due to competition for labor, market and infrastructure development is likely to encourage intensity by enhancing the return to conservation investments. Policy makers will find that the relevant tools for encouraging conservation investments depend on whether or not farmers are already convinced of the need to adopt soil conservation. Awareness of conservation practices, plus secure, stable land tenure are important for adoption of long-term soil conservation. But for farmers who have already decided to invest

in conservation practices, expected net benefits and resource constraints are the key factors influencing degree of investment in conservation practices.

## 6. Conclusions

This research explores the contrasts between the determinants of whether to invest and how much to invest, as well as how those decisions are affected by land tenure security. In general the results confirmed the hypothesized outcomes. The key findings and their implications are as follows. Investment in stone terraces was positively influenced by factors associated with long-term investment perspective such as capacity to invest and land tenure security. By contrast, investment in soil bunds was associated with a short-term, low-budget investment perspective. The factors affecting level of investment were different from those that affect the decision of whether to invest. The opportunity costs of labor and foregone land productivity were strong determinants of level of investment, despite making no significant contribution to the choice of whether to invest. This suggests that activities that use labor in the dry season when bunds and terraces are constructed and maintained (such as migration, local off-farm activity, and food-for-work programs) may compete with soil conservation.

Recent research on soil conservation in Ethiopia (Shiferaw and Holden, 1999; Gebremedhin, Swinton and Tilahun, 1999) has highlighted the need for public policy interventions to supplement private incentives to make soil conservation investments in erosion-prone mountain areas. The social benefits of soil conservation often justify public intervention, especially when private returns are marginal at typical discount rates.

But the evidence presented here reveals that not all public interventions are helpful. Direct

public involvement in constructing soil conservation structures on private lands appears to compete with private conservation investments, undermining incentives for the latter. But public conservation campaigns need not be counterproductive. When done on public lands, public conservation activities may be exemplary, serving an educational role that reduces the learning cost of privately building soil conservation structures.

The right kind of policy interventions can strongly enhance private incentives to invest in soil conservation. Secure and stable rights to land tenure assure the long-term perspective that favors costly, durable investment in soil conservation such as construction of stone terraces. Land titling and legal enforcement of title are fundamental for the widespread adoption and sustained use of conservation practices. The drive in the region towards land registration seems to be a step towards this goal.



## References

- Admassie, Y. 2000. Twenty Years to Nowhere: Property Rights, Land Management and Conservation in Ethiopia. Lawrenceville, NJ: Red Sea Press.
- Baidu-Forson, J. 1999. "Factors Influencing Adoption of Land-enhancing Technology in the Sahel: Lessons from a Case Study in Niger." Agricultural Economics. 20(1999):231-239.
- Besley, T. 1995. "Property Rights and Investment Incentives: Theory and Evidence from Ghana." Journal of Political Economy **103**(5): 903-937.
- Bojo, J. and D. Cassels. 1995. "Land Degradation and Rehabilitation in Ethiopia: A Reassessment." AFTES Working Paper No. 17. Washington D.C.: The World Bank.
- Bultena, G.L. and E.O. Hoiberg. 1983. "Factors Affecting Farmer Adoption of Conservation Tillage." Journal of Soil and Water Conservation. 38(3):281-284.
- Cragg, J.G. 1971. "Some Statistical Models For Limited Dependent Variables with Application to the Demand For Durable Goods." Econometrica 39(5):829-844.
- Clay, D.C., T. Reardon, and J. Kangasniemi. 1998. "Sustainable Intensification in the Highland Tropics: Rwandan Farmers' Investment in Land Conservation and Soil Fertility." Economic Development and Cultural Change 46: 351-378.
- Deaton, A. The Analysis of Household Surveys: A Microeconomic Approach to Development Policy. Baltimore: Johns Hopkins, 1997.
- Delgado, C.L. and P. Anderson. 1993. "Agricultural Production in the Third World: Patterns and Strategic Issues." Keynote address to the AAEE/IFPRI Pre-conference Workshop, Orlando, Florida. 1993.
- Eicher, C. 1994. "Zimbabwe's Green Revolution: Preconditions for Replication in Africa." Staff Paper 94-1. East Lansing, Department of Agricultural Economics, Michigan State University.
- Ervin, D.E.. 1982. "Soil Erosion Control on Owner Operated and Rented Cropland." Journal of Soil and Water Conservation 37(5):285-288.
- Ervin, C. A. and D. E. Ervin. 1982. "Factors Affecting the Use of Conservation Practices: Hypotheses, Evidence, and Policy Implications." Land Economics. 58(1982): 277-292.
- Feder, G., T. Onchan, Y. Chalamwong, and C. Hongladarom. 1988. Land Policies and Farm Productivity in Thailand. Baltimore, Johns Hopkins University Press.

- Feder, G., L.J. Lau, J.Y. Lin, and X. Luo. 1992. "The Determinants of Farm Investment and Residential Construction in Post-Reform China." Economic Development and Cultural Change. 41(1):1-26.
- Gavian, S. and M. Fafchamps. 1996. "Land Tenure and Allocative Efficiency in Niger." American Journal of Agricultural Economics 78(2): 460-471.
- Gebremedhin, B. 1998. "The Economics of Soil Conservation Investments in the Tigray Region of Ethiopia." Ph.D. dissertation, Department of Agricultural Economics, Michigan State University, East Lansing, MI, 1998.
- Gebremedhin, B., S. M. Swinton, and Y. Tilahun. 1999. "Effects of Stone Terraces on Crop Yields and Farm Profitability: Results of On-farm Research in Tigray, Northern Ethiopia." Journal of Soil and Water Conservation 54: 568-573.
- Gonzales de Olarte, E. and C. Trivelli. 1999. Andenes y Desarrollo Sustentable. IEP Estudios de la Sociedad Rural 17. Instituto de Estudios Peruanos (IEP) y CONDESAN: Lima, 1999.
- Greene, W. 1993. Econometric Analysis. 2nd edition. New York: Macmillan, 1993.
- Hayes, J., M. Roth, and L. Zepeda. 1997. "Tenure Security, Investment and Productivity in Gambian Agriculture: A Generalized Probit Analysis." American Journal of Agricultural Economics 79(2): 369-382.
- Hurni, H. 1985. "Erosion-Productivity-Conservation Systems in Ethiopia." Paper presented at the 4<sup>th</sup> International Conference on Soil Conservation, Venezuela.
- Hurni, H. 1988. "Degradation and Conservation of the Resources in the Ethiopian Highlands." Mountain Research and Development. 8(2/3):123-130.
- Lee, L. K. 1980. "The Impact of Landownership Factors on Soil Conservation." American Journal of Agricultural Economics. 62(1980): 1070-1076.
- Lin, C.T.J., and J.W. Milon. 1993. "Attribute and Safety Perceptions in a Double-Hurdle Model of Shellfish Consumption." American Journal of Agricultural Economics. 75(August 1993): 724-729.
- McConnell, K.E. 1983. "An Economic Model of Soil Conservation." American Journal of Agricultural Economics. 65(1): 83-89.
- Pender, J.L. and J.M. Kerr. 1998. "Determinants of Farmers' Indigenous Soil and Water Conservation Investments in Semi-arid India." Agricultural Economics 19(1/2):113-126.

- Place, F. and P. Hazell. 1993. "Productivity Effects of Indigenous Land Tenure Systems in Sub-Saharan Africa." American Journal of Agricultural Economics 75(1): 10-19.
- Otsuka, K., S. Suyanto, and T. P. Tomich (1997). "Does Land Tenure Insecurity Discourage Tree Planting? Evolution of Customary Land Tenure and Agroforestry Management in Sumatra." Discussion Paper No. 31. International Food Policy Research Institute (IFPRI), Environment and Production Technology Division, Washington, DC.
- Rikoon, J.S., D.H. Constance and S. Geletta. 1996. "Factors Affecting Farmers' Use and Rejection of Banded Pesticide Application." Journal of Soil and Water Conservation 51(4): 322-329.
- Shiferaw, B. and S. Holden. 1998. "Resource Degradation and Adoption of Land Conservation Technologies in the Ethiopian Highlands: A Case Study in Andit Tid, North Shewa." Agricultural Economics 18(1998): 233-247.
- Shiferaw, B. and S. Holden. 1999. "Soil Erosion and Smallholders' Conservation Decisions in the Highlands of Ethiopia." World Development. 27(4):739-752.
- Stahl, M. 1990. "Constraints to Environmental Rehabilitation Through People's Participation in the Northern Ethiopian Highlands." United Nations Research Institute for Social Development (UNRISD) Discussion Paper No. 13. Switzerland.
- Sureshwaran, S., S.R. Londhe and P. Frazier. 1996. "Factors Influencing Soil Conservation Decisions in Developing Countries: A Case Study of Upland Farmers in the Phillipines." Journal of Agribusiness. 14(1): 83-94.
- Yen, S.T. 1993. "Working Wives and Food Away From Home: The Box-Cox Double Hurdle Model." American Journal of Agricultural Economics. 75(4): 884-895.

**Table 1: Definition and measurement of explanatory variables.**

Variable	Definition	Mean	Standard deviation
<b>Dependent variables</b>			
Terraces	Stone terrace construction (meters/ha)	71.2	198.2
Bunds	Soil bunds constructed (meters/ha)	13.2	82.2
<b>1. Market access factors</b>			
Market distance	Distance from village to nearest market (walking hours)	1.62	0.77
Road distance	Distance from village to nearest all weather road (walking hours)	1.49	1.17
<b>2. Physical factors</b>			
Firewood distance	Village roundtrip distance to fetch fuelwood (walking hrs)	6.30	3.30
Highland	Village lies above 2500 meters altitude (0/1)	0.10	--
Hilly village	Predominant topography of village (0/1)	0.655	--
Plots cultivated	Number of plots cultivated by household	3.52	1.98
Slope	Slope of plot (degrees)	6.44	6.68
Soil sandy <sup>1</sup>	Predominant soil type of plot is sandy (0/1)	.213	--
Soil silty	Predominant soil type of plot is silty (0/1)	.019	--
Soil loamy	Predominant soil type of plot is loamy (0/1)	.280	--
Slope convex <sup>1</sup>	Plot slope has convex shape (0/1)	.041	--
Slope concave	Plot slope has concave shape (0/1)	.066	--
Slope mixed	Plot slope has mixed shape (0/1)	.086	--
Plot on upper slope <sup>2</sup>	Plot located on upper slope (0/1)	.135	--
Plot on mid slope	Plot located on middle slope (0/1)	.121	--
Plot on lower slope	Plot located on lower slope (0/1)	.265	--
Plot area	Plot area (hectares)	.445	0.323
Plot distance	Distance of plot from home (walking hours)	.476	0.477
Plot age	Duration that plot operated by owner	7.57	6.06

---

<sup>1</sup> Clay soil was the base of comparison for all soil texture dummies.

<sup>1</sup> Rectilinear shape of plot was the base of comparison for all slope dummies

<sup>2</sup> Plain or Plateau was the base of comparison for all plot location dummies

Variable	Definition	Mean	Standard deviation
<b>3. Capacity factors</b>			
Workers	Number of working age (15-64) household members	2.95	1.32
Farm size	Area of cultivated land (ha.)	1.19	0.50
<b>4. Land tenure security factors</b>			
Own plot now	Plot is owned (not rented or borrowed) (0/1)	0.808	--
Own in 5 years	Owner feels certain to cultivate the same fields after five years (0/1)	0.604	--
Own on bequest	Owner feels certain to leave plots to children (0/1)	0.422	--
Time since land redistributed	Years since last land distribution in village	6.56	2.41
<b>5. Socio-institutional factors</b>			
Community pressure	Household head feels pressure from community to conserve soil (0/1)	0.594	--
Extension contact	Household had contact with extension conservation service (0/1)	0.574	--
FFW available	Food-for-work was available in village (0/1)	0.448	--
Public conservation	Household had conservation work done on its plots by public campaigns (0/1)	0.695	--
<b>6. Household demographic characteristics</b>			
Dependency ratio	Ratio of total household members to working age household members	1.80	0.547
Age of head	Age of household head (years)	46.5	14.4
Male head	Male head of household (0/1)	0.829	--
Literate head	Literate household head (0/1)	0.229	--

**Table 2: Probit regression results for adoption of stone terraces and soil bunds.**

Variable	Adoption of stone terraces		Adoption of soil bunds	
	Coefficient (robust std. err.)	Marginal effect	Coefficient (robust std. err.)	Marginal effect
<b>1. Market access factors</b>				
Market distance	0.028 (.160)	.0076	-0.343 (.184)*	-.013
Road distance	-0.112 (.106)	-.030	-0.075 (.645)	-.002
<b>2. Physical factors</b>				
Highland	-0.987 (.316)***	-.172	-0.316 (.469)	-.009
Firewood distance	-0.023 (.039)	.006	0.092 (.076)	.003
Hilly village	0.724 (.246)***	.139	0.389 (.437)	.007
Plots cultivated	0.006 (.086)	.0016	0.250 (.112)**	.009
Plot age	0.047(.025)*	.012	0.046 (.018)**	.001
Soil sandy	-0.186 (.227)	-.047	0.808 (.367)**	.049
Soil silty	0.435 (.718)	.136	0.637 (.622)	.050
Soil loamy	-0.276 (.205)	-.089	0.803 (.359)**	.046
Slope	0.118 (.052)**	.031	0.176 (.077)**	.006
Slope squared	-0.0039 (.0017)**	-.001	-0.004 (.002)*	-.0001
Slope convex	0.306 (.272)	.090	0.721 (.355)	.071
Slope concave	0.485 (.236)**	.138	0.038 (.414)	.009
Slope mixed	0.305 (.242)	.089	-0.773 (.437)*	-.011
Plot distance	-1.101 (.291)***	-.293	0.091 (.332)	.003
Plot area	0.600 (.307)**	.159	0.568 (.444)	.022
Plot on upper slope	0.015 (.112)	.004	-0.869 (.366)**	-.015
Plot on middle slope	0.539 (.264)**	.167	-0.713 (.328)**	-.017
Plot on lower slope	0.454 (.258)*	.133	-0.490(.497)	-.014
<b>3. Capacity to invest factors</b>				
Workers	0.597 (.218)***	.230	0.0312 (.181)	.001
Farm size	-0.220 (.140)	-.036	-0.219 (.209)	-.008
<b>4. Land tenure security factors</b>				
Own plot now	0.375 (.233)	.034	0.862 (.311)***	.020
Own in 5 years	-0.480 (.491)	-.186	0.318 (.378)	.011
Own on bequest	0.416 (.211)**	.286	-0.957(.291)***	-.038
Time since land redistributed	0.104 (.052)**	.007	-0.136 (.079)*	-.005

**5. Socio-institutional factors**

Community pressure	0 .284 (.227)	.076	-0.382 (.244)	-.035
Extension contact	-0.190 (.235)	-.049	-0.323 (.326)	-.014
FFW available	0.744 (.382)**	.248	-0.548 (.272)**	-.016
Public conservation	-0.545 (.177)***	-.145	-.426 (.263)**	-.013

**6. Household demographic characteristics**

Dependency ratio	-0.101 (.191)	-.026	0.440 (.299)	.017
Age of head	-0.0038 (.0104)	-.001	-0.015 (.014)**	-.000
Male head	0.414 (.359)	-.093	-0.433 (.517)	.025
Literate head	0.083 (.254)	.021	-0.423 (.320)	-.013
Constant	-2.004(.940)**	---	-1.400 (1.041)	---

**Regression diagnostics**

Chi-square	118.52	---	101.22	---
Prob. > chi-square	0.0000	---	0.0000	---
Pseudo R-square	0.2783	---	0.2762	---
Predicted probability at mean	0.184		0.015	
Sample size (n)	638	---	638	---

\*, \*\*, \*\*\* significant at 10%, 5% and 1% respectively.

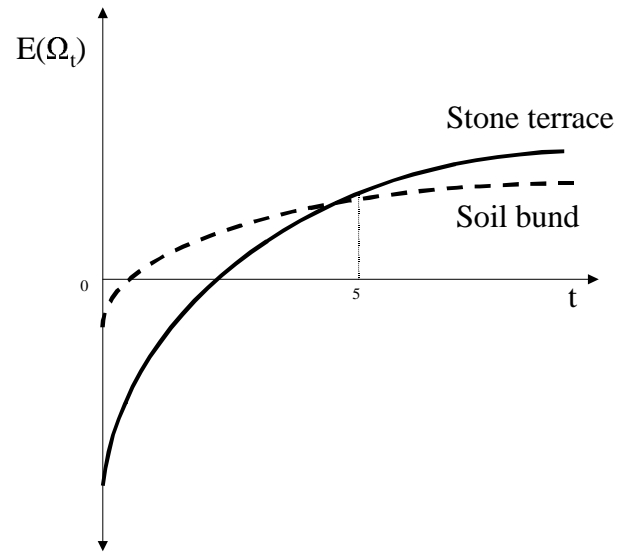
**Table 3: Probit and truncated regression results for adoption and intensity of use of stone terraces**

Variable	Adoption of terraces [probit] (robust std. error)	Density of terraces [truncated regression]	
		Actual values (asym. std. error)	Predicted values (asym. std. error)
1. Market access factors			
Market distance	0.028 (.160)	216.80 (120.3)**	187.13 (61.01)***
Road distance	-0.112 (.106)	137.25 (57.07)**	162.57 (76.42)**
2. Physical factors			
Highland	-0.987 (.316)***	659.47 (296.2)**	721.03 (314.71)**
Firewood distance	-0.023 (.039)	-16.74 (32.29)	21.07 (24.12)
Hilly village	0.724 (.246)***	174.54 (245.6)	161.36 (212.07)
Plots cultivated	0.006 (.086)	-68.13 (57.81)	-61.23 (45.69)
Plot age	0.047 (.025)*	23.14 (11.59)**	31.25 (10.25)***
Soil sandy	-0.186 (.227)	207.04 (161.7)	-189.67 (158.08)
Soil silty	0.435 (.718)	1383.3 (387.4)***	1407.00 (421.05)***
Soil loamy	-0.276 (.205)	102.33 (214.8)	116.68 (176.89)
Slope	0.118 (.052)**	63.76 (44.21)	81.79 (45.89)*
Slope squared	-0.0039 (.0017)**	-2.46 (1.87)	-6.03 (3.52)*
Slope convex	0.306 (.272)	200.86 (227.8)	201.72 (187.96)
Slope concave	0.485 (.236)**	76.41 (218.6)	56.45 (178.31)
Slope mixed	0.305 (.242)	145.72 (183.5)	153.12 (171.01)
Plot distance	-1.101 (.291)***	-287.67 (243.4)	-321.73 (252.02)
Plot area	0.600 (.307)**	-810.30 (261.8)***	-756.03 (251.14)***
Plot on upper slope	0.015 (.112)	248.92 (232.4)	213.34 (211.23)
Plot on middle slope	0.539 (.264)**	194.65 (239.8)	201.87 (223.46)
Plot on lower slope	0.454 (.258)*	61.71 (184.2)	87.69 (201.45)
3. Capacity to invest factors			
Workers	0.597 (.218)***	32.28 (66.18)	65.21 (58.45)
Farm size	-0.220 (.140)	8.15 (77.71)	-6.78 (81.34)
4. Land tenure security factors			
Own plot now	0.375 (.233)	-204.59 (199.4)	-198.87 (201.34)
Own in 5 years	-0.480 (.491)	163.87 (196.7)	134.07 (154.89)
Own on bequest	0.416 (.211)**	-113.88 (165.8)	-78.96 (147.65)
Time since land redistributed	0.104 (.052)**	-43.74 (31.02)	-38.21 (43.38)



Variable	Adoption of terraces [probit] (robust std. error)	Density of terraces [truncated regression]	
		Actual values (asym. std. error)	Predicted values (asym. std. error)
5. Socio-institutional factors			
Community pressure	0 .284 (.227)	-106.16 (118.3)	-112.38 (107.63)
Extension contact	-0.190 (.235)	-187.69 (157.6)	-89.35 (143.21)
FFW available	0.744 (.382)**	198.98 (167.9)	201.23 (154.37)
Public conservation	-0.545 (.177)***	-101.76 (197.5)	-76.48 (187.23)
6. Household demographic characteristics			
Dependency ratio	-0.101 (191)	131.58 (91.3)	102.36 (76.89)
Age of head	-0.0038 (.0104)	-1.69 (5.76)	2.46 (6.06)
Male head	0.414 (.359)	-162.64 (226.3)	-189.67 (231.06)
Literate head	0.083 (.254)	-157.27 (151.8)	-167.42 (150.30)
Constant	-2.004(.940)**	---	---
Regression diagnostics:			
Chi-square	118.52	---	---
Prob. > chi-square	0.0000	---	---
Pseudo R-square	0.2783	---	---
Sample size (n)	638	139	123

\*, \*\*, \*\*\* significant at 10%, 5% and 1% respectively



**Figure 1: Hypothetical expected cumulative net returns from two alternative soil conservation practices.**