



611

Number of farmers in REILA *woredas* who have registered their land as collateral for loans

€840,000

Amount of loans disbursed to households using land as collateral

# REILA deliverable: Access to credit

## Updating the law to provide access to credit

In Ethiopia, in recent years, legislation has been enacted to support farmers' right to land. They are protected from evictions, can rent out and inherit land, and have the right to give their land as a gift to someone. However, access to finance using land as a guarantee remained a problem. Although academic institutions and land sector professionals emphasised the importance of the such access, using land as collateral for a loan was prohibited until mid 2018 when barriers were finally lifted.

Despite these hurdles, in recent years, the DFID-funded Land Investment for Transformation (LIFT) project – in which NIRAS is a partner – ran several pilots where land was guaranteed as means of accessing finance. Every farmer who took a loan, paid it off in full. The pilot programme concluded there strong interest from rural financial institutions to lend to farmers on the basis of mortgaged land; and, equally important, farmers demonstrated a desire to borrow.



Photo: Gladys Savolainen

The Amhara National Regional Council has been a frontrunner in broadening the land rights of its rural landholders and in 2018 finally accepted their right to use registered land as collateral for bank loans.

## Broad uptake of a popular programme

Since 2018, in REILA *woredas*, 611 farmers have used their registered land as collateral for loans worth 26,000,000 Ethiopian Birr (€840 000). Female-headed households manage 24% of total loans, most of which are used to set up small businesses such as animal fattening, restaurants, and bajajs (taxis). These businesses reduce the demand for land in the rural areas and create farming alternatives for the youth.

Outside of REILA *woredas*, 7500 farmers have already used the scheme to take loans worth 234,000,000 ETB. According to a LIFT study, 50% of all rural households are interested in and eligible for the loan. Altogether, over 3 million households have already gotten their second-level land certificate, and the number is increasing. Many other Ethiopian regions are considering a similar change in law, and REILA is lobbying for this outcome.

For comparison, in Finland, the value of collaterals that are based on land registry and currently used for bank loans is €610 billion. This is equivalent to ten times the Finnish Government's annual budget – a demonstration of the possibilities of accessing credit via land registration.

## Second-level land certification (SLLC) holders that have accessed credit and amount of their loan.

#	Woreda	Number of households who got a loan using their SLLC				Amount of loan disbursed (Ethiopian birr)			
		Couples	FHH	MHH	Total	Couples	FHH	MHH	Total
1	Bahir Dar Zuria	213	105	42	360	9,479,900	3,815,110	1,435,144	14,730,154
2	North Mecha	62	22	19	103	3,040,000	1,100,000	1,000,000	5,140,000
3	Northe Achefer	71	11		82	3,610,000	485,000	280,000	4,375,000
4	Fogera	31	6		37	940,000	180,000		1,120,000
5	Libo Kemkem	26	3		29	749,000	150,000		899,000
	<b>Total</b>	<b>403</b>	<b>147</b>	<b>61</b>	<b>611</b>	<b>17,818,900</b>	<b>5,730,110</b>	<b>2,715,144</b>	<b>26,264,154</b>

FHH: female-headed households; MHH: male-headed households

## The situation today

Ethiopia is currently in the process of economic transformation with the goal of becoming a lower-middle income economy by 2025. Agriculture is arguably the most important focus of this process as developing the agricultural sector is one of the best ways to stimulate rapid, inclusive economic growth. However, this development would not be possible without second-level land certification.

The State of Ethiopia owns and administers land, which means that the landholders receive use rights they can rent out and their children can inherit. However, without registered use of these rights, people often did not want to invest in their land. In many cases, they simply could not afford to invest as the lack of land security meant it was almost impossible to access finance.

## Land registration opens a door to further opportunity

The REILA project developed the second-level land certification process, which involves registering the precise geographical locations and sizes of individual farm plots, using technologies such as GPS, satellite imagery, or orthophoto (aerial photography). The LIFT project took this once step further and developed the scheme whereby these certificates are used to access credit. Due to the success of these efforts, the scheme has been taken into extensive use in REILA *woredas*.

Once Adamu Tilaneh and his wife Haimanot received their certificate, new opportunities opened up for them. The document provides precise information on everything from the land's size to its location (even including a map of their land), and enabled financial institutions to run a check on whether there were any other loans or agreements attached to the land that would prevent a loan from being issued. In short, the certificate allowed Adamu and Haimanot to put their land up as a guarantee for a bigger loan at a lower interest rate.

They approached the Amhara Credit and Saving Institution (ACSI) and created a business plan for their oxen fattening



“Register your land and have the certificate in your hand. But do not simply put the certificate in your pocket or under the bed. Use it to borrow money. Invest the money in appropriate businesses to change your families' lives.”

**Adamu Tilaneh, North Mecha, Bachima Kebele,  
REILA programme participant**

enterprise. ACSI extended a loan for 50,000 ETB (about €1500). The loan agreement requires the couple to repay 15,000 ETB (€470) every six months, with an annual interest rate of around 15%. During this time, they cannot make any other transactions on the land, such as renting it out or taking another loan. If they default, ACSI controls usage rights of the land and can rent it out or sharecrop to recoup the loan. When the loan period ends, the rights revert to Adamu and Haimanot.

Thanks to this loan, the couple have been able to buy five oxen, which they are fattening with the aim of selling during religious celebrations later in the year. Adamu is optimistic about the business. The oxen are healthy, and he expects to make a profit, which he will use to further expand his business and eventually start repaying the loan.

*Land registration efforts can really pay off for farmers, providing access to credit and helping to build wealth.*

