

How has LIFT's Economic Empowerment Unit incentivised landholders to keep their SLLC up to date?

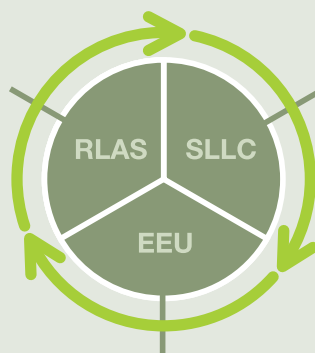
A challenge for rural land services is to encourage landowners to register subsequent land transactions to ensure that the land register is up to date. Land Investment for Transformation's (LIFT) Economic Empowerment Unit (EEU) is tackling this issue by incentivising Ethiopian landholders to keep their second level land certification (SLLC) up to date.

Introduction

The LIFT programme, funded by UK Aid, pioneers a unique, innovative strategy that applies the market systems approach to a land certification programme. LIFT's Economic Empowerment Unit (EEU) aims to accelerate and magnify the investment, productivity and

income benefits of land certification for rural landholders in selected markets, including the land rental market. Another anticipated effect of EEU is that it should create demand for farmers to collect the SLLC and keep it up to date thereafter. This is a result of the valuable applications of the SLLC offered through EEU innovations, such as the SLLC-linked loan and a more secure land rental contract.

A functioning rural land administration system (RLAS) keeps SLLC up to date and helps the land market to function and thereby sustain the basis for EEU innovations to work.



SLLC provides up-to-date certificates clearly outlining boundaries of land parcels held by landholders.

EEU innovations provide incentives for landholders to keep their SLLC up to date and, in turn, create a demand for land transactions to be registered in RLAS. These transactions include inheritance, gifting, exchange, rental and credit. An up-to-date SLLC is required to access EEU interventions, such as SLLC-linked loans and standard land rental contracts. This effect extends to landholders who have not attempted to access EEU interventions.

Being aware of the benefits of EEU interventions is sufficient; landholders are incentivised to keep their certification up to date so that they can potentially access EEU support in the future.

This creates a sustainable cycle: the SLLC component provides up-to-date certification, allowing EEU innovations to be piloted. The RLAS component supports a formal system that keeps SLLC up to date. The EEU provides positive incentives to landholders to keep their SLLC up to date. This in turn makes for an up-to-date land registry that allows for EEU innovations to function in the long run.

EEU innovations in the access to finance and land rental sectors

- **SLLC-linked individual agricultural loan product.** LIFT worked with the Government of Ethiopia, stakeholders and partner microfinance institutions (MFIs) to develop an agricultural loan product specifically tailored to farmers with SLLC. The product leverages the SLLC (which gives MFIs the security of knowing the farmer's area and exact landholding size) but relies on the produce of the land and/or the land use right itself as the guarantee to secure a loan. This innovation has allowed MFIs to offer higher loan amounts and expand access to formal credit to farmers.
- **The standard land rental contract (SLRC).** This is a formal land rental contract developed by LIFT in collaboration with the Government of Ethiopia, and officially rolled out across Amhara, Tigray, Oromia and the Southern Nations, Nationalities, and Peoples' Region (SNNPR). The SLRC replaces informal agreements, and offers more secure and enforceable land rental agreements.
- **Land rental service providers (LRSPs).** LRSPs raise awareness of the SLRC, reach out to more vulnerable households and facilitate rental transactions by providing market information on prices, available land and land rights. LRSPs provide services that support tenants in identifying available land and help more vulnerable tenants to agree fair rental contracts.



Methodology

LIFT carried out a large-scale survey to estimate the percentage of land transactions that were formally registered in the RLAS. In this survey, 9,600 households were interviewed across four regions, Amhara, Oromia, Tigray and SNNPR. These were selected to ensure that findings were representative of the population in the programme area. The sampling design allowed for a statistically robust comparison of EEU and non-EEU locations, since just over half of the sampled households were in locations reached by innovations of the EEU, whereas just under half of the sampled households were not reached by EEU innovations.

Research findings

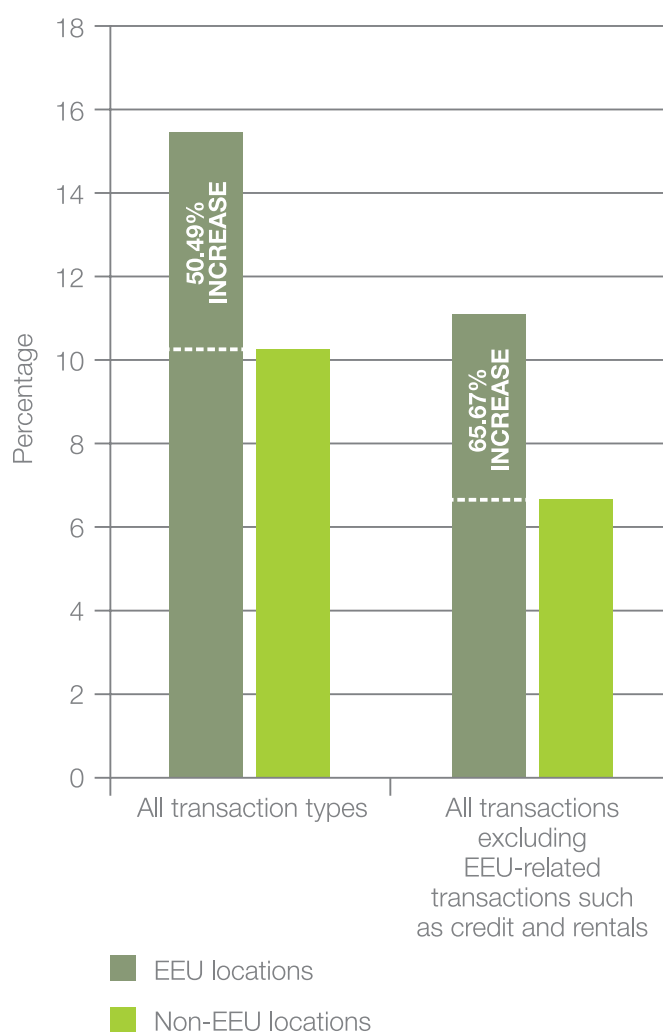


Figure 1. Land transactions formally registered in RLAS

The LIFT theory of change assumes an additional EEU demonstration effect showing that EEU innovations incentivise landholders to formally register land transactions. Indeed, landholders in EEU locations were much more likely to have formally registered a land transaction compared with those in locations where EEU innovations were not available. In EEU areas, 15.5% of landholders formally registered a land transaction, while only 10.3% of landholders in areas where EEU innovations were not available formally registered their land transactions. This holds even if EEU-linked land transactions are ignored, meaning credit and land rental transactions are taken out. Findings from an EEU Impact Survey confirm that positive incentives set by the EEU, such as the prospect of taking up the SLLC-linked loan, motivated 72% of potential borrowers to collect or demand their SLLC.



By breaking down the data into transaction types, the effect of EEU interventions can be seen. Rental transactions are formalised nearly twice as often in EEU areas than in non-EEU areas (21.7% vs. 11.9%), providing evidence for a strong impact of EEU interventions on land rental formalisation.

More generally, a strong EEU demonstration effect is found where there is a prospect of accessing EEU products, such as the SLLC-linked loan or the formal

land rental contract. This can be seen by the large difference between the percentage of formally registered transactions for transaction types that do not directly relate to EEU innovations (other transaction types grouped (non-EEU)). This shows not only that EEU-related land transactions are formally registered more frequently, but that the EEU also sets incentives to formally register other land transactions to keep their SLLC up to date.

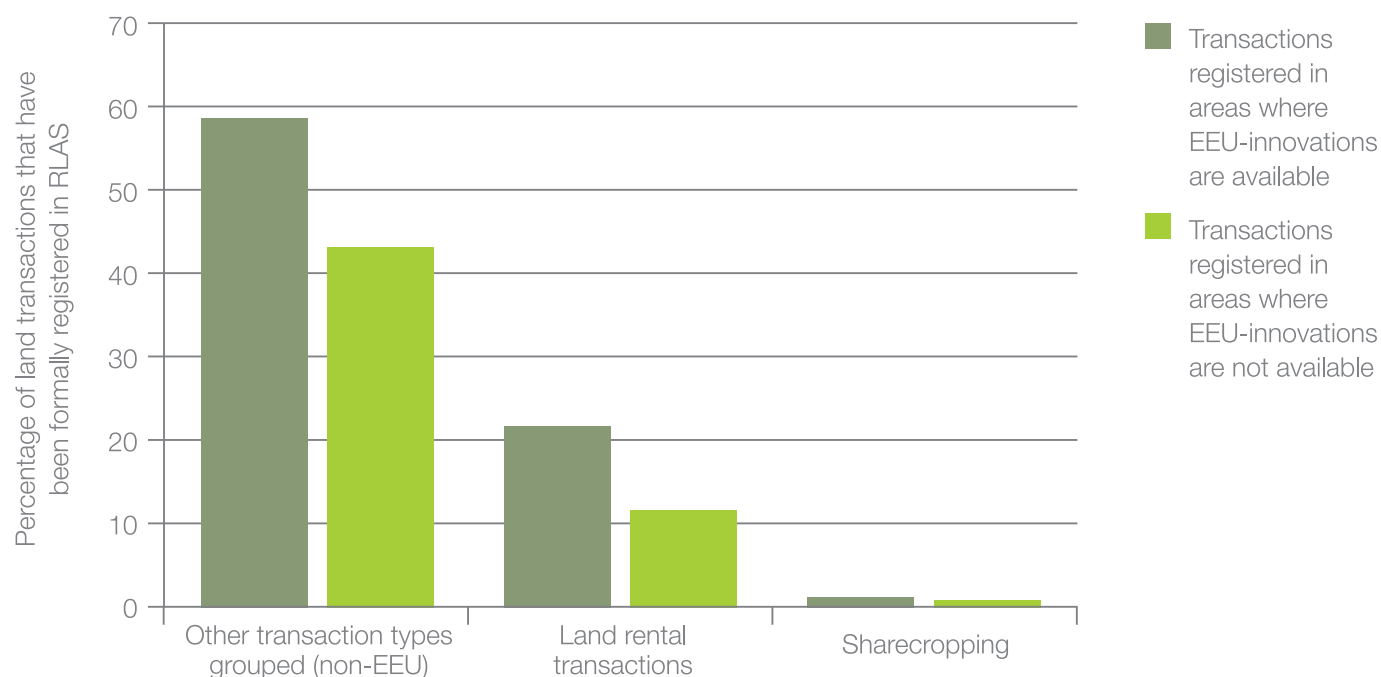


Figure 2. Different transaction types in EEU and non-EEU areas

Synopsis: With landholders realising the value of an up-to-date SLLC through the prospect of accessing EEU innovations, they are more likely to register subsequent changes, leading to an up-to-date land registry that can eventually crowd-in further innovations. The positive incentives set by EEU innovations are reflected in the analysis, providing strong evidence of the value of combining a market systems component with a land certification programme.



About the Research Summary series

This series summarises key research by the UK Department for International Development-funded Land Investment for Transformation (LIFT) programme. LIFT aims to improve the incomes of the rural poor in Ethiopia by securing the land rights of households through Second Level Land Certification (SLLC); improving Rural Land Administration Systems (RLAS); and increasing productivity by leveraging SLLC through a 'making markets work for the poor' (M4P) approach, in Oromia, Amhara, the Southern Nations, Nationalities, and Peoples' Region (SNNPR) and Tigray regions.

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