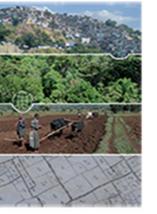


Land Governance in an Interconnected World

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INTRODUCTION

The Land Investment for Transformation (LIFT) programme aims to increase the incomes of the rural poor, through support to the Government of Ethiopia in the implementation of second-level land certification (SLLC), covering 14 million parcels, introduction of a sustainable land administration system, and the use of a market systems approach to leverage the economic benefits of increased tenure security. The market systems component has developed interventions that address the constraints identified in three sectors: rural land rental, access to finance, and environment and conservation agriculture. *Here we illustrate our approach using an example of our work in access to finance.*

WHAT ARE WE DOING?

In the area of access to finance, LIFT is working with Microfinance institutions (MFIs) in Ethiopia to develop a new financial product: the SLLC-linked individual loan product. With SLLC, MFIs have the security of knowing the ownership and exact landholding size of farmers. This has allowed the development of an innovative individual lending product that uses the produce of the land as a form of guarantee.

WHY IS IT IMPORTANT?

Until now, farmers could only access group loans, as they lacked fixed assets to use as a form of guarantee. The SLLC-linked individual loan product addresses this and other limitations of the group lending system. Farmers can borrow more (between ETB 5,000–50,000), have more flexibility to decide in what to invest and what the loan re-payment terms are, and have their applications assessed based on the merits of the business plan rather than on how long they have been MFI customers.

WHAT IS IT USED FOR?

The loan can be used for agricultural-related productive purposes such as buying improved seeds and fertilisers; paying for additional labour; renting or buying oxen to plough; livestock fattening; purchasing irrigation equipment to engage in high-value crops; and other income-generating activities.

ACKNOWLEDGMENTS



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Improving the Effectiveness of Land Tenure Programmes Using a Market Systems Approach

TAKING A SYSTEMIC APPROACH

 **LIFT and GoE provide second level land certificates (SLLC) to farmers**

 **The Rural Land Administration System (RLAS) allows for the registration of liens and other restrictions**

LIFT provides technical assistance to microfinance institutions (MFIs) to help them develop an innovative SLLC-linked individual loan product



 **LIFT supports MFIs to find ways to expand their lending capital base (e.g. improving savings)**

 **LIFT supports the formal court system in understanding the foreclosing process**

LIFT shares knowledge on the results of the SLLC-linked loan pilot, engages champions of change, organises forums to exchange experiences, and promotes policy dialogue at all levels



RESULTS (AS OF JAN 2018)

65

branches offering the SLLC-linked loan to farmers

4,293

farmers accessed credit through the new product

ETB 122.3 million

disbursed by these MFIs and

around ETB 13.4 million

in additional savings mobilised

...and updated Amhara Proclamation to allow use of SLLC as guarantee

“
The SLLC-loan product is working smoothly and is performing very well. It attracts group lending drop-outs, new clients and promotes entrepreneurship among farmers.
”

ACSI Head Office Customer Relationship Senior Officer



“
This loan changes the life of people.
”

Yihune is 48 years old. He has two hectares of land and six dependents. Before the SLLC-linked loan product became available, Yihune was only able to access ETB 8,000 through group-based loans. But this amount was not enough to keep farming his land and expand his business for animal fattening, so he closed the latter. In early 2017 he obtained an ETB 50,000 loan from ACSI that allowed him to develop a new business in butter trading. He has already paid back ETB 28,000 and in six months he has made a profit of ETB 10,000.

He is now planning to take another loan (even larger than the current one, if possible) to further expand his thriving butter business.

Yihune: engaging in butter trading



Loan from ACSI: ETB 50,000

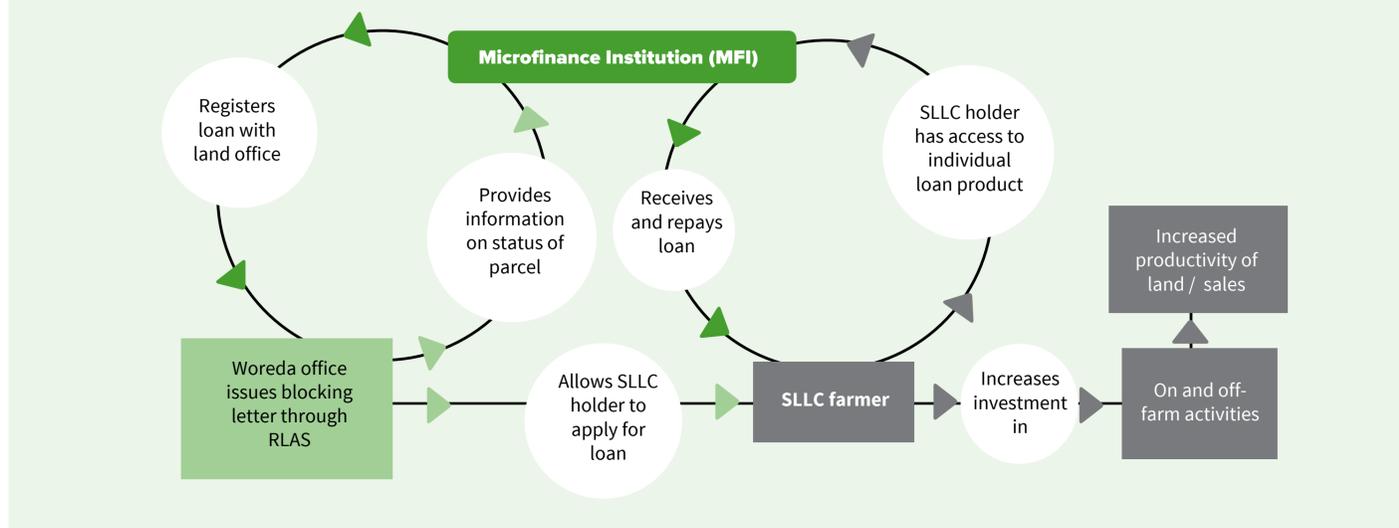


Already paid back: ETB 28,000



Profit in 6 months: ETB 10,000

HOW DOES IT WORK?



KEY BENEFITS FOR SLLC HOLDERS

- 1 Opportunities for smallholder farmers to move up the productivity chain:**
 - Access to larger and longer term loans allows smallholder farmers to graduate from subsistence farming.
 - Through SLLC-linked loans, farmers can access improved inputs and services. This allows them to increase the productive returns of the land, diversify their investments and increase their incomes and economic resilience.
- 2 Ability for MFIs to complement existing group lending products and reach new customers:**
 - MFIs can now reach smallholder farmers who are not accessing finance because they deem the risks of group lending to be too high, or whose needs are not being met by existing MFI products (in terms of loan size and length).
- 3 Adaptability of the SLLC-linked loan product to individual needs:**
 - Allows smallholder farmers to decide what loan size they want, when to repay and the kind of business they want to engage in.
 - Faster application process than for group lending as clients do not depend on other group members being present for decision-making, training and awareness raising.
- 4 Inclusiveness:**
 - Allows MFIs to assess the merits of each application individually, as long as the applicant's plan is viable and they have the SLLC.

LITERATURE CITED

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