

Land Certification: Unlocking Credit Access for Farmers

Introduction

In Ethiopia, land certification has emerged as a tool to facilitate credit access for smallholder farmers. Based on a case study conducted by the Resilient Landscapes and Livelihoods Project (RLLP) team, this article showcases the impact of land certification on credit access in the Godere woreda of the Gambella regional state, where the RLLP is supporting the land certification activities.

The assessment is conducted to generate evidence on the effectiveness of second-level land certificate to facilitate credit access for farmers. By analyzing the experiences of landholders who accessed credit using their land certificates, the assessment further examined the benefits and challenges of this approach.

Methodology

The case study involved a survey conducted on 15 households, including one female-headed household, who received credit from microfinance institutions and banks using their second-level land certificates. The assessment covered three kebeles in Godere woreda: Sumey, Mekakelegna Meti, and Kabo where the RLLP is functioning. The research team interviewed relevant specialists and experts, visited the project sites, and held discussions with landholders who accessed credit.

Area Description

Godere woreda, located in the Gambella regional state, Ethiopia. It is home to more than 58,000 landholders with 65,000 land parcels. Since the launch of the Sustainable Land Management Program (SLMP) and the introduction of second-level land certification in 2017, over 50,000 parcels of land in nine of the project kebeles have been registered and certified.

Findings

Procedure and Documents Required to Access Credit

The assessment results unveiled stepwise procedure and requirements for farmers to access credit from financial institutions in Godere woreda. These include:

- Confirmation of the address of one's residence, usually through a kebele ID
- Membership in a savings and credit association
- Possession of landholders' certificates for their parcels, and
- Letter of support from the kebele and woreda land administration and use offices confirming that the land is not registered for any existing loan.

The landholders are required to present these documents to the financial institutions and to complete all formalities necessary to obtain credit.



Figure 1: Ms Mestawet and Mr Saul, married couples with their land certificate

To date, a total of \$ 85 million in individual loans have been accessed by certified landholders from banks and Micro Finance Institutions (MFIs) at the national level. In Godere woreda, 112 landholders accessed credit from Gambella Microfinance, totaling 5,000,000 Ethiopian Birr (ETB). The credit amounts ranged from 10,000 to 150,000 ETB, covering 130 parcels of land with a total area of 72.3 hectares.

Additionally, four landholders accessed a total of 7,000,000 Ethiopian birr from Birhan and Abyssinia Banks. The credit amounts ranged from 1,000,000 to 4,000,000 ETB, covering six parcels of land with a total area of 36.3 hectares. These landholders also provided supplementary assets as a collateral, such as houses in towns, and had a Tax Identification Number.

Investments and way forward

Most of the accessed credit (80%) was used for the expansion of coffee production and processing, reflecting the significance of coffee farming in Godere woreda. Other investments included fattening activities (5%), house construction (5%), and small businesses (10%). The credit offered landholders the opportunity to improve their coffee farms and other businesses, accrue income, and improve their quality of life.

Gambella Microfinance and Abyssinia Bank are the primary financial institutions involved in providing credit using landholding certificates as a collateral. The branch manager of Gambella Microfinance stated that using landholding certificates as collateral to facilitate credit has made the process more efficient as compared to group-based loan arrangements. However, both institutions stressed the importance of developing clear legal frameworks at both the federal and regional levels to standardize procedures and use land holding certificates as collateral. This would provide clarity and encourage adoption of land certification to facilitate access to credit.

Lessons Learned

The case study in Godere woreda highlights the key lessons below:

- Second-level land certification can serve as a valuable tool for farmers to access credit and invest in agricultural production and livelihood improvement.
- A clear legal framework at the federal and regional levels is essential to facilitate credit access through land certification. This framework should outline the procedures and requirements to use land certificates as collateral.
- Public information awareness campaigns play a crucial role in informing landholders about the benefits of land certification as a means to get access to credit. Farmers need to understand that their land certificates can unlock financial opportunities for investment in their agricultural activities.

Taking these lessons into account, policymakers and stakeholders can further enhance the effectiveness of land certification as a tool for promoting credit access and agricultural development in Ethiopia.
