

# Formalising land rental transactions: An effective way of boosting government land initiatives

## The vision of Ethiopia (GTP-II) is to become a lower middle-income country by 2025

Agriculture is the main driver of rapid and inclusive economic growth and development in Ethiopia. The Government of Ethiopia (GoE) is on track to achieve the Growth and Transformation Plan (GTP-II) vision and is taking steps to improve the incomes of the rural poor by increasing land tenure security. As part of this drive, GoE with support from UKaid, launched the Second Level Land Certification (SLLC) process in 2015. In parallel, the GoE is rolling out the Rural Land Administration System (RLAS). **But what role can a functioning land rental sector play in achieving the GoE's vision?**

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Source: GTP-II

## Where land rental fits with existing initiatives

### Formalising land rental transactions increases the productivity of land

Formalisation increases security. Increased security means increased investment, as people who rent in land are more confident that the terms of the transaction will be enforced. They therefore invest in productive agri-inputs, which in turn increases productivity. Investment is also more likely to be done in an environmentally sustainable manner.

### Formalising land rental transactions reduces conflict

Both renters and rentees are exposed when rental transactions are informal as there is no clarity on their rights and obligations, leading to several instances of conflict. The risk of conflict is significantly higher for vulnerable groups.

### Improving the way the land rental sector functions can help address issues experienced by vulnerable groups (VGs)

The elderly, people with disabilities, female headed households and other members of VGs rent out their land because they lack the financial resources and the labour to cultivate it efficiently. The income they receive from renting out their land can help finance their basic needs such as food, medicine or education. In some instances, renters rent out part of their land to allow them to buy inputs or hire labour to cultivate the remainder of their land.

### Renting in land allows the landless youth to become farmers and find a source of income

In many areas, the majority of rentees are landless youth, for whom renting in is the only option to access land.

## A functioning land rental system benefits government administration

- 1 SLLC and RLAS support increased transparency in land rental transactions:** Through SLLC and RLAS, renters and rentees know the exact size, owners and location of a plot. They also know if the plot has been already rented out to someone else or if it has any encumbrance when applying for a loan.
- 2 The Standard Land Rental Contract form makes it easy to register transactions:** The Standard Land Rental Contract form is a rental agreement template approved for use by the federal and regional governments of Amhara, Oromia, Tigray and SNNP. It presents all relevant details of a land rental transaction, including the Unique Parcel Identification number. It is designed for easy processing by kebele and woreda land officers. The registration process ultimately ensures renters, rentees and land officials all have the same up-to-date information on the status of a plot. This reduces instances of conflict.
- 3 Land Rental Service Providers (LRSPs) lighten the burden of land officials:** LRSPs are elected by the community and local administration. They provide access to information on available land and connect renters and rentees. They ensure renters and rentees have access to and correctly fill in the standard rental contract form, which they then take to the kebeles or woreda offices for registration.



25%

of rural families in  
Ethiopia are engaged  
in land rental market  
transactions, the  
majority informal.

## Long term benefits

### A financially sustainable RLAS needs land rental transactions to be systematically registered

People rent in and out their land continuously. Once they see the benefits of doing so formally because of increased security, we expect they will be willing to pay a small fee for registration, providing a source of government revenue. GoE can also commercialise the data to buyers such as MFIs, who will be interested in knowing the status of land ownership for financial product applicants.

### Accessing up-to-date information about people's land transactions is a potential source of revenue for GoE

Setting the basis for systematically recording land transactions leaves the door open for collection efforts in the future.

## What LIFT-EEU does

LIFT aims to promote formal registration of land rental transactions as this increases the security of smallholder farmers when engaging in rental agreements and incentivises further investment in the land.

In addition, LIFT aims to address the information failures and high transaction costs involved in land rental transactions that disproportionately affect the poorest farmers, especially those from vulnerable groups. **LIFT rolls out a number of interventions to achieve this objective, including:**

- 1 Building the capacity of individuals to become Land Rental Service Providers (LRSPs) and pilot interventions to develop a commercially viable business model that allows them to continue facilitating the formalisation of rental agreements.
- 2 Increasing awareness on how the rural land rental system operates for all stakeholders (renters, rentees, members of land administration committees, woreda and kebele officials).
- 3 Introducing tools such as the Standard Land Rental Contract form to promote the formalisation of land rental agreements.

## Results (as of June 2017)

159

LRSPs operational across 4 regions

2,000+

Land rental transactions registered using standard contract form

300+

Land Administrators at kebele and woreda level trained

## Priorities moving forward



**Ensure that land administration officials at woreda and kebele levels register all land rental transactions, regardless of the duration of the contract.**

Woreda and kebele land offices need to realise the importance of using the Standard Land Rental Contract form and registering all land rental transactions in RLAS. The systematic registration of land rental transactions will contribute to a well-functioning, sustainable RLAS system providing security and protection of land rights.



**Explore options to ensure the sustainability of the LRSP approach.** There is need to identify the best approach to ensure the sustainability of LRSPs. Unless they receive some form of financial reward, LRSPs will not have the incentive to continue their activities as they are time-consuming and there are costs associated to them. We will explore options such as developing a licensing mechanism for LRSPs, or introducing a “flexible” payment structure for LRSPs to ensure that LRSPs operate in line with agreed expectations.



**Continue to ensure that members of VGs fully benefit of increased transparency, competition and prices when renting out their land.** This is important both for cash rentals and sharecropping agreements. It will be guaranteed by LRSPs specifically catering to the needs of VGs and by adding female LRSPs in kebeles where it is culturally appropriate.



**References:** Persha L, Greif A, Huntington H, “Assessing the impact of Second-Level Land Certification in Ethiopia”, Paper prepared for presentation at the “2017 WORLD BANK CONFERENCE ON LAND AND POVERTY”, The World Bank—Washington DC, March 2017. Yirsaw Y, Gashu A, Gebriel D, Antonielli M, Tafa T, Fetene W, Minale T, “Assessment of the impact on farmers of the policy differences between Oromia and Amhara rural land laws”, The Institute of Land Administration, Bahir Dar University, 2017. **LIFT findings and research** (contact Solyana Amsalu on [Solyana.Amsalu@liffethiopia.com](mailto:Solyana.Amsalu@liffethiopia.com)).