

Formalising land rental transactions: Beneficial to smallholder farmers, particularly for vulnerable groups



55%

of land owners
rent out their
land or sharecrop
because of a
shortage of
capable labour

Observations from the field

- 1 The elderly, people with disabilities, female headed households (FHH) and other members of vulnerable groups (VGs) are active participants in land rental:** But they typically rent out their land without a formal contract and without registering the transaction at the local kebele or woreda office. As a result, they get low rental prices and are exposed to significant risks, such as losing possession of their land. This increases the likelihood of land rental related disputes.
- 2 Renting out land can bring substantial benefits to VGs:** VGs rent out their land because they often lack sufficient funds and labour to cultivate it effectively. By doing so, land is transferred on a rental basis to better resourced farmers, increasing its productivity. VGs use the income from land rental to finance education for their children, medical expenses and food.
- 3 Renting in land can bring substantial benefits to VGs:** In rain-fed areas, the majority of rentees are landless youth, for whom renting in land is their only option to access land.
- 4 Informality means insecurity:** Both renters and rentees are exposed when rental transactions are informal. Women in male-headed households do not have their rights protected. The formalisation of rental transactions contributes to better land governance.
- 5 Formalising land rental transactions reduces conflicts:** When using traditional land brokers and failing to register the land rental transaction, neither renters nor rentees have clarity on their rights and obligations. There are many instances of double-renting, resulting in conflict.

Both renters and rentees are at risk when rental transactions are informal.

How LIFT promotes formalisation

Second Level Land Certification (SLLC) and Standard Land Rental Contract form: Having SLLC increases security. When it comes to a rental transaction, renters and rentees know the exact size, owners and location of the plot. The Standard Land Rental Contract form is a rental agreement template designed to protect the rights of renters and rentees. Through using this, VGs have additional confidence to rent their land beyond their family circle, giving them access to a wider market of rentees. The combination of the SLLC and the use of the Standard Land Rental Contract form allow VGs to get better value for their land.

The role of Land Rental Service Providers (LRSPs): LRSPs are elected by the community and local administration. They provide access to the Standard Land Rental Contract form and connect renters and rentees. VGs traditionally use land brokers that demand high fees and do not provide transparent information. VGs see the benefit for LRSP services as they now have increased security in the rental transaction and better access to information.

Increased security and control for VGs renting out land... Through increased transparency, LRSPs ensure VGs are in full control of setting the rental price for their land. Reaching VG renters is more time intensive, as LRSPs often need to visit them in their homes to raise awareness and provide the services. This is mostly done by female LRSPs.

... and increased security and decision-making power for VGs who rent in. Landless youth benefit from the LRSPs connecting them with potential rental opportunities that meet their needs (rental duration, location, size and price). And the longer the duration of land rental, the more they are willing to invest in the land. This increases land productivity and encourages sustainable farming practices.

Step 1 SLLC and RLAS: GoE with technical support from LIFT issues Second Level Land Certification (SLLC) and introduces the Rural Land Administration System (RLAS) to record subsequent transactions. Smallholder farmer collects SLLC.

Step 2 Rental transaction agreed: LRSP connects renter and rentee and provides Standard Land Rental Contract form.

Step 3 Transactions registered: LRSP registers transaction at local kebele land office.

Step 4 Transaction recorded in RLAS: Kebele office sends transaction documents to woreda to be entered into the RLAS to secure their legal rights.

A FHH in Tigray experienced a **66% increase in land rental price** due to her new ability to access renters beyond family and friends, thanks to the Land Rental Service Providers.

Story from the field



Name: Mabeze Earmolo
Age: 35 years old
Location: Ashute Burako, Silite woreda of SNNP



Since there was no formal agreement, they usually said that the contract time was not yet finished, and continued to use my land.



Mabeze's husband moved to Saudi Arabia to find a better job. She now lives alone with their five children and owns 0.5 ha of irrigable land.

Her husband is not sending enough money to support the family, so she is renting out half of her land (0.25 ha). In order to cover her family's immediate needs, she practiced "Woled Agid", where she ceded a quarter of her land to a person in exchange for a loan and would only be able to recover the land when she paid back the full loan amount. If she wasn't able to pay back, "Woled Agid" allows the lender to keep the land. She was only getting ETB 500 through this process, a very small amount that didn't allow her to escape the poverty trap.

Mabeze collected her SLLC in 2016 and engaged Jemal Dedgebo, her kebele LRSP, to access the formal land rental market. She has had a positive experience renting out half her land during the last rainy and dry seasons. She says:

"In the last dry season, I rented out half of my land for six months with rental price of ETB 2,000. After six months of the contract period, I got back my land and rented out again for another six months for the same person with ETB 2,000 for the rainy season. That means, I got ETB 4,000 from the same land for which I only got ETB 500 before. Previously,

the rentees would not return the land when the rental period ended. Since there was no formal agreement, they usually said that the contract time was not yet finished and continued to use my land. This time I used the Standard Land Rental Contract form: we made four copies and one was kept with me".

Mabeze had a bad experience in the past, where she escalated a conflict to woreda level after her tenant refused to give back her land. She was eventually successful in getting back her plot, but since then she only rented out her land to people she knew well – even if it meant getting low prices. In her words:

"I now rent to a person who pays me a better price whether I know him or not because the contract is formally registered and binding. I have full confidence that I will get it back when the contract period is over".

The additional rental income has allowed her to invest in income-generating activities. She has made renovations to her house and opened a tea house in her village where her two daughters work.

Mabeze's income from 0.25 ha:



Before SLLC:
ETB 500
One-off loan*



After SLLC:
ETB 4,000
Rent for 12 months

*Land returned once paid in full.



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@liftethiopia.com).