

**Assessing the Impact of Customary Land Rights  
Registration on Credit Access by Farmers in  
Tanzania**

**A case study in Mbozi District**

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Farmers in Tanzania  
A case study in Mbozi District**

by  
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Thesis submitted to the International Institute for Geo-information Science and Earth Observation in partial fulfilment of the requirements for the degree of Master of Science in Geo-information Science and Earth Observation, Specialisation: Land Administration

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**INTERNATIONAL INSTITUTE FOR GEO-INFORMATION SCIENCE AND EARTH OBSERVATION  
ENSCHEDE, THE NETHERLANDS**

Dedicated to

My farther Titus who got a stroke two months before I left the country and he has been on bed all the time of my study.

#### **Disclaimer**

**This document describes work undertaken as part of a programme of study at the International Institute for Geo-information Science and Earth Observation. All views and opinions expressed therein remain the sole responsibility of the author, and do not necessarily represent those of the institute.**

## Abstract

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Rural poverty is a major problem in Tanzania; the National Land Policy recognises the importance of land in poverty reduction, that land registration enhances tenure security, increases access to credit and finally stimulates agriculture investments. Tanzania government is progressing with implementation of the pro poor land titling project; the main purpose is to enable poor farmers obtaining loans from financial institutions. By conducting a study in Mbozi district (Tanzania) this study aims at assessing how far and to what extent rural land titling conducted by customary land administration system has managed to promote poor farmers in accessing credit.

During field work face-to-face interviews were conducted with government land officers and bankers. Farmers from 9 villages were requested to fill in questionnaires to get quantitative measures whether they applied for loans and banks were willing to provide them loans. Other data were obtained from reports, documents and district land register. The study reveals that farmers apply for loans and banks are willing to provide them. However, banks impose conditions which make the majority of poor farmers fail to get loans. The main reason for rejection is the low value of their land. This finding contradicts general beliefs that land registration improves access to credit. Loans are only provided in areas with high monetary land value and to people with big farms. Farmers with low value land or small farms are advised by banks to form groups so that they can have joint liability collateral or they are required to present second collateral in the form of ware house receipts, indicating the value of their crops stored in warehouse waiting for good price.

The findings suggest that land registration enhances tenure security, protects vulnerable groups and increases social status within the community. Land registration does not significantly promote access to credit for poor farmers with small farms even though banks are willing to provide loans. The low land value, high transaction costs compared to creditworthy and high competition in banking sector hinders banks to provide loans to poor farmers. This situation in Tanzania resembles many countries in Sub Saharan Africa, South America and Asia. The situation can be improved by forming a joint tenancy or cooperatives by farmers to use advantages of scale. But this bottom-up approach should be supported top-down by the government by creating a guarantee fund to provide assurance to banks in case of loans default.

**Key words:** Secure tenure, customary tenure, Collateral, Loans

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## List of Acronyms

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ADP	Agriculture Development Programme
AGITF	Agriculture Inputs Trust Fund
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Sector
BEST	Business Environment Strengthening in Tanzania
BOT	Bank Of Tanzania
CBO	Community Based Organisation
CCRO	Certificate of customary Right of Occupancy
CLAS	Customary Land Administration System
CRDB	Cooperative Rural Development Bank
CSO	Civil Society Organisation
CVL	Certificate of Village Land
DALDO	District Agriculture and Livestock Development Officer
FY	Financial Year
HH	Household
HQ	Headquarter
IFAD	International Fund for Agricultural Development
LAS	Land Administration System
LGA	Local Government Authority
MFI	Micro Finance Institution
MDA	Ministries, Departments and Agencies
MKURABITA	Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania ( Property and Business Formalisation Programme)
NBC	National Bank of Commerce
NBS	National Bureau of Statistics
NGO	Non Government Organisation
NLP	National Land Policy
NMB	National Microfinance Bank
NMP	National Microfinance Policy
RFI	Rural Finance Institution
RNG	Random Number Generator
SPILL	Strategic Plan for Implementation of Land Laws
SRS	Simple Random Sampling
SSA	Sub Saharan Africa
UN- HABITAT	United Nations Human Settlements Programme
UN-ECE	United Nations Economic Commission for Europe
URT	United Republic of Tanzania
VEO	Village Executive Officer
VLA	Village Land Act

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# 1. Introduction

Rural poverty is a major problem in Tanzania that has become the focus of different development strategies. Poverty reduction is a priority objective in the national development strategies. The national land policy and the Tanzania development vision 2025 recognize the critical importance of land in poverty reduction. 70% of land in Tanzania is under customary land and 80% of population who live in rural areas depend on subsistence farming and livestock keeping for their livelihood (Msangi 2004). Land is main stay of economy in Tanzania.

Early 1990s, Tanzania realized that there was a need to develop a coherent and comprehensive land policy, which would define the land tenure and enable proper management and allocation of land in the urban and rural areas. Provide a clear position on customary land tenure in a way that has a great effect on economic and social reforms. In 1991 the President of United Republic of Tanzania appointed a commission of inquiry into land matters. It was mandated to review laws and policies concerning the allocation, tenure, use and development of land and make recommendations for reform (Coldham 1995). Results of this commission led to formulation of National Land Policy (NLP) with 15 principles that were passed by parliament in 1995. The enactment of the Land Act no.4 and Village Land Act (VAL) no.5 of 1999 followed shortly after the adoption of the NLP document.

The objectives of the VLA were to ensure that existing customary land rights are legally secured, ensuring efficient and effective village land administration, enabling villagers to participate in land administration, and ensuring gender balance in land administration and ownership. Under the Village Land Act, village councils have been given authority to administer village land and titling of individual parcels of land within the village jurisdiction (URT 1999).

One of the reasons of introducing land reform in Tanzania was to improve customary tenure system for saving the poor who have only inherited land. The government is hoping that land will be used as collateral to obtain loans from financial institutions and this in turn will encourage investment and decreases poverty. The existing customary systems basically provide enough security to membership in lineage, community, or household. These systems operate most effectively when land is relative abundant and population is low such that people involved in land transactions have regular and direct contact (Quisumbing and Meinzen-Dick 2001). But as land markets expand and transactions increase between individuals who are not closely related, uncertainty over the entitlement of an owner to transfer land rights becomes increasingly relevant (Feder and Nishio 1998).

The centralised Land Administration System (LAS) has been blamed for being expensive and time consuming, beyond the resources of the majority poor farmers who holds rights under customary law (Palmer 1998). The LAS has been decentralised to a village level and simplified to the extent that land is registered basing on the descriptions of traditional agreed boundaries marks such as hedges, trees and big stones. According to Wily (2008) a boundary accepted by neighbours and locally recorded description is not only a basis for security, but also is more reliable than accurately measured

map coordinates. Accepting traditional boundary mark descriptions has minimised the survey costs to an affordable extent to allow poor farmers register their land. The Government relies on expectation that documented land rights will increase tenure security, access to formal credit and investment. Since the introduction of rural land registration under Customary Land Administration System (CLAS), there has been a vast mobilisation on land registration and registration is taking place at a promising rate, landholders together with other benefits are expecting to use land as collateral in accessing credit.

### **1.1. Study Background**

Countries in Sub Saharan Africa (SSA) are facing, on daily basis, many challenges on the issues of land administration. The centralised systems are no longer adequate to support sustainable development goals and stimulate land market (Tuladhar 2003). This has made many of the governments to try to find means of improving their land administration systems. Government need a system that can improve land tenure security and by improving tenure security can help reduce poverty and improve the quality of life for the poor (Payne 2004). Nishio and Feder (1998) insist that there is persuasive proved evidence from all corners of the world that security in land tenure has led to better access to formal credit, higher land values and higher investments in land.

In 1991, the government of Tanzania began to move from its brand of socialism toward land market economy. This move necessitated a change in Tanzania's land policies as well as traditional notions about the value and ownership of land. It was recognised that one of the main weakness of customary rights versus statutory rights is that the former are not formally documented and that formal registration of the customary rights is much needed. However the debate was which approach to be followed in formalising customary rights. Experience gained from the last two decades has witnessed extensive land tenure reform in Sub Saharan countries Africa, the reform process has been accompanied by much discussion on the need to integrate customary and statutory land tenure systems in policy and legislation or introduce dual system (Mwebaza 1999). Most attempts to classify tenure systems were heavily biased in favour of statutory categories (Payne 2004), because statutory tenure was assumed to provide higher levels of tenure security compared to customary systems. This led to improvement aiming at replacing customary systems by statutory (Asperen 2007).

The approach and structure applied to improve customary land tenure in Tanzania differs from most of literature that are discussing integration of customary land tenure system into existing land administration as part of recognising interests of the indigenous (Williamson 2001). Or literature that is recommending for adapting some elements and integrates into the modern land tenure system. Tanzania has decided to adopt the land policy trend which emphasises the importance of recognising and building on customary tenure systems in order to achieve equitable land management (Ubink and Quan 2008), differing with other countries in Africa which have decided to do away with customary land tenure systems by having approach of modern systems (Kalabamu 2000). As such Tanzania has a dual system of tenure which recognises customary and statutory rights as equal in law.

The customary system in Tanzania is slightly different in its nature compared to customary systems in other countries due to political reasons. During the villagisation program the customary ownership was affected to a greater extent, because the state undermined customary tenure system through the

abolition of traditional leaders, shifting of large numbers of people away from their ancestral land and placing them in new settlements, mostly along roads, undermining the clan system of land ownership by customs; and the establishment of a system of village land tenure, with access to land based on residence rather than lineage (Rutayuga 1996). The effects of villagisation on land tenure were: relocation of scattered households into more compact residential villages; agricultural production suffered due to tenure insecurity and many individuals lost their land. Customary land tenure now is at a level of individual, family and in rare cases at clan level for areas with fertile land and permanent crops grown. Contrary to Deininger (2003) who says, the defining characteristic of customary tenure is that land is owned by the community rather than individual. And now the elected village government is legally empowered as the local land authority as trustee owner and manager of the common property on behalf of the community (URT 1999). The village government is now working as the customary land allocation authority.

## **1.2. Research justification and problem**

### **1.2.1. Research justification**

In Tanzania, poor people can be categorised into two groups: The first are those living in informal settlements in urban areas where as the second category lives in rural areas. Most research carried out in Tanzania that associate land tenure security with easy access to credit are carried out in urban areas and not in rural areas. Kombe and Kreibich (2000) carried out a research on improving tenure security and urban governance. Kironde (2006) his paper on regulatory framework discussed on land tenure on urban areas. Törhönen (2004) investigated sustainable land tenure and land registration in Zanzibar part of Tanzania but with different land policy. Actually no research has been done in rural areas that associate the new customary system with empowerment of people in Tanzania.

According to De Soto (2000), poor developing countries possess immense resources, but they hold these resources in defective forms. Because the rights to these possessions are not adequately documented, these assets cannot readily be turned into capital, cannot be traded outside narrow circles where people know and trust each other, cannot be used as collateral for a loan and cannot be used as a share against an investment.

The tenure security provided by CLAS in Tanzania presents an interesting case for research and analysis as to what extent enhancing tenure security in rural areas stimulates investments to the poor farmers. There is a knowledge gap on whether enhancing tenure security through documentation as De Soto says really promotes access to credit for investment. Existing research does not give consistent outcomes, research carried out in Latin America: Honduras, Paraguay and Brazil the results were positive (Feder and Nishio 1998). Whereas a study conducted in Africa: Ghana, Kenya and Rwanda shows that there was no clear impact on credit access (Migot-Adholla et al. 1991). There is a need for more empirical evidence to verify the De Soto's argumentation

### **1.2.2. Research problem**

Various attempts have been made by the government since independence to modify the colonial land policy which was out of touch with aspirations of modern Tanzania. In spite of the modification made, by the late 1980s more gaps had been identified in post-colonial land policy and practice enough to

necessitate an overhaul of land tenure system. In 1999 a long debate on land policy in relation to land tenure systems ended, when a set of land laws was enacted by the parliament. Under the new land laws Tanzania has opted to establish decentralized LAS at a village level as part of strengthening the customary tenure system and stimulate rural economic development. However, there is insufficient empirical evidence which provides proof that secure land tenure promotes investment through mortgaging of properties. The observable situation is that farmers having the customary title are not able to get credit according to their requirements even though banks need customers to make business with. This research intends to assess by means of a case study how far CLAS has contributed accessing credit by poor farmers from financial institutions and confront our findings with literature.

### **1.3. Research objective**

The main objective of the research is to investigate whether and to what extent the greater land tenure security provided by CLAS has managed to support poor farmers in rural areas in accessing credits to financial institutions (Banks) for their investments.

#### **1.3.1. The sub objectives are**

1. To analyze the CLAS processes in registering property.
2. To assess the costs and benefits of having customary land title for rural farmers.
3. To assess the banks response to loans applications of farmers with customary titles
4. To asses the impact on credit access.

The following research questions will be used to these specific objectives:

*Sub objective 1:*

- How many farmers have registered their land with new customary system?
- What are the rights, restrictions and obligations of landholder?

*Sub objective 2:*

- Why people register land?
- What are formal and informal costs for registering land?

*Sub objective 3:*

- Are banks willing to provide credit to poor farmers?
- What is the experience from poor farmers in paying back loans?

*Sub objective 4:*

- How many CCRO holders have accessed credit from banks since 2004?

### Research Approach

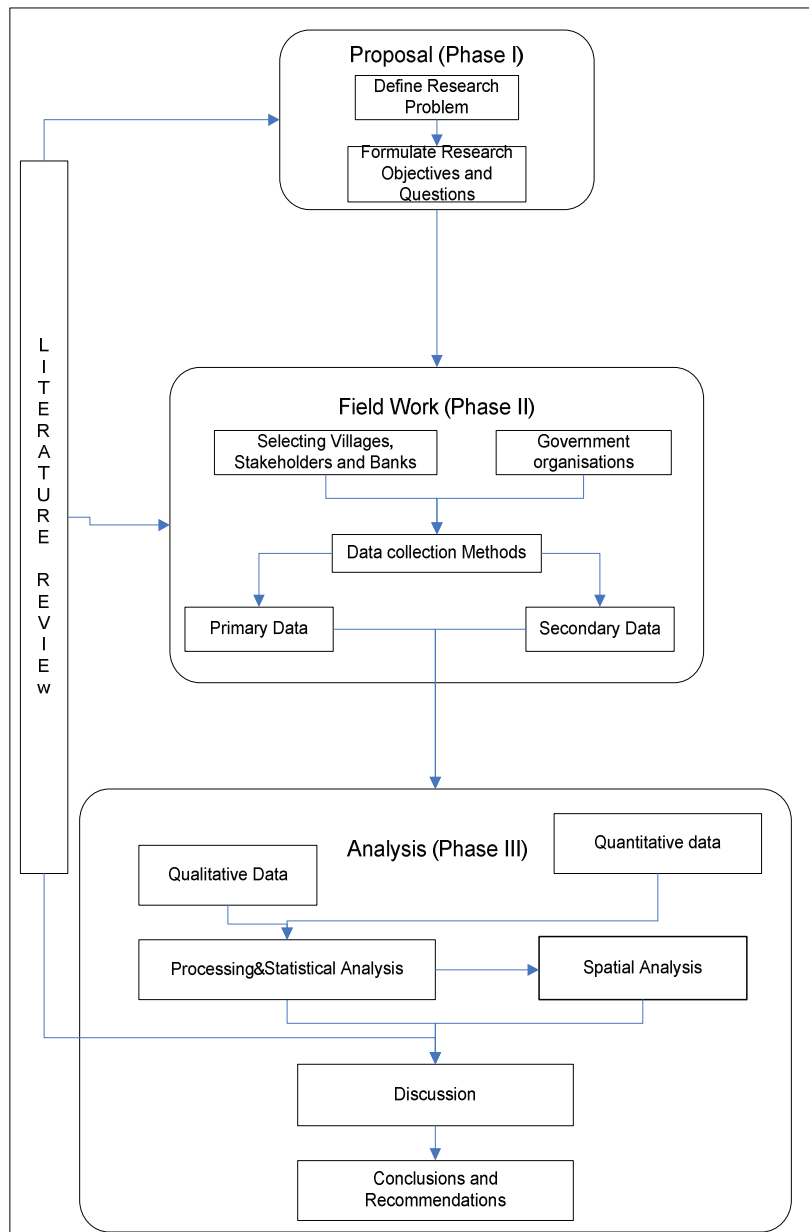


Figure 1-1: Research approach

#### 1.4. Outline of the thesis

**Chapter One-** This chapter comprises introduction, a general background of the research problem and justification. It also includes primary and sub objectives of the study and research questions which have been developed based the research sub objectives.



**Chapter Two-** This chapter presents the relationship between secured land tenure and investment, reviews literature related to the study at the local and global level

**Chapter Three-** This chapter includes two parts, description of the Mbozi district study area and discusses research methodology applied in answering research questions.

**Chapter Four-** This chapter describes the analysis of the relationship of rural land titling and the access to credit based on primary and secondary data using qualitative and quantitative methods, statistical and spatial analysis methods.

**Chapter Five-** This chapter presents the discussion of the findings obtained from analysis and compares with existing literature.

**Chapter Six –** This chapter consists of three sections: the first draws conclusions in line with the four research sub objectives, the second is the overall conclusion and the third consists of recommendations and suggestion for further studies.

## **2. Relationship between secure land tenure and investment**

Access to land and security for credit are vital components of sustainable development, the government need to ensure that efficient and effective land administration mechanisms are in place to promote developments(de Janvry and Sadoulet 2005). This chapter reviews the literature.

The chapter is divided in sections and subsections as follows: Evolution of land tenure in Tanzania is presented in section 2.1. Section 2.2 is about the description of the land policy and its components in the context of this research, land tenure; land administration systems, land tenure security and means of access to land, and they are discussed as sub sections. Practice of land registration and titling is discussed in section 2.3. Section 2.4, 2.5 and 2.6 describes access to credit in relation to tenure security, financial institutions and land markets respectively. Section 2.7 concludes this chapter by presenting a schematic framework of the study.

### **2.1. Evolution of land tenure in Tanzania**

Before colonial era all land belonged to various tribes and the general characteristics of land holding was based on culture of each respective tribe. It is estimated that over 120 tribes inhabited the Tanzania mainland. The chiefs or clan head was the custodian of the rights and holds rights on behalf of the respective community. An occupant of a piece of land enjoyed the usufructuary rights only(Kombe 1995; URT 1997). In many areas, there was and is still communal land for grazing and forests for cutting firewood. Generally, in Tanzania, the overriding principle to most tribes was that the land belonged to the tiller. When the clan or family was no longer using the land, it was alienated to another family(Mtetewaunga 1990).

Towards the end of the 19<sup>th</sup> century, the Germans colonized and created the German East Africa regime. The Germans imposed a regal declaration in 1885 which stated that all land, whether occupied or not was regarded as un owned crown land and vested in the empire, except claims of ownership by private persons, chiefs or native communities which could be proved(Hayuma 2005). Settlers had plantations ownership titles and they could easily prove their ownership and that made them enjoy security of tenure, while the indigenous people could not prove their ownerships as a result they were left with permissive rights of occupancy(Hayuma 2005). The Germans were conquered and evicted in 1919, when the British colonization began. Within four years, in 1923 the land ordinance (cap113) was enacted. Up to 1963, there were four categories of land tenure; freehold, leasehold, deemed rights of occupancy and granted rights of occupancy. Before the end of 1963 all freehold were abolished and converted into 99 years leasehold (Kombe 1995). The granted right of occupancy was statutory while the deemed right was customary which is the use or occupation of land in accordance with traditions and custom. The system continued to work until 1999 when set of land laws were enacted and the land ordinance (cap 113) of 1923 was repealed, following the formulation of the National Land Policy in 1995.

## **2.2. Land policy**

Land policy addresses structural issues that will protect land tenure security, land rights and establish a regulatory framework to prevent undesirable externalities(Deininger 2003). According to UN-ECE, (1996)guidelines “land policy consists of a whole complex of socio-economic and legal prescriptions that dictate how the land and benefits from the land are to be allocated”. As such land management becomes a fundamental requirement for controlling and monitoring this economic good and to ensure the sustainable development. In general the land policy is a guide line to use land for economic development, equity and social justice, environment preservation and sustainable land use(UN-ECE 1996).

The NLP of any country need to reflect land tenure systems for clear formulation of tenure legislation. A nature of the government can be portrayed in country’s land policy be a capitalist or communist, socialist or liberal government; this will determine whether the land and the benefits of the land are to be allocated to the wealthy or the poor, to large holders or small holders, or to individuals or the state(van der Molen 2003). No country can sustain stability within its boundaries, or economic development within the wider world, unless it has a land rights policy that promotes internal confidence between its people, its commercial enterprises, and its government(UN-ECE 2005). To the context of this research the elements that need to be reflected in land policy include Land tenure, Land tenure systems, Land administration systems, tenure security and means of access to land. These elements will be treated separately in the next subsections.

### **2.2.1. Land tenure**

According to Dale and McLaughlin (2000) land tenure is defined as the manner in which rights in land are held and defined by a broad set of rules, some of which are formally defined through laws concerning property while others are determined by custom. Payne (2001) defines land tenure as the mode by which land is held or owned, or the set of relationships among people concerning land or its product. UN-ECE(1996) defines land tenure as the way in which rights in land are held. Land tenure is an institution, i.e. rules invented by societies to regulate behaviour. Rules of tenure define how property rights to land are to be allocated within societies. The major concept underlying all these definitions is the relationship between person and land; the relationship may be acquired through statutory or customary channels or informally and sometimes illegally. In simple terms, land tenure determines who can use what resources for how long, and under what conditions.

### **2.2.2. Land tenure systems**

A land tenure system comprises any or all the types of land tenure[ statutory, customary, religious and informal] recognised by a national and/ or local system of established rules and customary relationships in a social organisation(Dekker 2003). Different types of land tenure systems can be distinguished. They may be classified based on combinations of group, state and individual and they are often categorised as open access, communal, private and state (Feder and Feeny 1991; Dale and McLaughlin 2000). This classification identifies who holds the land rights. The three types of land tenure systems will be discussed in the next paragraph excluding the religious type.

- *Statutory or formal tenure system:* is a system whereby the rights to ownership or occupancy of land are defined according to formalised national legal or constitutional processes. They are most effective where land values are high and transactions among strangers are frequent.

- *Informal land tenure*: This is a type of holding land where means of access is vested through unsanctioned occupation, allocation by local leaders, inheritance, and purchase from those who purport to own the land(Kironde 1997). People obtain land rights without having acquired them through the customary or statutory channels and they frequently appear in developing countries.
- *Customary land tenure*: The mode of holding rights in land that exists through historical agreement between people within community without written laws. These unwritten laws are often based on the experiences of the elders, and are aimed defending the interests of the group/tribe(Tuladhar 2006). Land belongs to the whole community or clan and not to the individual. The clan head is the custodian of the rights and holds the rights on behalf of the community. Once the rights are granted to an individual they are held in perpetuity as long as the grantee conducts himself in a manner satisfactory to the grantor(Kombe 1995). Land holding under customary tenure is derived from continued occupation and is administered according to local custom and therefore varies from one area to another(Silayo et al. 2008). However, common characteristics include: Individual or groups acquire guaranteed communal rights of access and use of community land by virtue of their kinship relations.

Customary land tenure concepts have evolved from the needs of agriculture societies and are generally based on the notion that land initially belonged to the person who cleared it. Given its relative abundance, and the practise of shifting cultivation, land had no significant economic value other than means for production, so the need to retain or develop any system of rights to a particular area of land that could not be protected was both unnecessary and illogical when land was abundant(Feder and Noronha 1987). Community leaders play a major role when determining allocation, use, transfers and other activities related to land and they do this on behalf of the community members, the determinant is according to needs rather than through payments, though some form of token amount are sometimes given as a sign of agreement.

The distinction often made between statutory rights and customary rights is now becoming blurred in a number of countries, particularly in Africa, which provide formal legal recognition to customary rights(FAO 2002).

### **2.2.3. Land administration systems**

A land administration system comprises: legal framework, administrative framework and organisational framework and infrastructure (Lamba 2005). United Nation-Economic commission for Europe States in land administration guidelines that “ these systems are concerned with the administration of land as a natural resource to ensure its sustainable use and development and are such concerned with the social, legal, economic and technical framework within which land managers and administrators must operate”(UN-ECE 1996). Land administration systems provide confidence that property rights will be easy to identify and verify, that rights will be protected against unlawful actions, and that results of legal actions will be easy to predict. When it comes to property transactions, registration systems play a role in bringing certainty(Palmer 1998). A land administration system through the registration or recording of rights and interests in land is improving the land tenure security and provides land transfer procedures. Without knowledge about who owns what and where even in customary areas, land management will be hardly possible to the government(van der Molen et al. 2008). So LAS is a prerequisite for sustainable land management.

#### **2.2.4. Land tenure security**

Land tenure security exists when an individual perceives that he or she has rights to a piece of land on a continuous basis, free from imposition or interference from outside sources, as well as ability to reap the benefits of labour and capital invested in that land, either in use or upon transfer to another holder (Roth et al 1994). Chief or village readers do protect community land rights but in urban fringes this is not enough anymore and there is a need for government to play role. In real life, tenure security can never be absolute, to a large extent it is what people perceive it to be, and land tenure improvement through registration can only enhance but never achieve total security.

Most African governments are trying to find means on how to increase tenure security to customary ownership, as 80% of people in sub Saharan countries holds land under customary system, and this makes land to be of crucial importance to economies and societies, constituting the main livelihood basis for a large population. Most of African governments are trying to adopt means of replacing customary land tenure system, with modern system of property rights based on state legislation, the European concepts of ownership, land titling and registration as part of improving land tenure security (Cotula 2007). However, the World Bank report on land tenure argues that tenure security can easily be achieved by Legal recognition of existing rights and institutions, subject to minimum conditions, in more effective than premature attempts at establishing formalized structure (Deininger 2003). Tanzania has opted to adapt the latter approach by providing customary land rights a legal recognition and designate existing community elected government as land administration authorities (Wily 2003). The first approach has been adapted by country like Botswana where customary law was integrated into state law (Nelson 2004; Kaakunga and Ndalikokule 2006)

Security in land has direct psychological, social and economic benefits. According to Dale and McLaughlin (1988) benefits of tenure security are clear in the following situations; when people are private owners and secure in their rights, free from fear of dispossession, and secure in their expectation of being able to sell their property, then they are willing to invest in their properties and can convince lenders to provide capital to make investment. On the other side, lending institutions can be sure in security of the collateral. No investment in land or property is safe unless the right of ownership of that land is stable and secure in both law and practise.

#### **2.2.5. Access to Land**

Access to land can be defined as the means by which people can acquire a number of rights on land like use rights, control rights, permit or exclude use by others, transfer rights etc. Access to land for the rural poor is often based on customs (FAO 2002). Benefits of giving access to land for a landless household is effective in helping rural households generate higher incomes, however many poor rural households are unable to gain access to land (de Janvry et al. 2001). This distorted distribution of and access to land is said to limit the ability of decentralized market to put land to its best use and hence shrink economic opportunities among the disadvantaged groups (Deininger 2005).

### **2.3. Practised land registration and titling**

Land registration implemented through titling is defined as the process of recording legally recognized interests (ownership and/or use) in land (Dale and McLaughlin 2000; UN-ECE 2005). The

role of land in economic development is recognised in all societies, for economic growth it is important to know the way rights to land are defined and held. Land can not be moved, and thus not be transferred in the way movable assets can, the transfer of the rights in an immovable good has to be solved in different ways(Zevenbergen 1999). De Soto (2000) claims that much of the population of developing countries lacks access to credit, not because they lack assets, but because ownership of their property is secured informally[not registered], which prevents the use of property as collateral. Land registration is there to serve for this purpose to provide the means for recognizing and formalizing property rights, and for regulating the character and transfer to other people these rights(Dale and McLaughlin 2000).

Registration of land tenure adds value to those possessing these registered rights and can be certain that their rights will be valid as long as they are not revoked in a legal and comprehensible way(van der Molen 2002). Principally the function of Land registration is to provide a safe and certain foundation for the acquisition, enjoyment and disposal of rights in land. It creates security for title to land and facilitates and supports the wider land and mortgage markets. The process of land registration should provide order and stability in society by creating security not only for land owners and their partners but also for national and international investors and moneylenders, for traders and dealers, and the government(UN-ECE 2005). However titling opponents argue that land registration does not increase tenure security because few farmers have taken advantages of registration and they find land registration unattractive because they don't offer increased access to credit(Firmin-Sellers and Sellers 1999).

Fighting poverty and empowering the poor are major objectives of many land registration projects around the world. Land registration has been supported by different international donors and agencies as part of poverty reduction, although the international agencies and donors with interest in land has slightly different focus; the focus of the World Bank is to improve the tenure security and the efficiency of land market, the UN-HABITAT is to improve the lives of the slum dwellers, and FAO is to improve food security and promote rural development(Mitchell et al. 2008). Finally they all end in achieving the main objective: poverty eradication. Land registration is linked to financial development through two channels; the role played in enabling land to become a collateral asset which enhances financial development by expanding the market base for loans and by reducing financial intermediation costs; and the role in unlocking land resource potentials and making them available for mobilisation by the financial intermediaries. It has also been argued that the ability to use land as collateral in formal credit markets is a benefit that is more significant where formal title exists and land transactions are feasible(Kaakunga and Ndalikokule 2006). Improved tenure security brought about by individualised land rights is associated with greater benefits, such as the incentives for long term investments and the supply of credit.

#### **2.4. Access to credit in relation to tenure security**

Credit enables a person to extend his control as distinct from his ownership of resources. The money obtained through credit provides a command over resources and thus removes the financial constraint, if it was present prior to receipt of it(Weerawan 1994). The use of land titles as collateral in accessing credit is widely used by governments and international organisations proponents of land titling to

persuade people register their land and that land registration is an essential foundation for economic growth. Developing countries are being blamed for not capitalising land, to them land is a 'dead' capital. De Soto(2000) argues that the major stumbling block that keeps the rest of the world from benefiting from capitalism is its inability to produce capital, and that whilst the poor already possess the assets they need to make capital work for them; they hold these assets in defective form. By this he mean poor people in developing countries lack the process to represent their properties and create capital.

The issue of having tenure security becomes a necessary condition for accessing credit using land as collateral to lenders. Land is a very suitable collateral asset as it cannot be removed and its economic potential (value) cannot be easily tampered with. For land to serve as collateral, the lender must be assured that the borrower is indeed the owner, and thus a secure title is needed(Feder and Feeny 1991; Feder and Nishio 1998). So that if the loan is not repaid the property will be transferred to the lender.

Barnes(2003), Feder and Nishio (1998), Roth et al.(1994), Barrow and Roth(1990) and Feder et al. (1988) they argue that land registration increases tenure security and relate this security to economic theory, they all agree that tenure security does the following:

- i. Promotes greater incentives for landholders to invest on land and thereby increase the availability of credit.
- ii. Increases land transactions and facilitate transfers of land from less efficient to more efficient uses by increasing the certainty of contracts and lowering enforcement costs.
- iii. Reduce economic costs of dealing with land disputes as the documented evidence can easily be produced.
- iv. Raises productivity through increased agricultural investments.

Tenure security effects the availability of resources for financial investment. According to Henssen (1990), the supply of credit, especially from institutional or formal resources (e.g. Banks), depends usually on the borrower's ability to provide documented evidence of ownership. In addition to land as collateral the applicant has to show that he has enough earnings from productivity source or as an employee or his liquidity in the monetary system in combination they eases access to credit(Okoth-Ogendo 1976). Demerits of not having ownership evidence is that conveyancing can be expensive, unsafe and takes a long time(Henssen 1990).

## **2.5. Financial institutions**

The benefit derived from the opportunity to use land as collateral, largely depends on the existence of financial institutions that are willing and able to make credit available for the type of investment farmers would like to make(Antle et al. 2003).The government of Tanzania embarked on financial

reforms in 1991 as a component in the overall strategy to liberalise the economy and create an efficient and effective financial system. It restructured the largest state owned National Bank of Commerce (NBC) and the Cooperative Rural Development Bank (CRDB) to privately managed banks. The latter was a national bank for supporting rural farmers. Currently there is no specific bank for rural farmers, the lending sector is characterised by a broad mix of lenders, including large commercial banks, the National Microfinance Bank (NMB) the bank with largest network in the country (Sacerdoti 2005), international and local groups such as saving associations. As the reforms led to progress in mainstreaming the banking system, microfinance institutions remained weak and slow in development. This prompted the government to formulate the National Microfinance Policy (NMP) in 2001 to transform local savings associations into a prudentially regulated microfinance institution (URT 2001). So that, community based microfinance institutions can also play a role in supplying credits to smallholders who may fail to access big loans (Toulmin and Quan 2000).

## **2.6. Land markets**

Market is any situation whether formal or informal, where buyers and sellers come together and at which goods and services are exchanged (Kironde 2000; Adams 2008). Since land is fixed, we are talking about market in rights and rights are the commodity. The presumption that land markets can only operate when there is a formal private ownership is a strong argument by governments in developing countries for formalisation of property (Nyamu Musembi 2007). According to De Soto (2000) any asset whose economic and social aspect is not fixed in formal property system is extremely hard to move in the market, however he admits that there are vibrant markets in the informal economy. Meaning that formalization or registration is the means of increasing value to the land by eliminating uncertainty. In Sub-Saharan countries, the informal market is dominant in matters of land transaction and transfer (Mabogunje 1992; Kironde 2000; Sjaastad and Cousins 2009). The economic impact of land registration and titling is derived from higher services per unit land, and from an enhanced level of land transactions, allowing higher value uses of land (Feder 1998). These addresses the pre-conditions for well functioning land market both on the supply and the demand side, is the presence of secure and well documented title to land (Deininger et al. 2003). Land valuation is commonly used to determine an approximation to land value, which is an estimated amount for which a property should exchange on the date of valuation between a willing buyer (Lender) and a willing seller (Borrower).

## **2.7. Summary**

In general the merits of land registration in relation to credit can be summarized as; to provide the holder more security and reliable evidence that gives more security to lender, hence a good access for the holder to formal credits at a low interest because of low risks. At the same time the land market increases as the transactions can be done even to non community members. The resultant of all is the increase in investment and economic prosperity. These are the dominant views from (Feder and Nishio 1998; Dale and McLaughlin 2000; de Soto 2000; Deininger 2003; Payne 2004). From this literature, we can derive our conceptual framework for our research which becomes the basis of study as shown in the figure 2-1 below.



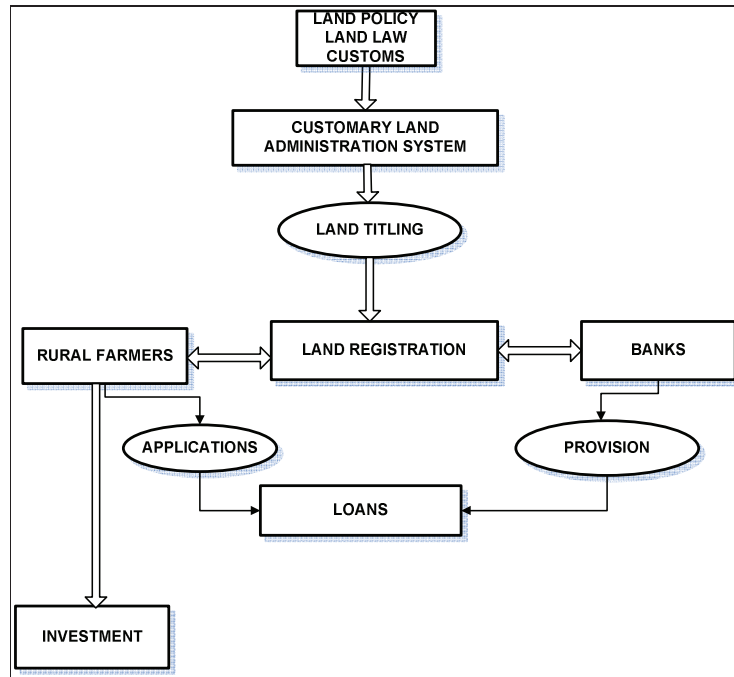


Figure 2-1: The Conceptual Framework

### 3. Study area and Research methodology

The field work was mainly conducted in Mbozi district but was collected in two other locations; namely Dar es salaam city which is the location of the most bank headquarters, ministries and other offices and Mbeya city which is the regional headquarter with different bank branches. The field work started on 22<sup>nd</sup> of September and ended on 18<sup>th</sup> of October 2008.

The main objective of research was to assess how far Customary LAS has achieved in promoting poor farmers in accessing credit from financial Institutions, by means of a case study approach. The criteria for selection of the study area were determined as:

- The area should be a rural area where land is owned under customary law
- The area should at least be involved in rural land registration for consecutive three years or more
- The major activity of its people should be agriculture( farmers)
- A sample of ten villages with a geographical proximity was determined by relating with field work period of 4 weeks.

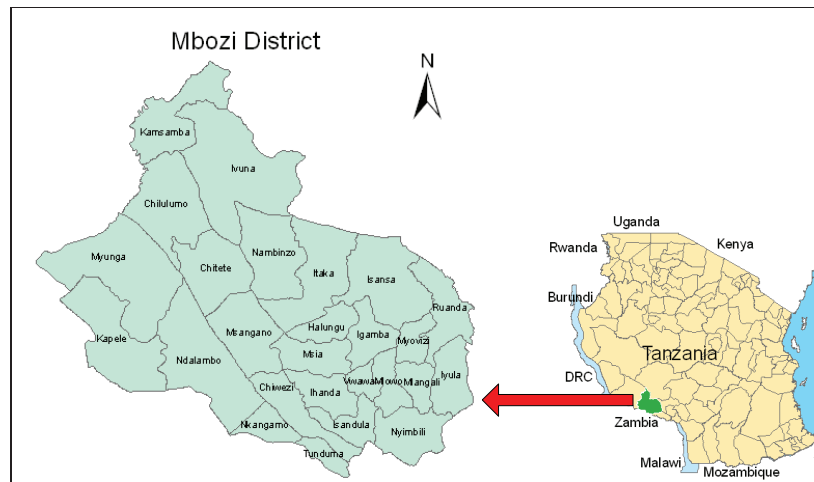
Mbozi district was found to meet the selection criteria because it was the first district to start implementation of the VLA in 1999 in the country, while other districts followed later. With this length of time it was expected to be mature enough to represent actual response in stimulating/promoting rural land owner's, holder of Certificate of Customary Right of Occupancy (CCRO) issued by the village in accessing credit.

The chapter includes two parts, description of the Mbozi case study area and the methodology part. It starts with Section 3.1 which describes the case study area including location, general topography, population and income generating activities. Section 3.2 and 3.3 explain the study design and data collection methods with subsections on fieldwork preparation, sampling design, primary and secondary data collection. Sections 3.4 to 3.6 describe validity and quality control, data processing and limitations in field data collection.

#### 3.1. Case Study area

##### 3.1.1. Location

Mbozi district is located on the southern highlands of Tanzania between latitude 8<sup>0</sup> 0' 0" and 9<sup>0</sup> 12' 0" South of equator and longitudes 32<sup>0</sup> 7' 30" and 33<sup>0</sup> 2' 0" East of Greenwich. Mbozi district consist of 6 Divisions, 26Wards and 175 villages, with a total area of 9679 km<sup>2</sup>. It's among the 7 districts which form the Mbeya region and is located in the south western corner of Mbeya region. The district is bordered by Chunya district to the north, Mbeya District to the East, Rukwa region in west and to the south the district is bordered by the Republic of Zambia.



**Figure 3-1: Mbozi district location** (Source: Ministry of lands)

### 3.1.2. General topography

Mbozi district lies at an altitude ranging from 900-2750m above mean sea level, and is divided into two zones. The highland plateau is located on the eastern part and covers 36% of the district area, its altitude rises from 1400-2750m above mean sea level, characterised by hills, rivers and in some cases gentle slope on river sides suitable for irrigation. In this zone three types of soil are present; volcanic soil and clay with a good mixture of sand and alluvial soils. Its climate is relatively of moderate temperature and high rainfall. Major crops are Coffee, Maize, beans and Banana.

The low land zone is located on in the west part and covers 64% of the district area; it's relatively hot with temperature ranging from 25-28 centigrade. Main crops are paddy, beans and fruits. Population density is very low such that there is plenty of unoccupied land and shifting cultivation is commonly practised.

### 3.1.3. Population

According to census report, 2002 the district has a total population of 513,600 with average growth rate of 3.1 % which is higher than national average of 2.9%. The population distribution pattern in the district is by and large influenced by land fertility and climatic conditions.

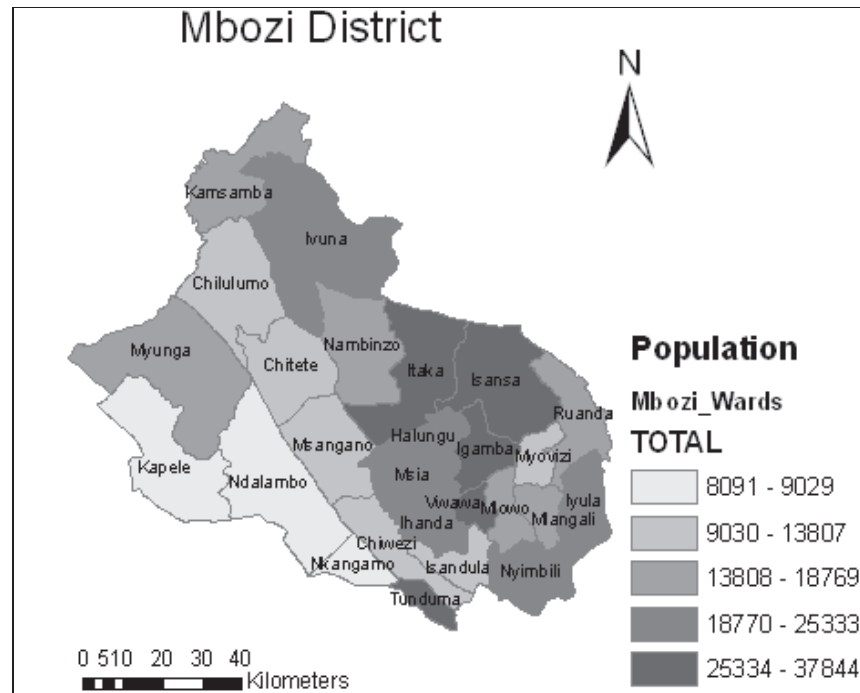


Figure3-2: Mbozi population (Source of data: National Census 2002)

### 3.1.4. Income generating activities

The major income generating activities are agriculture and livestock production. About 90% of Mbozi citizens depend on agriculture and the remaining 10% depend on non-agricultural activities. Maize is grown as a main grain crop in the district, which is now competing with coffee for land and labour resources. Coffee is the major traditional cash crop, often grown in pure stand. Intercropping of coffee and banana is a relatively recent practice to farmers in Mbozi district with only few farmers currently doing it. The majority of farmers use fertilisers on maize and coffee plots. Livestock keeping has not been a common practice in the district, but nowadays dairying is increasingly becoming important. Other activities are natural resources protection and harvesting, small industrial activities and fishing. Some mining activities are also done where by gold, lime; marble and salt are produced locally in small quantities. Likewise special sand is being mined for cement production, which is being used by the nearby cement factory.

### 3.2. Study design

First a comprehensive literature review has been carried out. The research design defines the domain of generalizability, that is, whether the obtained interpretations can be generalized to a large population or to different situations. In this research, the results obtained in area of study will be taken as the reflection of the real situation in Tanzania.

The functions of research design are; to conceptualise an operational plan to undertake the various procedures and tasks required to complete study and to ensure that these procedures are adequate to obtain valid, objective and accurate answers to the research questions (Kumar 2005).

### 3.2.1. Field work preparation

A field work data collection plan was made, which outlined the pre-fieldwork activities: literature review on the area of interest and theoretical background to assist in conceptualising the research study, the data collection methods and the resources during field work. Other pre-fieldwork activities were: designing and preparation of questionnaires, interview forms and equipments (computer, camera and voice recorder) to be used in the field and the more crucial part was discussion with supervisor on the methods of data collection and tools.

### 3.2.2. Sampling design

Sampling is very important in both quantitative and qualitative research; it is used when it is not possible to include the whole of population in research projects (Williamson 2002). We used simple random sampling (SRS) which gives each element in the population an equal and independent chance of being included in the sample. In this case it was applied in selecting villages and banks.

According to district land officer, out of the 175 villages 152 villages had started to implement the VLA. Due to time limitations, the sample of 9 villages out of 10 pre determined was estimated to suit with the objective, whereby 2 villages out of 9 villages, farmers were interviewed and the rest had to fill questionnaires. The method adopted to select a random sample was the random number generator (RNG) uniform distribution by excel program. From the sample displayed by excel multiplied by study population to get integer numbers, one sample was taken out of 25 displayed possibilities because it was found to meet all criteria including geographical proximity. Similarly according to Tanzania bank registrar there are 25 registered banks, the same method of RNG was applied to select 8 banks to be interviewed. The last part was the selection of government financial institutions which offers loans to rural farmers, under these category only two organisations were found to offer loans and one of them was picked randomly.

S/No	Villages	Ward
1	Halungu	Halungu
2	Ipunga, Sakamwela	Ihanda
3	Iporoto, Itaka	Itaka
4	Iganduka, Ibembwa	Msia
5	Namchinka	Kapele
6	Chimbuya	Isandula

**Table 3-1: Nine (9) sample villages with their respective wards**

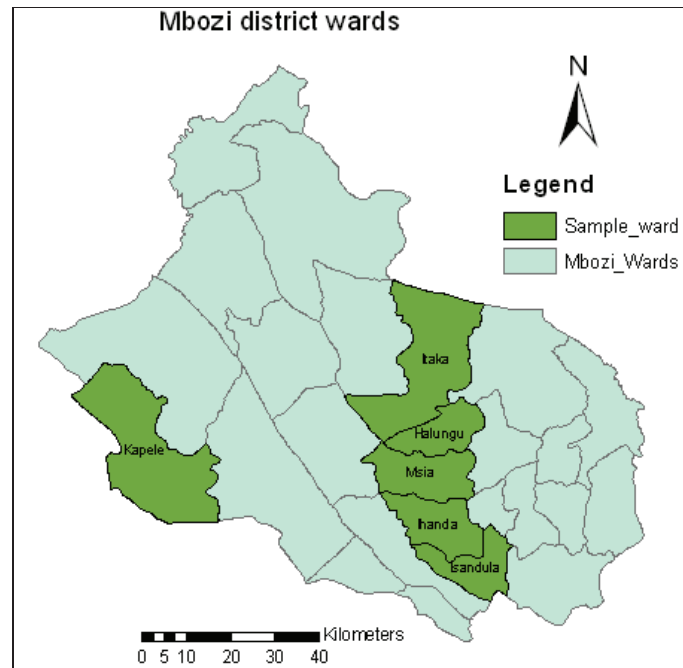


Figure 3-3: Six wards where the 9 sample villages belong

### 3.3. Data collection methods

Case study approach is not restricted to any specific data collection method (Yin 1981). Data for this study were collected using qualitative and quantitative methods. In order to collect data from both primary and secondary sources, different techniques were applied. Interviews, Questionnaires, direct observation, discussion, meeting with any relevant informants, and from other sources such as documented reports or records, in other cases photographing was used. Also sampling techniques were applied basing on research objectives and criteria set.

#### 3.3.1. Primary data

Primary data were collected from different sources using structured and unstructured questionnaires, interviews and checklists to sampled farmers and financial institutions.

##### 3.3.1.1. Questionnaires

Five separate self administered questionnaires (appendices 1-5) were prepared according to type of stakeholder. The questionnaires were prepared in such a way that they can be both used for structured interview and questionnaires. The questionnaires were distributed to 7 selected villages, Iganduka, Ibembwa, Itaka, Iporoto, Ipunga, Sakamwela and Chimbuya. In each village 7 farmers were interviewed and a Village Executive Officer (VEO). For farmers the purpose was to know their respond in land registration project and what do they think are the benefits of having CCRO, while for a VEO the aim was to learn how the process of land titling is being conducted.

##### 3.3.1.2. Interviews

The interview tool was selected because the interviewer has the opportunity to observe the respondent and sometimes to allow discussion before and after formal interview and this adds to the understanding of the respondent. Both structured and unstructured interviews have been extensively conducted, including interviews with key informants working with the SPILL project at the ministry of Lands, Land officers at district office including district authorised land officer, valuation surveyor and agriculture officer. For financial institutions it was between branch managers and loans officers,

the last group to be interviewed was the village executive officers (village land registrar) in Halungu and Namchinka, together with 20 farmers' holder of CCRO from these villages were also interviewed. While in other seven village questionnaires was used. The following is a clarification of the type of interviews conducted together with the kind of information sought in those interviews.

### **3.3.1.3. Official interviews**

Unstructured Interview was conducted with senior land officer working with SPILL project to explain why the SPILL project was formed and the overall status of implementation of Village Land Act country wise. Mbozi district was selected as pilot project by the ministry of lands whereby ministry of lands under the SPILL was the facilitator and not implementer. The implementation was the responsibility of the local governments; however there are different organizations that are supporting implementation in other districts like property and business formalization program (Mkurabita), forest, wetlands, wildlife sectors because land is cross cutting issue.

The last interview at the ministry of lands was conducted with the SPILL project consultant for purpose of knowing how international organizations are involved in land titling project. SPILL was sponsored by World Bank and ended in FY 2005/06, currently the same SPILL group is involved in another project called Business Environment Strengthening in Tanzania (BEST) which is specifically for Land laws with the objective of establishing land market with accurate land information, efficient land registration and land dispute resolution, sponsored by the European Commission. The vision of donors is that by documenting properties, these assets are being turned into capital and hence reduction of poverty.

Interview with the district land officer, the major concerned was to know the status of the titling project in Mbozi district. To understand how the management committees works in collaboration with technical team. To know the role of the district council to village councils on matters related to land allocation and management. Mbozi district was selected as a pilot project in 1999, but it was not easy to start immediately land registration because the preconditions of Village Land Act requires that before a village council is given authority to administer its land, village boundaries must be surveyed and the commissioner for lands prepares and issues a certificate of village land. So they started with village boundaries surveys in 1999. In the year 2004 seven villages started registering parcels.

The interview with the District Agriculture officer (DALDO) aimed at learning on the Government Agriculture Inputs Trust Fund (AGITF) how it respond to farmers loans' applications, because the district is the initial committee which scrutinises all loans applications before they are forwarded to AGITF head office in Dar es Salaam, and it receives back all names of successful applicants and register them.

The unstructured interview held with valuation surveyor was purposely for knowing the methods used in determining the value of the property and what is the mortgage.

### **3.3.1.4. Village interviews**

Village interviews were administered to the Village Executive officers and 20 farmer's holder of CCRO in Namchinka and Halungu village. The object of doing interview to these groups was to know the Village Executive Officers who are currently the land registrar at the Village level if they have attended any training, and how the process of land registration is being conducted at a village level. To farmer's holder of CCRO the purpose was to get their views and experiences on the land registration process and the use of CCRO as collateral in accessing credits to formal financial institutions.

### **3.3.1.5. Bankers interviews**

The last group was the financial institutions especially Banks that provide loans to rural farmers basing on CCRO as collateral. Eight banks out of 25 banks were interviewed and one government organisation was interviewed (NMB Bank, CRDB LTD, NBC LTD BANK, BARCLAYS, AKIBA Bank, COMMERCIAL BANK OF AFRICA, EXIM Bank, CITIBANK and AGITF). The major lesson here was to know if these institutions they are aware of CCRO, how many loans they have provided to mortgages with CCRO as collateral and to know their opinion regarding the provision of loans to rural farmers.

### **3.3.2. Secondary data**

Secondary data obtained from district office were: Legislation, Reports, Policy documents, Government registers and archival. From this category a total number of 2000 registered parcels were obtained and list of farmers who have accessed credits were also obtained and cross checked with records from the respective banks. The population data for Mbozi district at ward level and the average housed hold were obtained from the National Bureau of Statistics (NBS).

#### **3.3.2.1. Spatial data**

Ministry of lands, survey and mapping division was the source of spatial data related to study area. Spatial data collected included administrative boundaries at ward levels, district levels and shape file of adjudicated farms in Chimbuya village.

### **3.4. Validity and quality control**

In conducting this study, conscious attempts were made to produce reliable and valid information. To achieve this, the study employed various control checks like use of multiple sources of data that confirm or corroborate same piece of information. E.g. registered mortgages at district land office were compared with the records at respective banks.

### **3.5. Data processing**

The data collected were extracted and entered into a spreadsheet using Statistical Package for Social Sciences (SPSS) software. Data analysis was conducted using the same software and in some cases excel was used also. Much of the analysis was based on descriptive statistics to summarize survey results. Population data obtained from NBS were converted into a dBase file before linking in ArcGis for spatial analysis.

### **3.6. Limitations in field data collection**

Interviews with financial institutions had to be rescheduled several times. The location of financial institutions being away from the district, only one bank had branch at district HQ, made the field work difficult in visiting banks which keep changing appointments.

Making a follow up of questionnaires in seven villages it was difficult as some respondents were not available at a time of collecting because most of the farmers spent their day time on farm activities away from their home.

Due to time limitations the proposed 10 villages were not met instead 9 villages were conducted and interviewed.



### 3.7. Summary in Research matrix

Research Questions	Data collected	Data Source
1. Are Banks willing to provide credit to farmers based mortgages with CCRO as collateral?	<b>Quantitative data:</b> Total number of CCRO holders who applied for loans and a number of those who got loans.	-NMB Bank- Mbozi Branch -CRBD LTD Mbeya Branch -Agriculture Input Trust Fund -Ministry of Agriculture-DSM -District land office -Mbozi
2. What is the experience from poor farmers in paying back loans?	Total number of CCRO holders who failed to pay back loans.	- Mbozi District Agriculture office. And NMB Bank- Mbozi branch
3. What are the formal and informal costs for registering property?	Qualitative & Quantitative data - Amount of money paid when registering land.	-63 Rural farmers and 9 Village Executive officers. -Mbozi District land office
4. Why people register their land?	Qualitative data	SPILL-Ministry of lands Rural Farmers, District land office
5. How many Farmers have registered their land with new system?	A number of registered parcels in each year	- District land office
6. What are the rights, restrictions and obligations of landholder?	Qualitative data	District land office
7. How many CCRO holders have accessed credit in each year since 2004?	A number of farmers who accessed credit in each FY	- From banks and Agriculture office.

**Table 3-2: Type of data collected, data source and research question**

s/no	Data collection methods	Data source
1	Official Interviews	<ul style="list-style-type: none"> <li>Ministry of lands -Dar es salaam interview with SPILL senior land officer and project consultant.</li> <li>Mbozi district land and Agriculture offices interviews with District land officer, DALDO and Valuation surveyor</li> </ul>
2	Village interviews	<ul style="list-style-type: none"> <li>Namchinka and Halungu villages offices interview with VEOs</li> <li>Farmers from Namchinka and Halungu, 10 farmers from each village</li> </ul>
3	Banker interviews	<ul style="list-style-type: none"> <li>NMB bank Mbozi branch</li> <li>CRDB LTD, NBC LTD, BARCLAYS Mbeya regional branches</li> <li>CBA, EXIM Bank, CITIBANK and AGITF Dar es salaam hq</li> </ul>
4	Farmers Questionnaires	<ul style="list-style-type: none"> <li>Iganduka, Ibembwa, Itaka, Iporoto, Ipunga, Sakamwela and Chimbuya villages to 43 Farmers and VEOs</li> </ul>
5	Reports and records	<ul style="list-style-type: none"> <li>National Bureau of Statistics , Survey and Mapping Dar es salaam</li> <li>Mbozi district land office</li> </ul>

**Table 3-3: Data collection methods and data source**

## 4. Analysis

The primary and secondary data collected during the fieldwork (Chapter 3) are analysed in this chapter. Both qualitative and quantitative methods have been used using statistical and spatial analysis methods.

This chapter is grouped into three major parts, the government rural land titling initiatives (Section 4.1) describing National Land Policy (NLP), Village Land Act (VLA), Mbozi titling project, simplified rural land titling, registration time and land registration costs. The second part is the role of commercial banks (Section 4.2) describing financing agriculture sector, need for agro-financing, appraisal for mortgage purposes, access to formal credits by rural farmers, group participation in selecting borrowers, loans pay back problems and bankers experience on defaulted mortgages. Section 4.3 which describes the impact of land registration to farmer's livelihood, presents the household socio economic characteristics, mobilisation on land registration, means of access to land and factors limiting access to formal credit. The chapter ends with sections 4.4 to 4.6, by presenting the spatial distributions of loans and interrelationship of government, farmers and financial institutions and ends with a summary.

### 4.1. Government rural land titling initiatives

#### 4.1.1. Tanzania National Land Policy

NLP was influenced by the public debate and consultations that led to recommendations from which the NLP document was crafted (NLP 1997). The aim of the NLP was to promote and ensure a secure land tenure system to encourage the optimal use of land resource, and to facilitate broad based social and economic development without affecting ecological balance of the environment. The overall theme of the policy is the recognition of land as an economic asset to which all citizens should have equal access. NLP recognizes a dual system of land tenure made up of customary and statutory rights of occupancy, both are equal to law. It provides for the registration of titles, both customary and statutory. The document further declares that the term of tenure for statutory rights of occupancy shall not exceed 99 years, while customary rights of occupancy shall have no term limits.

The policy recognizes that the notion that land has no value in monetary sense has been a hindrance to offering land as share during negotiations to create joint ventures in various development projects. Consequently it assigns value to land and declares it marketable. Thus land has evolved from being a non marketable item to marketable one, which needs a proper documentation through land registration. And individuals who want to invest through mortgages should be allowed to obtain titles within an area not designated for communal uses, land conservation and other specified village projects. The policy also admits that institutional hierarchy for land administration needs to be changed to minimize the land disputes and concentrate on proper land management. It declares that village council shall administer village land and report all matters to village assemblies.

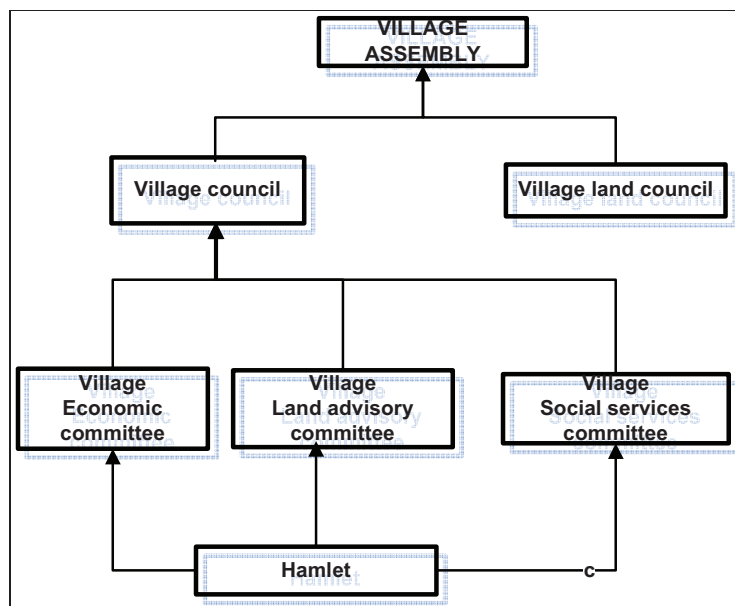
The principles of NLP in a summarised form relevant in the present study are; to recognize that all land is public land and is vested in the president as a trustee on behalf of the citizens, to realize the value of land and pay full, fair and prompt compensation to any person whose right of occupancy or

customary use is revoked or interfered by the state. To provide for an efficient, effective, economical and transparent system of land adjudication and facilitate to regulate the operation of a market in land so as to ensure the rural and urban poor and pastoralists are not disadvantaged.

**4.1.2. Village Land Act**

The Village Land Act No.5 of 1999 now cap.114, Land Act No.4 now cap. 113 and the Land Disputes Courts Act No. 2 of 2002 focuses on enhancing security of Tanzania’s Land Tenure System, streamlining land delivery, encouraging optimal use of land and its resources, and facilitating a broad-based socio-economic development. In line with most other countries in Sub Saharan Africa, Tanzania has approximately 70% of its land consisting of village lands in which property rights have been held and managed under customary law. The VLA was enacted to respect and secure these property rights by providing villages with more secure and formally established village lands, for which they may be able to better support the management of both common property and individually held lands to generate new enterprise and wealth. In Village Land Act a village is a basic entity which bears a definition as in the Village Act of 1975.

According to the Village Act of 1975, a village is a basic administrative and political structure at the local level, with an elected village council and a village assembly consisting of all adults of sound mind living in the village. A village assembly is the supreme authority on all matters of general policy making in relation to the affairs of the village, and as such it is responsible for the election of the village council. A village council is the organ which is vested with all executive powers in respect of all affairs and business of the village. Under the land disputes Act, 2002 every village establishes a village land council to mediate between and assist parties to arrive at a mutually acceptable solution on any matter concerning village land. The role of district authorities to village council is merely monitory, assisting and guiding the villages with the technical assistance and advisory functions



**Figure 4-1: Village Institution framework**

#### **4.1.2.1. Certification of village land**

Under the terms of VLA, each and every village is supposed to establish its boundaries before being issued with a Certificate of Village Land (CVL). Villages which have been issued CVLs may issue Certificates of Customary Right of Occupancy (CCRO) to qualified village residents or families who apply. The issuing is subject to ratification by the Village assembly. This makes the initial step in implementing VLA is to define and document village boundary through survey techniques.

#### **4.1.2.2. Village land categories**

Village land is divided into two categories; the commons these are areas that the communities enjoy the right of public use or occupation; under this category no individual exclusive power of occupation or use is exercised. These areas includes land earmarked for communal grazing, forests and woodland that lies within the village boundaries, the village council recommends to village assembly which portions of the village land should be reserved or used as communal village land. The second category is private land which includes land used or occupied by an individual, a family or a group of persons, the family occupation is the most common all over the country.

#### **4.1.2.3. Village land registry**

The VLA envisages registration and record keeping taking place at the village. The village land registry is necessary to be there at a village for storage and maintenance of the land records and providing access to information. By having a certificate of a village land and a registry, a village is given authority to start implementing VLA.



**Figure 4-2: A village land registry, at Halungu village, Mbozi**

#### **4.1.2.4. Adjudication of individual parcels**

First step of adjudication is the formulation of village adjudication committee as required by VLA. The Village Council shall establish a village adjudication committee which shall have jurisdiction over all claims made during the course of a village adjudication process under the supervision of an adjudication officer. Also the committee will help to identify land owners in the village and will facilitate demarcation of different land parcels and make sure the rights in a particular parcel of land are finally and authoritatively ascertained. The decision on which adjudication method to be used spot/sporadic or systematic survey as defined by UNECE 2005, is a discretion of a village council depending on the need or number of applicants. Even for systematic survey land registration is voluntary; the difference is that parcel records are kept at office waiting for owners to apply for land registration.



**Figure 4-3: Photos after accepting adjudication process in Chimbuya village, Mbozi**  
Left: couples Right: group joint tenancy with a parcel number

#### **4.1.2.5. Issuance of CCRO**

Procedures for applying land registration. To anybody who is having a land in a village and wants to register for purpose of getting a certificate of customary right of occupancy, he/she must submit an application letter to apply for land registration to the village council. The village council gives the applicant a form No.18 (appendix 6) to fill, after filling the form the applicant will be informed a day for adjudication and all neighbours of the respective parcel are informed to attend on the date of adjudication. Normally village assembly is held once every three month or less for an efficient village. A committee of 5 persons including Village Executive Officer will conduct the adjudication process. If neighbours do not object, then the boundaries will be described on a piece of paper in front of neighbours and the acreage estimated.

After adjudication land registration follows in a village land register where a village land officer prepares a letter of offer in the name of applicant, Village Land Form No.19 (appendix 7). The landholder has to agree to the conditions prescribed in a letter of offer by filling Village land form No.20(appendix 8), thereafter a certificate of customary right of occupancy, form no 21 (appendix 9) is drafted and applicant is required to sign and submit three passport size photographs, if it is a company a seal is required. From village the certificate is forwarded to district land authorized officer who also registers the certificate at a district land register. To protect the certificates from wear and tear, they are laminated. One copy remains at district office another copy at village office and the owner gets one copy. That is the complete process for registering land in rural areas.

#### **4.1.2.6. CCRO tenancy terms**

With the CCRO, the length of the term for villagers who had right on that land under traditional customs, the term is infinite. But to non village citizens a period can be defined. Power is vested to village council to decide who should pay land rent or not. In most cases only non village citizens are highly considered compared to citizens to pay land rent. The amount paid annually ranges from Tshs 200 to Tshs1000 per acre equivalent to US dollar 0.2 to 1. Other terms, the occupier is responsible for protection of the environment like soil conservation and water protection, to ensure that boundaries of the land are maintained and clearly marked through out the term of the right.

#### **4.1.2.7. Limitations of village council in issuing CCRO**

Tanzania has a two tier system of government, that is the central government and local governments. Local governments are (City, Municipal, or Rural district councils). Village councils are local authorities within the rural district councils with full mandate to allocate land not exceeding 50 hectares to applicants and register land ownership. If land is more than 50 ha they are required to seek

advice from the commissioner of lands(central government), until the commissioner signify in writing to the village council that he consents to that application.

#### **4.1.3. Mbozi titling project**

According to the literature reviews and interviews with officials in the ministry of lands under Strategic Plan for Implementation of Land Laws (SPILL) project, the project was initiated by the ministry of lands in 1999 following the enactment of the VLA. The aim was to gain experience in implementing the new law and later replicate to other districts.

##### **4.1.3.1. Origination of the project**

Implementation of Mbozi titling project came as a result of change of land policy made in 1995 which gave direction for making new land laws. In 1999 the final legislations for the Land Act and Village Land Act were enacted. Immediately after enactment, Mbozi district was selected as a pilot project for village certification through process of village boundary surveys. A year later the government found that there was a need to have a strategic plan for implementation of the new land laws, coded SPILL because the National Land Policy and the new laws were not having a proper strategy to achieve the impact that was intended. The preparation of SPILL was a joint idea among the Development Partners especially the World Bank whose primary interest was the implementation of the Agricultural Sector Development Strategy (ASDS) and Programme (ASDP). Since agricultural activities take place on the land, it was necessary to ensure that the new Land Policy and Laws are implemented to facilitate agricultural development. As a result SPILL was sponsored by World Bank.

The formulation of SPILL aimed at operationalising the new laws by considering all needs required to be done by land administration system to frame and safeguard customary and granted land rights. The strategic plan was developed through a series of field consultations with stakeholders; Community based organisations (CBOs), Local Government Authorities (LGAs), Non Government Organisations (NGOs), Civil society Organisation (CSOs) and Ministries, departments and agencies (MDAs). For purpose of gaining experience the government opted to continue with the already started project of village certification in Mbozi. The SPILL with the sponsorship of World Bank supported financially the titling project from the first step of mapping village boundaries to the last step of issuing CCRO, including intermediate steps of issuing Certificates of Village Lands (CVLs), provide materials and training for the establishment and operation of village and district level land registries. The SPILL project ended in FY2005/06 and now the titling project is supported by Mbozi district council.

##### **4.1.3.2. Project implementation process**

The project organisation structure was formed by the ministry of lands as a facilitator and ensures that the laid down policies and guidelines are adhered. A project was managed by three committees: the steering committee chaired by Permanent secretary ministry of lands, the management and technical committee chaired by commissioner for lands and the task force committee chaired by assistant commissioner and a district authorised land officer as co-chairperson. The technical team was formed by staff from the ministry of lands, Regional advisory secretariat and at district level. Implementation of the titling project in Mbozi involved 5 major activities;

- In 1999 started with village boundaries surveys and public awareness campaign on the village land Act. The mass sensitization at district level involved the Regional readers, District leaders, councillors, and heads of departments in the government offices, divisional officers,

ward executive officers and the management of the NMB bank, the only bank operating within the district.

- In 2002 all farmers were told to pre mark their farm boundaries with the help of project technical staff.
- In 2003 Village survey boundaries were processed and approved by survey and mapping division, ministry of lands, followed by preparation of village certificates as per approved survey map.
- After the pre-marking was over, aerial photographs were taken and used as a base to prepare village land use plan and identify parcels on the ground during adjudication process and from these images a database was created to link images and attributes of a parcel.
- The establishment of district land registry and other 7 village land registries at Halungu, Halambo, Malolo, Shasya, Ibembwa, Msia and Iganduka Villages.

In 2004 the first seven villages started issuing CCRO and from there a number of villages have been increasing up to date 152 villages out of 175 villages are in implementation stage. In FY 2005/06 the project was expanded to other 10 pilot districts: Iringa, Handeni, Kilindi, Babati, Monduli, Kiteto, Hanang, Mbulu, Liwale and Ukerewe; and the Mbozi project was handed fully to the district council to continue on its own, at a time when the project was handled over 47 villages were implementing the VLA and the ministry stopped financing because the contract with World Bank ended. Currently all districts are at different levels of implementation.

#### **4.1.3.3. Achievement of the project**

Mbozi is now acting as a training centre; all other districts come to Mbozi to learn and imitate. All 175 villages have been surveyed and a total of 152 certificates of Village land have been issued. 12994 land parcels have been adjudicated and 10804 villagers have registered their land. One hundred thirty seven (137) farmers have used their CCROs to access bank loans for their development projects. Land disputes courts have been established in all operating villages by the name of the village land council.

#### **4.1.4. Simplified rural land titling**

The land policy recognizes the costs involved in demarcating villages, in order to protect the villagers land rights and promote better sustainable use of the natural resources within those villages. The policy assigns the government to continue taking the responsibility of carrying out village boundaries survey. This is to lessen the burden that villages would incur in case the government won't support in village surveys. Regarding the demarcation of individual's parcels the policy eliminates all technocratic procedures and it allows the adjudication committee in marking parcel boundaries to use markers commonly used in the respective areas including tracks, ditches, fences, sisal and other plants. The land policy declares that the process of land titling in rural areas is pro poor and it must take care of the interests of all stakeholders including vulnerable groups irrespective of their means, presence or level of understanding.

#### **4.1.5. Registration time**

The Village Land Act requires the village council to determine the applications submitted within ninety days. In practise is this time achieved. The 9 Village Executive officers were asked how long it

takes to get CCRO from the day of submitting application. The answers were slightly different with a minimum of 28 days and maximum of 90 days giving an average of 51 days (Figure 4-4). The adjudication and technical part can thus be completed within 28 days or less, but a problem is the village assembly (public meeting) which is normally held every three months for efficient village council. This implies that the frequency of village assembly is a determinant in a registration time. Although the law allows conducting an intermediate meeting if there are many applications.

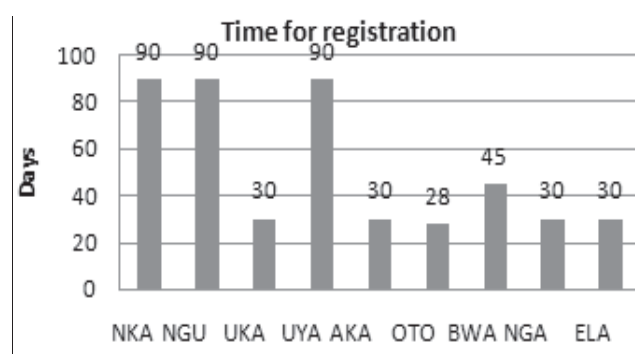


Figure 4-4: Registration time in days for each village

#### 4.1.6. Land registration costs

The village land Act regulations (2001), provides for the costs to be incurred by the applicant of the CCRO before it is granted amounting to Tshs 2750 including:

S/No	Service to be paid	Amount in Tshs
1	Application Form No 18	500
2	Adjudication	1500
3	Registration	750
	<b>Total</b>	<b>2750</b>

Table 4-1: Costs as per regulation

Also the VLA provides for the village council with the approval of the village assembly to require for payment of annual land rent (Leasehold). The VLA also leaves the discretion to the village to charge or not charge according to the way village perceives on financial situation of its people. Currently in Mbozi all villages have agreed to pay land rent at a range of Tshs 200 to Tshs 1000 per acre. In most villages households have an average of 4-5 acres, which can amount to annual land rent of Tshs.800 and Tshs 5000.

The implementation of the rural land titling projects by the government focuses on improving land market, where ownership of any piece of land can be authoritatively ascertained and this will lead to increase of the land related transactions and hence raising the value of land for the poor. The expectation of the government is that the poor will gain access to credit and the protection of the rights in land. The government is aware of the financial constrains of its people because majority of customary landowners who are located in rural areas lack sources of income. Their livelihood depends on subsistence farming, which is subjected to climatic and ecological factors. For the whole rural community to benefit from the ongoing land titling project, costs to be paid by landholder has been set to such extent that the majority can afford.



With all good intention of the government, still the land registration costs were left to be decided by the village council and this resulted into non consistency costing. The land registration costs incurred by 63 respondents was found to be inconsistent from one respondent to another, a mean of Tshs 10700, minimum Tshs 1250 and maximum Tshs 30000 ( Figure 4-5 L) To validate the costs paid, each village officer was asked what the costs for registration are and how the costs are being determined. The answers were different from one village officer to another, although they all determine costs according to the so called lunch allowances for the adjudication team.

Adjudication team comprises 5 members including Village Executive Officer who acts as technical staff and secretary of the whole adjudication process. In each village they determine their own value of lunch allowances, For a village with lunch allowance of Tshs. 2000, it implies that an applicant will pay adjudication fee of Tshs.2000x5 plus registration and application fees (Figure 4-5 R). There is no relation between size of a parcel and registration costs. The cost is expected to rise after the district has introduced an additional cost of Tshs 10000 since July 2008 as recovery cost at district office for stationary and other expenses. The argument for adding costs was that since the project was handled to district council, they were using stationary purchased by World Bank and now the stock have drained. The registration costs presented at district office are shown in Table:

S/No	Service to be paid	Amount in Tshs	
		Minimum	Maximum
1	Application form	N/A	500
2	Registration	N/A	750
3	Allowances for adjudication team	5000	10000
4	Recovery costs at district office	N/A	10000
	<b>Total</b>		<b>21250</b>

**Table 4-2: Costs presented by district land office**

- Land rent per year ranges from Tshs 200 to Tshs 1000 per acre; however the discretion is left to the village council to charge or not charge.

Figures show the variation of cost in all 9 villages and a line showing the calculated mean

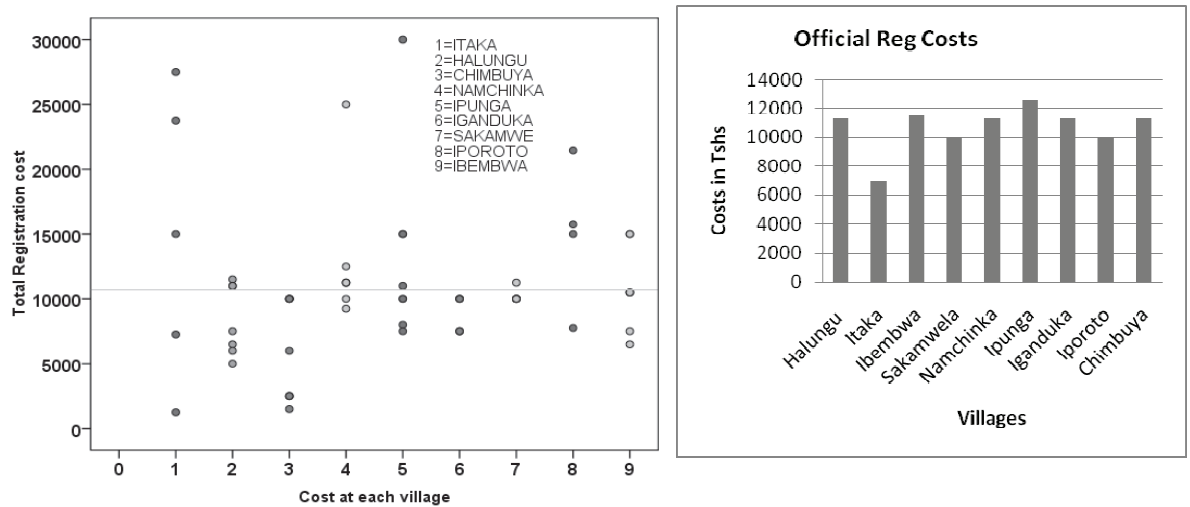


Figure 4-5: Registration Costs reported  
Left: By Respondents Right: By Officials

#### 4.2. Role of commercial banks

The major responsibility of the banking industry is mobilizing funds from surplus units and making it available for investments to shortage units. This is the classical or traditional function of a banking Institution. Tanzania had embarked on a structural adjustment program in 1986 with the aim of reducing the role of the public sector in the economy and strengthening the free market economy. Prior to these structural reforms, all banking institutions operated as state owned monopolies. Later, two Acts were enacted, the Banking and Institution Act of 1991 and the Bank of Tanzania Act of 1995 which provides prudential benchmarks to be adhered to by banks for the purpose of lessening incidence of bank failures. Hence, there was even lower monetary input into the agricultural sector. This had an important impact for the financial sector liberalisation; at the same time has been the virtual collapse of financial services in rural areas, especially credit for input supply and crop marketing through co-operatives. In the first decade of independence, the cooperatives were strong with a complex structure of primary & secondary cooperatives and a national bank. Farmers were receiving agricultural inputs through cooperatives without having any collateral because the cooperatives were fully integrated into the state structures and they were the sole buyers of crops in the country.

Until 1991, most of the agricultural sectors in Tanzania received funds from donations and grants. The National Bank, Bank of Tanzania (BOT) was given money to lend out to other banks. In turn, these banks lent out money to agricultural co-operatives. However, the cooperatives failed to pay back to banks, yet the banks had to continue paying back credit to National Bank (BOT). As a result the programme was weakened for non repayment of the borrowed money. And the cooperatives were no longer receiving loans. This situation of reduced credit was worsened in 1991 by the Banking and Institutions Act which decreed that those who wanted to borrow from banks had to secure collateral and had to be approved of being creditworthy. This decree forced a number of cooperatives to fail in getting loans. Hence, there was even lower monetary input into the agricultural sector.

The government noticed that borrowing in agricultural sector was a large problem because of the inability of farmers to secure collateral. The enactment of Village land Act was a response of the government to poor farmers who were not able to register their properties. With Village land Act, registration process has been simplified and at lower costs.

Under the free market economy there has been an increase in number of banks and efficiency of the financial system. These banks are now taking the position of the national cooperatives banks to provide loans for agricultural inputs by dealing with farmers as individuals or as groups. On the other side the government is implementing the VLA by carrying out the rural land titling exercise to enable rural farmers' access formal credits. It is expected to see a proportional increase of people accessing credit with respect to increased number of banks. However there has not been a corresponding relationship, although there is an uptrend of loans provided by banks to rural farmers still rural farmers are complaining that banks don't provide loans to poor farmers.

#### **4.2.1. Commercial banks financing agriculture sector**

During this era of free market economy, more banks are emerging and creating competition with each other at the market place, contrary to times when banks like cooperative were operating by receiving subsidy from the government. Bankers understand the role of agriculture to the national economy. However the liberalised economy/market threatens banks in involving in high risk business. Comments from bankers in financing agriculture is that for commercial farming there is no problem because commercial farming has got an ability to mechanize its operations, use appropriate inputs, efficient transportation and secure good storage facilities. More importantly, commercial farmers are likely to compete with modern market even to penetrate high level markets. It is this capability that enables to qualify for bank financing. Yet bankers have designed special agriculture input loans for subsistence farming as part of bankers contributions to poverty eradication. These loans are provided to rural farmers as an individual or groups who meet criteria's set by banks.

#### **4.2.2. Need for agro-Financing**

Mbozi district is one of the districts with fertile land and reliable rainfalls, its major income generating activities are agriculture and livestock production. However, the level of production is below the potentials because fertilizers, herbicides, pesticides, weeding, harvesting and transporting to market place are expensive and not affordable for the poor farmers. Productivity has remained low especially among smallholder famers who constitute more than 80% of the district population with the area coverage of 766,640ha (79.2% of the total district area) (URT, 2007). As a result the introduction of land titling was taken as a bridge to get loans to different financial institutions, within the district there is only one bank operating but still people can manage to make follow up even to the capital city of Dar es salaam. This implies that transactions in the land market requires, among others not only willing credit seekers (CCRO holders) with their viable farm projects but also ready credit givers (banks and other financial institutions).

#### **4.2.3. The appraisal for mortgages purposes**

The appraisal of land value is conducted by district valuation surveyor following request from banks, who need to know the value of collateral and the status of it before granting. The transaction is effected by means of a mortgage deed in which mortgagor is required to agree to pay principal loan plus an interest on the loan over a given period. The method used is the Net Income Approach

whereby an average production (yield per hectare or acre) of the farm for all crops is estimated to arrive at a Gross Income per Annum. Then, production expenses are deducted from Gross Income to arrive at the Net Income of the farm and if within the farm there is a structure then the costing method is applied to a structure. Although the basis of valuation for the mortgage is the capital value, it is very rare that the collateral will be sold under perfect market conditions hence realizing current market value. Usually it will be sold within time limits where of a sale will be required to take place within referred to as a forced sale value( foreclosure value) and this forced sale value is a determinant as to how much bank should provide.

#### **4.2.4. Access to formal credit by rural farmers**

In order to access credit for applicants with less than 50 acres of land, they are required to join farmer's registered group which will guarantee when applying loans by providing a warehouse receipt. This means apart from having a CCRO as collateral for short term loans, farmers are required to reproduce a warehouse receipt. For Mbozi district the existing groups were formed under the Agricultural Development Programme (ADP) as saving and credit units. The main objective was to contribute to the improvement of the standards of living of small scale farmers in the district. In line with this objective is the warehouse receipt project introduced through IFAD-Supported Agricultural Marketing System Development. The warehouses have been built or rehabilitated in areas where ADP had already formed groups.

The use of warehouse, the warehouse manager issues a receipt to the farmer when the produce has been deposited in the warehouse. The farmer can use this receipt and the CCRO to obtain loan from the bank. These are short term loans that are provided to enable farmers continue for the next crop whilst goods are being sold or waiting good price and they are paid within a period of 18 months with interest of 8 to 13%. Banks utilizes this opportunity because these groups have regulations that govern the formation and composition of a group, regulations that influence the conduct of group and the most important to banks is the regulations concerning loan sizing and enforcement of repayment.

#### **4.2.5. Participation of group in selecting borrowers**

Farmers groups are preferred by banks because they are helpful in selecting borrowers. Screening of individual behaviour is first done by a group during membership registration. In other cases farmers groups often play an important role in supervising those who received loans, procuring inputs on behalf and marketing the crops in warehouse to avoid a joint liability. Members of a group can use two categories of collateral: the first can be formed by collateral and warehouse receipt, with this type of collateral a farmer can get a loan which is above the value of the crops stored in a warehouse. Basically for farmers with only warehouse receipts without a CCRO they can only get loans amounting to 70% of the value of warehouse receipt. The second category is the use of collateral and a joint liability: with type of security is applied when farmers have low value of collateral as result they join their CCRO to form valuable collateral. In this type of collateral each member is liable for the existing loans of member of a group. Failure of one member to repay can result in foreclosure of all parcels involved in that mortgage.

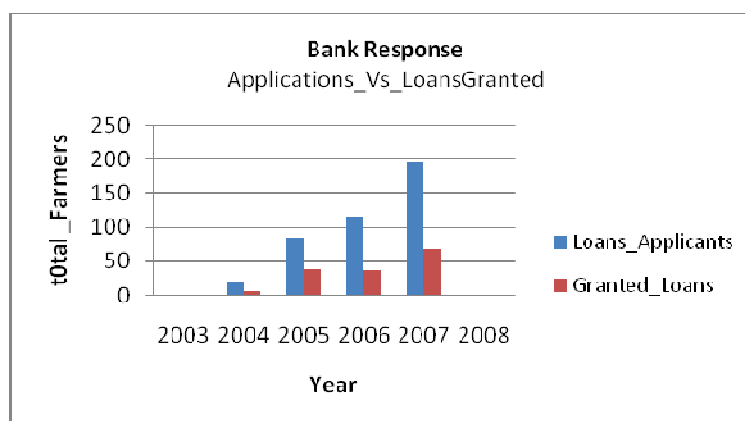
With regards to access to credits, it was found that out of 63 respondents , 40 respondent applied for loans and only 10% managed to access credits either from the Government Agriculture Inputs Trust Fund or from commercial banks. Respondents who were not able to access credit, argued that the

prior conditions were difficult to be met. Like to have a valuation report of the collateral parcel, even with small parcels they were required to go to district land office to request for appraisal of mortgage under applicants expenses. The rest said they didn't make even a follow-up because they had no money to make follow-up so they were eliminated in early stages. Others said the size and value of parcels were low in comparison to the loans applied. Regarding the use of warehouse receipt, for farmers who grow food crops they said it is difficult for a farmer with a farm of less than 5 acres and a household of minimum 4 persons to have extra harvests that you can sell or store. To them a warehouse receipt is another stumbling block. Table 6 shows all respondents, applicants and size of their parcels. The table shows that the size of parcel has a high influence on access to credit. Commercial banks often do not serve poor household for the reasons that include the lack of valuable collateral and high cost of small transactions. The implication here is on the value of investment on parcel rather than the size of a parcel.

Farm size Acres	R	L	G
< 3	9	4	0
3-10	30	16	0
10-15	8	6	0
15-25	9	8	0
>25	7	6	4
<b>Total</b>	<b>63</b>	<b>40</b>	<b>4</b>

**Table 4-3: Respondents (R), loans applied (L) and Granted loans (G)**

The overall applications made in a district compared to loans granted out of the total applications in each year in percent were as follows FY\_2004, 20 applicants applied loans and only 25% were granted, FY\_2005 The number of applicants increased to 84 and 45% were granted this time there were three banks providing loans, FY\_2006 The number of applicants continued to increase to 116 but the granted loans dropped to 31% and FY\_2007 The number of applicants this time was almost twice as much 196 and only 35% were granted (Figure 4-6).

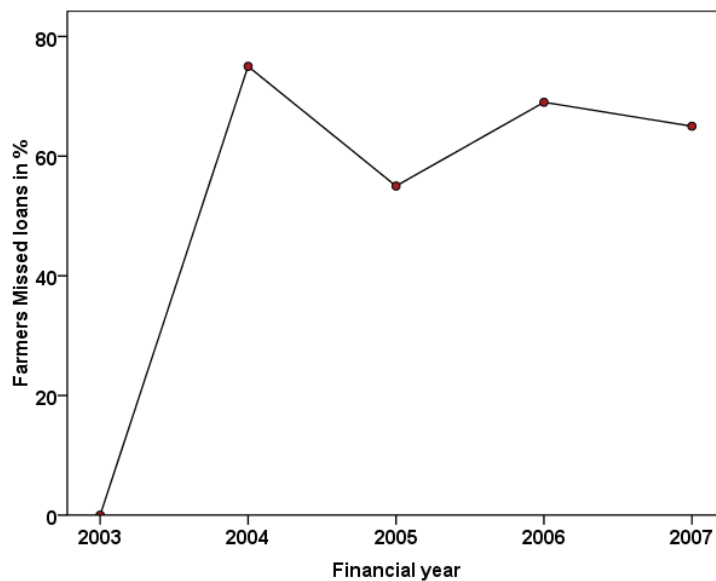


**Figure 4-6: Loans applications and the granted loans.**

This trend shows that there is understanding and awareness among the people on loans provided by banks. People had a knowledge that by having a registered parcel you can access credit or it implies that people need financial support to boost their economic situation. The low number of applicants

who get loans implies that most farmers think that by just having title is directly a qualification for them to get loans. While in reality having a title is part of the conditions required to be fulfilled before you can be eligible to get loan, this indicates that even though there is an awareness the problem remains to qualify for credit.

The comparison was made between farmers who apply for loans and those who fail to get loans. In the year 2003 no one applied for loan, this was a period for mobilization on the whole process of implementing VLA and the use of CCRO as collateral. In the year 2004, 20 farmers applied for loans and 75% of applicants missed loans. In the year 2005 a percent of applicants who missed loans declined to 55%. In the year 2006 a percent of farmers who missed loans increased to 69% and in year 2007, the percent was 65% almost becoming constant (Figure 4-7). This implies that since the loans provided are short term loans, there is a possibility that farmers who got loans in each year are the same with a little increment of new qualifier. The effect of this in long run it will create groups of people who can access credit and those who can't.



**Figure 4-7: Percentage of disqualified applicants from 2003 to 2007**

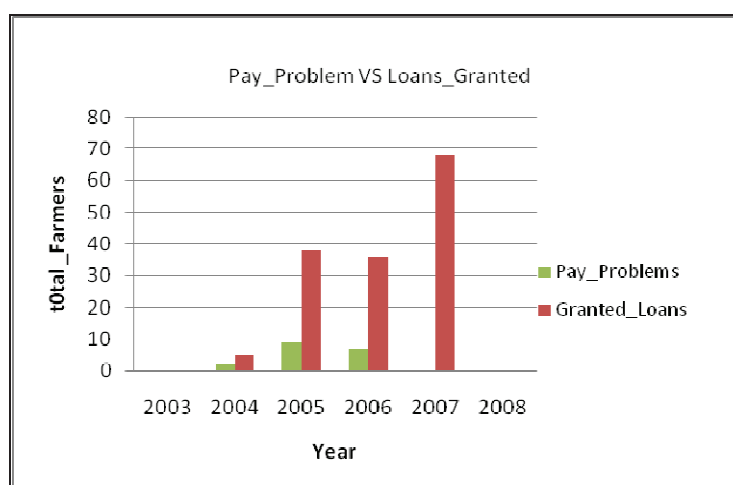
Records shows that the agriculture sector in Mbozi district have received a substantial financial support since the beginning of the titling project. And this is the achievement to the project although if you analyse with respect to individuals the achievement is not clearly seen. This argument is supported by table 4-4 showing a total amount of money granted to farmers as it was obtained from a report presented to minister for land by the district in June 2008. This investigation was conducted in order to know if banks they are willing to provide loans to holder of CCRO.

S/No	PROVIDER	TOTAL LOANS	TOTAL AMOUNT (Tshs)
1	NMB Bank	51(22Groups)	1,687,900,000
2	CRDB LTD	53	402,000,000
3	AGITF	30	501,000,000
4	SIDO	3	40,000,000
	<b>TOTAL</b>	137	<b>2,130,401,000</b>

**Table 4-4: Loans granted and amount in Tshs from 2004 to 2008** (Source: District office)

#### 4.2.6. Loans payback problems

Are there problems in paying back loans from both farmers and bankers?. It was observed that Financial Institutions faced loan repayment problems with factors contributing to that emanating from both the institution and the borrowers. Factors like short term and delay in disbursement of loans are one of the causes because when a farmer receives loan at a late time of a farming season, the possibility of diversion is high. Sometimes borrowers incur considerably high transaction costs to make a follow-up and collateral appraisal, as result they tend to use the loan to recover the costs, other problems arise from climatic conditions and crop marketing system. The study observed that out of the 5 farmers, who got loans in 2004 from AGITF for a term of 3years for purchasing tractors, two of them had failed to repay and tractors were taken by the AGITF agent (Exim Bank). Other borrowers in 2005 and 2007 had minor problems of not paying according to schedule. In the year 2005 a number of people who applied and got loans increased from 20 to 84 also the number of farmers who were granted loans increased from 5 to 38, these increments had positive effect on number of people with pay back problems from 40% in 2004 to 24% in 2005. This implies that banks noticed this effect and they imposed more conditions on loans applications to avoid risks on business as a result these had lowered both granted loans and pay back problems ( figure 4-8).



**Figure 4-8: Loans with pay problems against loans granted.**

#### 4.2.7. Bankers experience on defaulted mortgages

Bankers agree that disputes are not a novelty in any business and agriculture is no exception. In this regard, it is crucial that courts entrusted with powers to adjudicate business disputes emanating from agriculture are quick and effective in determining cases before them. But what financial institutions perceive from courts is that courts are not there to protect their business rather than increasing administration costs to defaulted mortgages. Courts entertain unlimited injunctions and delay in concluding cases filed in court. According to bankers opinion's this hampers in financing agriculture sector.

Year	Loans	Problems	%
2004	5	2	40%
2005	38	9	24%
2006	36	7	19%
2007	68	-	-

Table 4-5: Loans with payback problems

### 4.3. Impact of land registration to farmers' livelihood

This section gives a brief overview of:

- Means of accessing land in rural areas and the understanding of the whole titling project by rural farmers.
- A brief on expectations and experience gained by farmers in using CCRO to access formal credits.
- Factors limiting loans accessibility.

#### 4.3.1. Household socio economic characteristics

##### 4.3.1.1. Household size

The household size had a minimum of 1 household member to 12 household members, with a mode of 6 household members, and hence giving an average of 6.8 household members slightly different from the size of 4.3 as per National population census 2002.

##### 4.3.1.2. Education

From the 63 respondents it was revealed that 16% had never attended formal education, but they can read and write because they attended adult education. During villagisation programme, all people who had never attended formal education were required to attend adult class in a village. 79% had attained a primary education and the remaining 5% completed secondary education. Young people who attained a secondary education never stay in rural areas; they all migrate to urban areas where they expect to get a job and good life.

##### 4.3.1.3. Household income

An investigation of household income was conducted for the purpose of learning and understanding the socio-economic situation and the major income generating activities in the study area. 92% get



income from farming and 8% were employees on either permanent or temporary basis (Table 4-6); this implies that any support or improvement in agriculture it will mean improvement to life standard to the most population. Apart from farming activities there are also other sources of income to small extent like selling local brew, animal products, and small industries like tailoring and carpentry. These records are supported by looking on the land use distribution in each village; in all cases land used for agriculture is high compared to other uses these shows the dominance of agriculture activities (Figure 4-9). The average HH income calculated from the 63 respondents was found to be Tshs.489523 per annum.

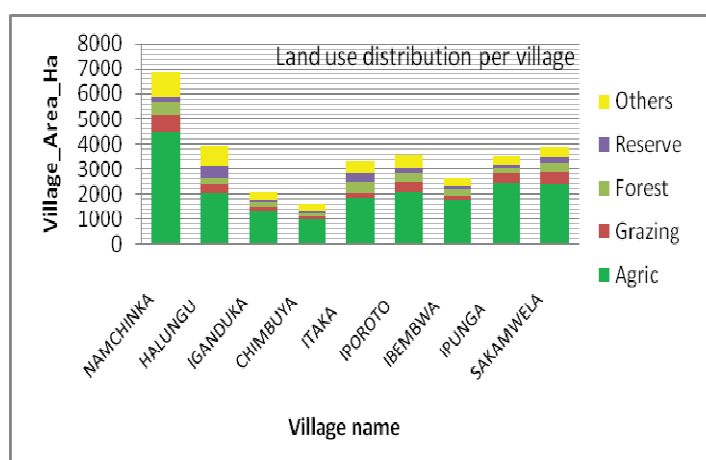


Figure 4-9: Land use distribution per village

Occupation	Frequency	Percent
Employed	1	2%
Farmer	58	92%
Both	4	6%
Total	63	100

Table 4-6: Respondents' source of income

#### 4.3.1.4. Household farm size limits surplus crops

Since agriculture is the predominant economic activity in the district. The investigation was conducted to know why farmers are complaining that they don't have surplus crops for warehouse receipts. A sample from Chimbuya village of all registered parcels was analysed to see what average of a farm size is and compared to the average farm size obtained from 63 respondents. From 393 farmers with registered parcels, 78% of the farms are below 3acres, 19% farmers their farm sizes range between 3-10 acres and 3% farmers own parcels with size greater than 10 acres (Table 4-7), the biggest size was 32 acres. By relating with the observed household size of 6.8 it is obvious that such a household can't have excess food out of 3acres.

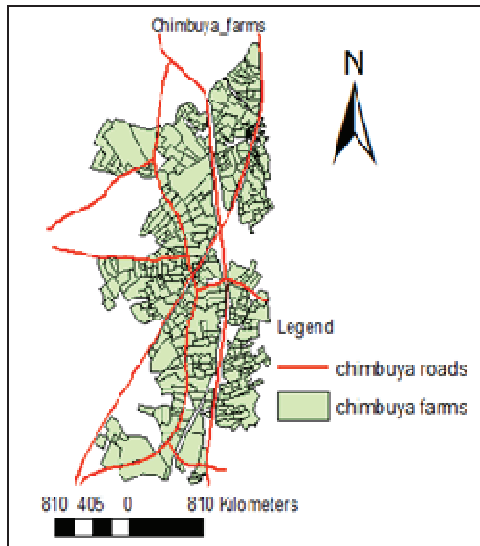


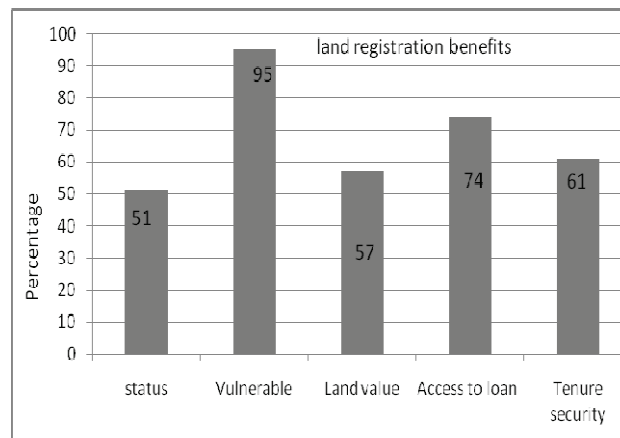
Figure 4-10: Registered parcels in Chimbuya village (Source of data: Ministry of Lands)

Farm Size	Farmers-Frequency	Percent	Cumulative
0.1-3.0 Acres	307	78%	78%
3.0-10.0 Acres	76	19%	97%
10.0-15.0 Acres	2	0.5%	97.5%
15.0-25.0 Acres	6	2%	99.5%
Above 25 Acres	2	0.5%	100%
Total	393	100	

Table 4-7: Size of registered parcels in Chimbuya village

#### 4.3.2. Mobilisation on land registration

The issuance of CCRO in Mbozi commenced in 2004, since then the rate of applicants for land registration has been increasing day after day. This has forced the district administration to advise the change method of adjudication from sporadic to systematic as a means of combating a big number of applicants. The investigation was conducted to know the motive behind and the persuasive promising benefits of having CCRO. Out of the 63 respondents, 95% said they are registering to protect vulnerable groups (widows and orphans) in case of death, because their customs, culture and certain religious practices are bias against vulnerable groups especially women. The male dominant structure of most tribe has a deep rooted problem in succession or inheritance of customary land by female gender. And the only solution is to register land. 74% they register land for the purpose of accessing credit to formal institutions, 62% they said is because they wanted to be sure with their ownership i.e. increase in tenure security, 57% believe that by having a title there is an increase in land value and 51% they said by having CCRO their status will increase ( figure 4-11). No one who said there is no benefit in registering land.



**Figure 4-11: Benefits of land registration**

Concerning the increase in land value as benefit acquired through land registration, the findings out of 63 respondents who were asked the prices of a parcel before titling and after, observed that the sum of differences of cost before and after had a slightly increase of 7%. This implies that land registration in rural areas does not add value to a parcel and if it does is to a very low extent. Out of the 9 villages only one village Iganduka had 56% of respondents said the value of land increases, the rest were below 50%. Iganduka village is located in Msia ward which is adjacent to urban ward (district HQ), this implies that as you move closer to urban area land registration adds value to a parcel and vice versa.

#### 4.3.3. Access to land

Access to land is one of the important attributes in accessing the marketability of credit security. The investigation was conducted to know how land is being acquired in Mbozi district. The access to land in Mbozi district originally it was through inheritance, land was not a commodity that can be sold. However, people who acquired land through purchasing were leading and inheritance was the second. Out of the 63 respondents 40% acquired land by buying and 37% acquired land by inheritance. Allocation by village council and gift are also means of accessing land, together they form 23%. This change of method of access to land is a result of country history back to 1974 when the government introduced the villagisation programme (Interview Nyerembe Officer). During villagisation programme all the rural population had to move from their ancestors land and be settled in new collective villages, so that the government can provide them with necessary facilities and introduce a modern collective farming. During this exercise customary land tenure was ignored and many people lost their land, after failure of the villagisation people were not allowed to go back to their own land by the law to avoid conflicts especially if the land is being used by another occupier. People started searching for more individual land and they had no way than to start buying but not openly. The new land policy now has made the transactions of land more open and legal, land is marketable and can easily be transferred ( Figure 4-12).

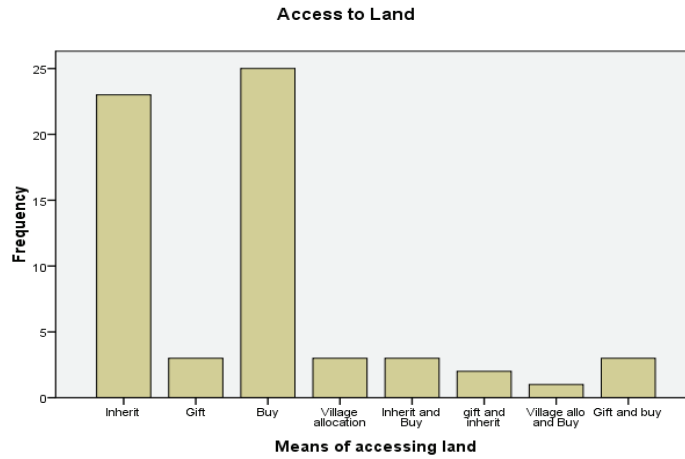


Figure 4-12: Means of access to land.

### Loans beneficiaries

The interview carried out in Namchinka Village with one respondent who managed to access loan from the Agriculture Inputs Trust Fund via Exim Bank, observed that the credit was registered at the village and at the district land office as required by the Village Land Act. A respondent purchased a tractor worthy Tshs.35 million. The loan terms were; a 5 years term to repay quarterly with an interest rate of 10% and a grace period of 6 months. Beside there was an agreement that a bank will purchase a tractor directly from the supplier and then gave the respondent; a bank withholds the tractor registration card till when the mortgage has been cleared.

Collateral with CCRO had a value of Tshs. 19 million, a respondent had to add another legal mortgage on a parcel of land located in Vwawa urban area (district HQ) to cover the difference. His comment on the procedures of loans applications, he said it was not easy to make up follow-up because he had to travel to Dar es Salaam several times and he stayed in hotel for several days. The tractor is used even by other farmers by hiring, about problems he faced was the malfunctioning of a tractor makes him fail to pay as per terms agreed (quarterly).



#### 4.3.4. Factors limiting access to formal credit

Several factors affect farmers to have opportunity of accessing credits. At least six factors were identified as the commonly experienced in the area, out of 63 respondents 94% said they fail to access credit because the prior conditions required by banks are very difficult to be met e.g. Collateral and warehouse receipts. Others were on side of worry to loose land, respondents who are cautious of risking the loss of their main economic assets and source of social security argued that because most of them lack marketable skills and opportunities for other carriers, loss of land through default would mean severe consequences to them. The lack of banks within the district was mentioned as a limit factor because needs money to make follow up to distant banks and sometimes they end up wasting money and time going to different banks without any success. Others foresees a difficulties in paying back and they argued that the short term loan especially one year loan was not realistic because the grace period is three months and for someone who is investing on agriculture is not easy to start paying in three months time after disbursement. The other factor was the risk on investing in agriculture made people worry to apply loan for agriculture rather they would prefer to get loans for small business, and they concluded that is better to have no plan for investment than risking into agriculture business and the last factor was the interest rate was tangible if you borrow a low amount of money than for those who borrow millions of money. The table below shows the limiting factors and the total number of respondents and the percent of proponents.

High interest	Worry to loose land	Difficult to pay Back	No plan to invest	Prior conditions are difficult	No nearby bank
40%	43%	41%	9%	<b>94%</b>	43%

**Total number of respondents 63**

**Table 4-8: Factors contributing to limitations in accessing credit**

#### 4.4. Loans spatial distribution in Mbozi

Although 87% of villages covering the entire area of Mbozi district have started implementing the Village Land Act, only CCRO holders from highland zone on the eastern side are managing to access credit from different banks. The type of crop also determines access to loan, by observing the groups formed for purposes of getting loans, all groups are formed by coffee growers while the district is rich in production of other crops like maize and paddy in low lands. And the spatial distribution of loans justifies the argument as the loans are located on coffee growing zone. This indicates that there is a relationship between the access to loans and the type and value of the agriculture activities conducted in a mortgaged parcel. Bankers consider the future income of perennial crops as more marketable than land itself. Thus commercial banks can provide loans to smallholding farmers in good and productive areas where land has high monetary values.

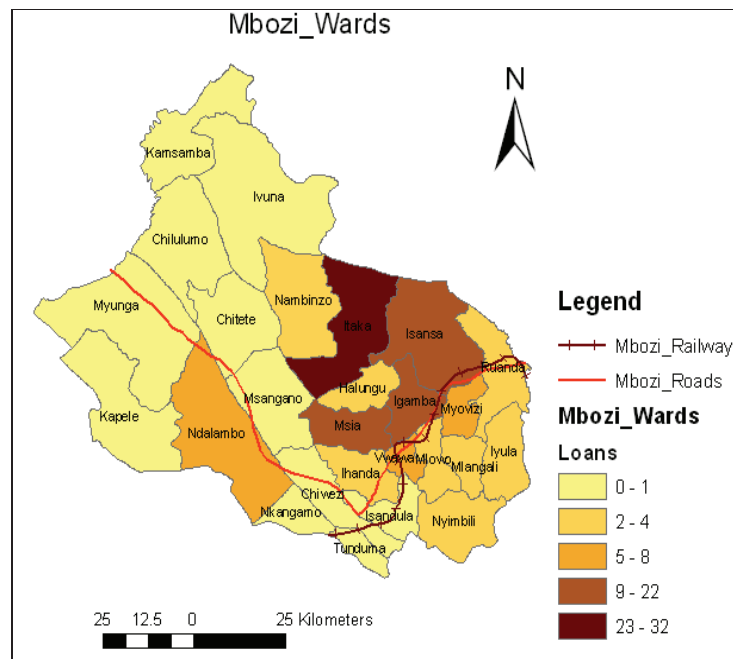


Figure 4-13: Distribution of loans at ward level. (Map source: Survey and Mapping-Ministry of Lands)

#### 4.5. Interrelationship of government, farmers and financial institutions

The government has decided to decentralize its power to administer land to local government institutions, it empowers its people to manage and control their land. Under the VLA all village land is vested in the village assembly, and that the village council administers the land through the authority of the village assembly (public meeting). The government is providing an opportunity to rural farmers who would need to document their customary tenure, whom before were not able to pay registration costs. As the CCRO provided by the village government are evidently means of upgrading of customary land tenure. Since the registration is optional, the main arguments the government is using to persuade people are; the security of tenure is more robust when is documented and it avails the holder with access to formal credit. All these efforts made by the government are to provide means whereby the poor can help themselves without the need for aid from the government. Farmers are responding to the government arguments by registering their land with a high expectation that their family can now be protected as has been observed but the second idea is to access credit.

Although the government has defined that titling is a pro poor project, still the process at village offices seem to be not transparent as it was observed that the costs incurred in land registration is not consistent from one applicant to another, even the responsible village land officers have different views on costing. Currently the situation seem to be clear because even the inconsistency costs are still affordable by the poor farmers, and there were no complaints on registration costs, but if this situation will not be controlled at this early stage the situation will grow to a noticeable and alarming point. This can be contributed by a loop hole in the legislation concerning the costs to be paid by the applicant. The regulation 2001 sect 61 states that the costs relating to adjudication activities shall be borne by the applicant or as may be agreed between the applicant and the village council. While the same regulations specifies exactly amount ( Tshs. 1500) to be paid as application fee for adjudication.

As the government is attempting to eradicate poverty and transform rural economy, it requests and encourages financial institutions to incorporate into their plans the agriculture financing strategies and allow more farmers to access credit. The government is aware of the existing high competition in banking sector, but is ready to cooperate with financial institutions to create good environments for banking business through legal framework e.g. enactment of enforcement laws to defaulted mortgages.

A critical difficult relationship is between farmers and financial institutions. Farmers need financial support to boost up their economy and bankers are doing business for making profits regardless of whom they are making business with. Bankers need to be sure that money they lent will be paid back in a defined period of time with the expected profit. Bankers do not trust farmers especially poor farmers because they believe that poor farmers cannot control high risks involved in agriculture activities. And this has led to bankers impose more restrictions to loans applicants; this has resulted in a big number of targeted poor farmers to fail to access credit. The only beneficiaries are influential people who from the beginning were not targeted. The poor farmers are now questioning if they are not the poor whom the government is always preaching on poverty reduction. The question should go to all proponents of land titling as means of accessing credit for the poor farmers to define which category of poor farmers we are talking about.

#### **4.6. Summary**

The chapter has revealed the complete process to be adhered to before a village can be authorized to issue CCROs as stipulated in the village land Act and the process of issuance of CCROs has been described. Always the government relies on the regulations while on the real practice the implementation differs with regulations. Commercial banks are willing to finance rural farmers but the high risks that subsistence farming face makes the bankers introduce more restrictions to loans applicants. Land registration for the poor can be concluded that is for security of tenure than for collateral use. The loans granted have shown that there is a relationship between loans and the fertility of the soil (high monetary land value). The loans appear to be concentrated on the eastern zone which lies on the highland plateau zone famous as coffee zone. In general it can be concluded that loans are not for the poor but for those who already have a capital.

## 5. Discussion of findings

This chapter discusses the analysed and interpreted results based on the objectives and research questions. The study intended to assess how far the customary LAS have stimulated poor farmers in accessing formal credit from financial institutions. Section 5.1 describes societal impact including tenure security, vulnerable groups and social status. Section 5.2 describes the economic impact including Land market and land value, access to formal credit, costs of titling and experience on defaulted mortgages. These impacts are going to be discussed based on analysis presented in Chapter 4 and end with Section 5.3 by discussing global experiences and derive the way forward for Tanzania and other Sub Saharan countries in Africa.

Impacts of land registration are twofold:

- 1) Societal: the perception of the land holder by having a title, including tenure security, protection of vulnerable groups and increase of social status.
- 2) Economic: in particular access to formal credit and possible increase in land value.

### 5.1. Societal Impact

#### 5.1.1. Tenure Security

Security of tenure is the certainty that rights to land will be recognised by others and protected by government. 62% of the respondents prefer to register their land because a title makes them confident that even in their absence land is safeguarded. They all agree that before land registration they enjoyed de facto security. However in situations of competing claims especially within a family or lineage it was difficult to produce evidence against the claimant. But now proprietors indicated that with titled land no one would dispossess their land.

The above findings are in line with numerous other studies which have shown that land registration increases tenure security. In the study of Barrows and Roth (1990) done in Kenya and Uganda, 75% of the respondents mentioned that land titling had increased security of tenure and that the number of land cases in district courts had declined. The finding that land registration increases tenure security was reconfirmed by Migot-Adholla and Place (1998) in their study on effects of land registration to smallholder farms in Nyeri and Kakamega districts in Kenya. Kombe and Kreibich (2000) in their paper for reconciling informal and formal sector argue that when informal sector is developing, land registration is an appropriate tool to secure property rights and to arbitrate land disputes. However not everybody agrees that land registration is an appropriate tool in enhancing tenure security. These titling opponents emphasize that titling exposes the poor to tax payments. For example, a study conducted in Akum and Babete Cameroon by Firmin-Sellers and Sellers (1999) concluded that farmers who applied for land registration ended by paying fee for erecting boundary marks because the community believes that boundary markers enhance tenure security rather than titling. This argument can not override the evidence presented in support of increase in tenure security.

The answers with respect to interviews and questionnaires contained subjective elements, but nevertheless the general opinion tenure security can prevent land disputes. This was confirmed by



interview with Halungu and Namchinka Village Executive officers pointed out that the mediation of land disputes involving a parcel with registered title is easy to arrive at a mutual compromise. And evidence from title holders who managed to access credit and the existing literature provides a support in concluding that land registration increases tenure security.

### **5.1.2. Vulnerable Groups**

Equitable access to land means that society's members have equal opportunity to access land and that gender, caste or any other features are not used to deny a person or group land rights. But the study revealed that customs, culture and certain religious practices and male dominant structure are the major problems in succession or inheritance of customary land. 95% of the respondents agreed that land registration is the only means of protecting vulnerable groups. A study undertaken in Bolivia in 2004 to 2005 by Lastarria-Cornhiel (2007) also noticed that although Bolivia's land legislation recognises equal land and property rights for women and men, customary norms and traditions are biased against women owning land. And land titling programme was targeted at alleviating this situation. An action of women protection can be seen from Joireman (2008) who argues that in some countries in Africa, such as Ghana, Mozambique, Namibia, and Ethiopia, efforts have been made to give women legal protection of property rights where they have not traditionally existed.

### **5.1.3. Social Status**

Half of the respondents agreed that land titling increases social status. The argument was before the new land policy 1995 and the enactment of the village land Act; people who owned land under customary law were feeling inferior to those with granted title especially during land disputes. This situation of inferiority is clearly revealed in report of the presidential commission of inquiry into land matters when substantial number of claims on why customary ownership can easily be distinguished by government or judicial in favour of granted title (URT 1993). A similar situation was observed in Lima and India, where residents who were granted title in settlements considered themselves legitimised citizens with equal rights and responsibilities (Payne 2007), also tenure security for women is argued to increase status in the community (Lastarria-Cornhiel 2007).

## **5.2. Economic Impacts**

### **5.2.1. Land Market and Land Value**

A common claim in favour of land titling programmes is that they generate a significant increase in land values and that titling cause land market to emerge. Payne (2007) in his review of the literature on land titling, pointed out that price increases of 25% are common after land titling and sometimes more. Feder and Nishio (1998) compared land prices in titling project areas with non project areas in Thailand and found a difference of 35%-205%. A study undertaken between 1987 and 1989 in Somalia by Roth et al (1994) shows that land title increases the parcel value by 1.2K SSh to 1.6K SSh. Durand and Payne (2006) reviewed the impact of titling on property values and found an increase varying from 20% to 60%. Deininger and Chamoro (2004) examining the impact of registered and non registered parcel in Nicaragua, found that possession of a registered title is correlated with an average 30% increase in land value.

57% of the respondents believe that title increases land value, but from the prices mentioned of a parcel before and after title only 33% said that the value in their own area did actually increase, on

average by 7%. Titling alone appears not to be sufficient. Other factors also seem to be important. We conducted our study in a completely rural area and the distance to an urban area likely plays a role, the closer farms are located to a city, the more likely the prices will increase. The influence of the distance of agricultural land to cities and towns as an important factor in land price is confirmed by Alston et al (1996) who observed that titled land near the centre of the city of Para, Brazil, has significantly higher value than untitled land in the same location, however the differences diminish as one moves away from urban centre. The land market is expected to continue increasing as it was shown that the major means of access to land was through purchasing; 40% of respondents bought land and inheritance was 37% other means formed 23%.

### **5.2.2. Access to Formal Credit**

The ability to use land titles as collateral in accessing formal credit is a strong stimulus to ensue land titling programmes. The focus on land originates from the common understanding or concept that land is the common property owned by majority of the poor people. It is thus believed that enhancing tenure security through land registration will lift the poor out of poverty. This idea has been influenced by the ideas of Hernando De Soto(2000).

In our study 40 holders of CCRO applied for loan and 4 managed to get loan. The willingness of a bank to provide a loan appeared to be decisively dependent on the size of the parcel and all who got loans had parcels with acreage above 25. This was also observed by Roth et al (1994) in Somalia, where they found that most of the loans in rural areas goes to plantations and to farms bigger than 30ha. Nyamu-Musembi (2007) argues that although Tanzania has passed the Village Land Act to make it easier for smallholders to use their land as collateral, commercial banks will not give loans when the land is smaller than 20 acres, ruling out a majority of small scale farmers. The scale effect is not only present in Africa but also on other continents. For Peru, Field and Torero (2005) found that land titling has a significant impact on access to formal credit for large estates and tend to reduce for smaller estates, and would even be insignificant for farms of which the size is less than one hectare. In Cost Rica Seligson (1982) found that loan access was improved to holders of farms bigger than 19ha but that farmers who owned less than 7.3ha did not get access to loans.

The banks confirm that the costs of providing loans to small farmers would be disproportional. And they advise farmers with parcels smaller than 50 acres to form groups so that they can have a group liability or to have additional receipt indicating the amount of crops harvested which are intended to be sold in the same season. The preliminary conclusion is that land titling for small farms is not successful in promoting access to credit. A similar situation was observed in rural Peru by Williamson and Kerekes (2008) who found that even a government land title is not sufficient to ensure that an individual will receive a loan from a national bank. In spite of having land title, national banks often require additional co-signers and collateral valued in excess of what the loan is worth.

The findings based on data collected from financial institutions and district land office in our study shows that the land titling project has succeeded to promote rural farmers in accessing credit. In a period of 4 years the agriculture sector has received loans amounting to Tshs 2.1bn (Table 6). This is a quite substantial amount that can justify the relevance of land titling project. These findings can be related to several studies which have positive findings of land title; Starting with (Feder et al. 1988)

who found that in Thailand land titling significantly improved farmers access to credit (52-521% more credit than untitled farmers) and that titled farmers also made greater investment on their land and were more productive. Feder and Nishio (1998) argue that there is persuasive proof around the world that land registration has led to better access to formal credit, higher land value and higher output. However there are prerequisites for land registration to be economically viable. This also gives preliminary conclusion that land registration is likely to be effective where initial capital and formal financial markets exist.

The argument by De Soto(2000) that the major stumbling block that keeps the non western countries from benefiting from capitalism is its inability to produce capital, and that whilst the poor already possess the assets, they only need a process to formalise to make capitalism work for them. This argument seems to be too general and is not explicitly explaining which type or level of a property needs to be formalised and this raises further questions that who are the poor being addressed or does the titling really make credit available to the poor? Formalization alone does not make assets held by the poor work as capital. This is confirmed by a study conducted in Buenos Aires, Argentine by Galian and Schargrodsky (2005) found that poor people with title are no more likely to obtain loan from a commercial bank than those without. This observation is supported by Payne (2007) who admits that banks are reluctant to provide mortgage loans to low income people unless the land is well located and has a good price.

In the past titling projects were often successful because most of the banks at that time were under government monopoly, the National Banks, Cooperative Banks with very few private banks providing loans with high interest rate (Williamson and Kerekes 2008). But in a situation where there is liberalised and free market economy land registration alone does not provide access to credit for the poor.

The major limiting factor for the poor in accessing credit is that the prior conditions under which banks provide credit are difficult to meet, where 94% of respondents said the title itself seems to have no influence in accessing credit because they were forced to produce another collateral like a warehouse receipt or form a group to have a mutual group guarantee and share the risk. 43% of the respondents said another reason was the high costs incurred getting loans, even for micro and short term loans the same process was applied, appraisal for mortgage and travelling to distant banks bearing in mind that within the district there is only one bank operating. Migot-Adholla et al. (1991) found in Ghana and Rwanda, all formal credit loans were short term, none being extended for more than one year. 41% of respondents said this type of loans makes farmers who aim to invest in agriculture to worry how they can amortise loan. The last limiting factor was interest rate as 40% of respondents pointed out. Some farmers seemed to be ignorant of the need for credit whereas others had no plan for investment.

### **5.2.3. Costs of titling**

Aspect of cost to be paid by CCRO applicants have been reduced by streamlining the titling procedures to the extent that can be affordable to most farmers. The average titling costs ranges from 2.5% to 6% of the annual average household income. According to Palmer (1998), costs can be reduced by changing standards of formalisation procedure and eliminating unnecessary steps. Titling is expensive when surveying technocratic are maintained, but Wily (2008) argues that a boundary

accepted by neighbours and locally recorded description is not only basis for security, but also is more reliable than accurately measured map coordinates. The costs ranges from US\$ 10 - 30 which is consistent with the projected cost of issuing simplified low cost approach at US\$ 7 -28 per certificate as per world bank report, a slightly above the west African experience of US\$ 7-10 per parcel (Deininger et al. 2008). Also the time of titling if not taken into consideration can increase costs and sometimes people can abandon the process because of time. The average time for registration was 51 days half of the time stipulated on the regulation, if compared to time observed by Kironde (2006) where registration was taking up to 9 years in Dar es Salaam. De Soto(2000) on his research in Peru observed that registration had 786 processing steps and it could take up to 6years to get title. So, 51days, as found in Tanzania, is very reasonable and will encourage more people to register their land.

#### **5.2.4. Defaulted mortgages**

What happens when a borrower fails to payback the loan. Experience from banks shows that issue of foreclosing sometimes changes to political and people see it as inhuman, in such situations banks are unable to repossess property even when the matter is filed in court still it becomes difficult. The government and politicians should pay attention to both sides that means of enforcing lender's right to repossess a property has the same weight as recognising the owner's right to possess it(Economist 2006). The empirical evidence by this study observed that out 5 borrowers for year 2004, three of them bought tractors and two failed to payback. The bank decided to pick those tractors instead of filing case in court.

### **5.3. Global Experiences**

Rural land titling is not promoting poor farmers in accessing formal credit because of the low value of their farms, which are usually small. Which measures and remedies can be taken to improve the situation in Tanzania in particular and in Sub Saharan Africa in general? Experiences gained in Sudan and Afghanistan shows that registration of common property at village level can play an important role in serving as collateral for the poor (Wily 2008). Such a solution can be effective if there is an established institutional representation at local level to which the formalised ownership of the property may be vested. Such an institute can get access to loans on behalf of the land owners in the community, and later disburses the money to individuals, so that small farmers who have difficult access to credit can take advantage of this formalised common property. The commons are the capital for the very poor. A similar approach of the established institutional has been practised in Vietnam, where individuals use their title as symbolic collateral to banks but whenever there payback problems banks do not foreclosure titles instead they consult village leaders. Village leaders in turn ask the borrower's relatives and close friends for help and in other cases borrowers are requested to sell consumer good (Sikor 2006).

Experience gained from successful Rural Financial Institutions(RFI) in Asia, where there are two types of rural financial institutions, the first is serving the very poor with loans not exceeding US\$ 100 ( the Badan Kredit Kecamatan (BKK) in central Java-Indonesia, the Grameen Bank (GB) in Bangladesh) and the second is serving the middle income people with loans ranging between US\$ 300 to 560 ( the Bank for Agriculture and Agricultural Cooperatives (BAAC) in Thailand and the Bank Rakyat Indonesia (BRI)), have shown that the use of strict collateral requirement does not match with

the objective of extending small scale loans to the poor. As a result these RFI deliberately have opted to use other means of proving the ability to payback loan, some have used credit history while others have used joint liability or using the village leadership to select appropriate borrowers and introduce financial discipline among the poor and first time borrowers(Yaron 1992).

Khandker and Faruquee(2003) analysed the role of the Agriculture Development Bank of Pakistan (ADBP) in credit provision to rural farmers. They grouped rural farmers according to landholding size, Smallholder 2.5-12.5Acres, Medium12.5-25 Acres and large farmers above 25Acres. The study revealed that the impact in paying back loans is higher for smallholder than medium and large holders in agriculture although smallholders had poor access to formal credit 23% compared to 42% for others. And concluded by arguing that providing loans to smallholders' transactions costs may increase but loan default will decrease because loans are paid within a short period for smallholders than large holders in agriculture(Khandker and Faruquee 2003). This argument has similarities with findings of this study in sense that no loan default was found for short term loans, loan default were found only for long term loans.

In Honduras and Nicaragua and other Latin American countries, the agriculture development banks were the only banks providing loans to rural farmers but after liberalisation the governments have stopped providing subsidy and extension services. Commercial Banks and Microfinance Institutions are the only institutions providing loans to rural farmers, but MFI they charge higher interest rate 36% while Commercial banks charge between 16%-19% but they only accept collateral under a certain minimum threshold value which leaves majority of the poor out(Boucher et al. 2005). The Association of Latin American Development Finance Institutions (ALIDE) is currently trying to mobilize the role of collateral in rural loans by promoting the use of guarantee funds and insurance as means of stimulating rural lenders(ALIDE/FAO 1996).

#### **5.4. The way forward**

Real collateral has proven to be a suitable means for loans security because it serves as screening device to reduce wilful default and reduces lending risks. This implies that emphasis on land registration needs to continue getting support from the government and other interested organisations. For the sake of providing loans to the poor, governments are required to intervene by mobilising people to initiate their community banks at district or province level whereby members will be paying fees which will be used as insurance in case of illness or death and natural disaster. The ownership structure between community and government need to have the majority of shares owned by community to avoid political interference; a good example is the Grameen Bank (GB) of Bangladesh. The government shares should help in initialising basic bank infrastructure. The villages as cooperatives will use registered common property as collateral to get money from long term loans for buying shares.

Limitations of collateral for small parcels where the residential houses are located within should not be used alone as collateral instead they can be supported by another type of collateral e.g. co-signer. Foreclosing or evicting a poor family from a house can cause interference not only from politicians but also from human rights organisations.

In general, lenders are reluctant to issue loans to rural farmers because of uncertain and high costs of creating and enforcement of mortgages. To promote financial services in rural areas, the government can establish a favourable policy to activate the smooth functioning of rural financial markets, e.g. creating guarantee fund to protect financial institutions from uncertainties and costs at a time of administering and foreclosure of defaulted loans and any other right incentives, this will stimulate rural financial markets especially in agriculture. The rural financial market should be free to any financial institutions. A credit bureau<sup>1</sup> can be created at a village to provide information about borrowers, each formal lender at the end of loan will provide payment records to the credit bureau as a reference to other lenders.

### **5.5. Direction for solutions to Tanzania**

The relationship among Government, Financial Institutions specifically Banks and Farmers have a long standing history. The old situation of this relation was that government was providing subsidies to farmers through state owned development banks, where cooperatives and farmers used to get loans for agricultural inputs at a below-market interest rate. Yet the problem was that borrowers were not paying back money. In most cases it was willing loans default especially by influential big farmers (Yaron 1996). As a result the development banks failed to sustain themselves. Then the World Bank and other donors advised the governments to commercialise state owned development banks, abolish the provision of subsidies and liberalise the banking sector to allow a fair market competition.

Liberalisation made the banking sector to work under free market economy where there is no government intervention in regulating interest rates. This had effect to poor farmers of not getting loans because of the strictly conditions imposed by banks to avoid risks in providing loans to small farmers. Banks wanted to continue surviving in a competitive business environment. Under such conditions the government objectives of enabling poor people, rural development and poverty reduction remained at large. This was a common situation to different developing countries, Tanzania being one of them. Basing on study findings and literature possible specific solutions to Tanzania are highlighted.

Poor farmers are not getting loans because their farm size and land monetary value are very small (Scale effect). This situation can be alleviated by farmers who are in the same geographical location to have a joint tenancy by merging their parcels into single parcel; with conditions that loan will be distributed proportional to the value of individual portion. Otherwise farmers can form a cooperative at village level with managing board which can make links to different financial institutions through that farmers can have more privileges in accessing credit, cooperative will guarantee loans applicants and will be responsible in providing knowledge in finance discipline to its members.

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<sup>1</sup> An institution that collects and allow sharing of information among lenders to prevent clients from taking multiple loans and hide their credit histories (de Janvry et al.2006)

For the government instead of providing subsidy, it can create a guarantee fund to encourage financial institutions to lend to rural farmers by providing special guarantee fund to cover losses resulting from loan default and the government will take responsibility to make a follow up to individuals. For the purpose of promoting rural financing the following sectors need to work as a team, ministry of agriculture, finance and ministry of lands. A joint team can link with international donors like IFAD to identify and clearly see areas that need support. The government should support the formation of community bank at district or province level whereby the village cooperatives will have shares.

The banking sector is always looking for a market and profitable services. The government can promote integrated and flexible financial markets through provision of good business environment i.e. good policy, clear enforcement laws and regulations that can lead to banks delivering profitable services. The combined solutions of scale effect, guarantee fund and a good business environment might help to improve the rural financial intermediation and hence more poor farmers can have access to credit.

## **6. Conclusions and recommendations**

This study has assessed the impact of rural land titling and registration on promoting poor farmers in accessing formal credit. This has been accomplished through a case study in Mbozi district, Tanzania. This chapter consists of three sections: the first draws conclusions in line with the four research sub objectives (Section 1.3), the second is the overall conclusion and the third consists of recommendations and suggestion for further studies.

### **6.1. Conclusions**

The conclusions are discussed sequentially as per research sub objectives and research questions.

#### **6.1.1. Rural land titling and registration processes**

The government has introduced the registration and adjudication of customary land rights to be administered at village level, for improving the well being of most Tanzanians in an effective and efficient manner. Consequently, registration costs have been reduced to amount affordable and mass mobilisation on the merits of titling has been easily transmitted to farmers. Registration costs is on average 20% of the household income and the increasing number of applicants has forced the village councils to change method of adjudication, from sporadic to schematic and that brought to an increase of registered parcels 5 times in year 2008, making a total of registered parcels rise from 2000 in the year 2007 to 11904 in 2008.

The rights, obligations and restrictions of a CCRO holder are stipulated under sections 25 to 30 of the Village Land Act. In brief the rights are categorised as the use of CCRO as collateral against bank loans, securing educations loans from the government, use as security against court cases, entitled to fair compensation in the event of any acquisitions executed by government and right to transfer. The restrictions and obligations impose the holder to pay fees as prescribed by the village council, to respect and maintain the existing rights of way, protect the environment and to ensure that boundaries of the land are maintained and clearly marked through out the term of the right.

#### **6.1.2. Costs and benefits of having customary land titles for rural farmers**

Farmers felt that land registration increased their tenure security and either promotes or would promote access to formal credit, besides that very few farmers got loans from banks. The possibilities of having different transactions with the registered parcel are believed to increase land market and people having these benefits perceive that their social status have increased. All of these are the motive that influences people to register their land.

The costs of titling are prescribed in the VLA regulations No 81 of 2001. The average titling cost per parcel irrespective of the size was Tshs. 11000, which was affordable to most poor farmers. Still, the average cost differs with cost provided in VLA regulations of Tshs. 2750. Secondly the flaw in the law caused variation in cost from one village to another (Section 4.5). Processing and mortgage appraisal costs were termed as informal costs, there was no evidence provided to show informal costs charged. The pro poor policy of the government to register land for reasonable prices has been achieved.



### **6.1.3. Banks responses to loans applications**

The government policy of rural land titling and registration as a part of promoting poor farmers in accessing formal credit from financial institutions can only be successful if it gets a strong support from banks. As most of rural farmers in Tanzania are still practising small scale farming mainly for subsistence food, and many financial institutions found it too costly and risky to provide loans, one could think that banks will not provide credit to poor farmers. Instead the study has revealed that the financial institutions are willing to provide loans to poor farmers. The incorporation of agriculture financing strategy into their plans and the substantial amount (Tshs 2.1bn) provided to loans applicants in study area leads to a conclusion that banks are willing to provide loans to poor farmers.

Agriculture like any other business has risks that can lead to failure in paying back loans. Currently, loans provided in the study area are short term and have double collateral, the CCRO and a warehouse receipt. Paying back money is heavily dependent on the time of selling stored crops. During the study no serious pay back problems were experienced other than delay in payments as per contract schedule with an exception of two loans where tractors were taken by bank.

### **6.1.4. The impact on credit access**

Increased security of tenure from titling has been argued as a means of stimulating economic growth because title increases security of lenders and therefore landholders can obtain formal credit from banks using title as collateral. The findings suggest that land registration has less significant in promoting smallholder in accessing formal credit which implies that assets held by the poor do not comply with De Soto's claims that registration improves access to credit for the poor.

Respondents who received loans from banks were those owning parcels bigger than 25 acres. Farmers with fewer acres were advised by banks to join groups to make joint collateral and loans provided were short term purposely for agricultural inputs. In order for farmers to manage paying back money in time, banks introduced a warehouse receipt as second collateral to enable farmers start paying even before harvesting season. 137 farmers got loans from year 2004 to 2008 from financial institutions. Land registration has a positive credit impact on big farms but not for small farms, the latter is the category where the majority of poor farmers are found, i.e. land registration does not promote poor farmers in accessing credit.

## **6.2. Overall conclusion**

The findings suggest that land registration enhances tenure security, protects vulnerable groups and increases social status within the community. Land registration does not significantly promote access to credit for poor farmers with small farms even though banks are willing to provide loans. The low land value, high transaction costs compared to creditworthy and high competition in banking sector hinders banks to provide loans to poor farmers. This situation in Tanzania resembles many countries in Sub Saharan Africa, South America and Asia. The situation can be improved by forming a joint tenancy or cooperatives by farmers to use advantages of scale. But this bottom-up approach should be supported top-down by the government by creating a guarantee fund to provide assurance to banks in case of loans default.

### **6.3. Recommendations**

The study was conducted in rural areas and found that land registration has little impact on credit access to poor farmers because of their low land value. The free market economy also has effect on the relationship conditions between poor farmers and banks. There is a need for more research to study what are the factors that influence land value and how land value can be increased. A specific study can be conducted to know what are financial, political and social constraints that are accompanied with combined solutions of scale effect, guarantee fund and good business environment, which hinders the promotion of rural finance intermediation and access to credit for the poor farmers. It is also recommended to study what is the impact of land registration in peri-urban areas in Tanzania with respect to credit access for the poor.

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## 8. Appendices

### Appendix 1: Ministry interview form

#### MINISTRY INTERVIEW FORM

##### Introduction

This is a study on the customary land administration system (CLAS) how is promoting rural farmers in accessing credits.

Your participation is highly appreciated. The information remains confidential and anonymous, and will be used for the purposes of academic research only.

Designation .....

Ministry of Lands (SPILL) .....

Date ...../2008

1. The main focus of this research is on implementation of village land Act No.5. When did you start implementing?
2. Do you have regulations guiding land registration under the new system? Yes/No
3. If yes, when did you start implementing?
4. How do you deal with issue of capacity building at district level?
5. What are steps for land registration?
6. How long does it take to complete each step?
7. How much money applicants are required to pay per step or for the whole processes?
8. What activities are in place to create awareness to rural farmers in using CCRO as collateral?
9. Which media do you use to create awareness to farmers?
10. Under the new system (CLAS), where are the mortgages registered? District or Village office
11. Which financial Institutions (e.g. Banks) provide loans to holders of CCRO?
12. Are the financial Institutions aware of this land reform?
13. Refer question 10, why do you think the answer is Yes/No
14. Is there any International Organisation that funded your Strategic Plan for Implementation of land laws (SPILL).
15. How many pilot districts do you have?



S/No	Question	1999 - 2002	2003	2004	2005	2006	2007
1	Number of Village certificates issued for Mbozi district						
2	How many rural land owners in your pilot project districts have registered their land?						
3	How many rural land owners from Mbozi district have registered their land?						
4	How many holders of CCRO from your pilot district have accessed credit?						
5	How many holders of CCRO from Mbozi district accessed credit?						
6	How many financial institutions were providing loans to CCRO holders?						
7	What was the budget allocated for Mbozi project?						
8	How many district started implementation of Village Land Act in each year?						

16. What criteria were used to select pilot district?
17. How are the costs spent by the government in Mbozi district are recovered?
18. What are the rights, restrictions and responsibilities of a rural famer holder of CCRO?
19. Which argument do you use to convince people register their land
  - Easier to get loans
  - Their security of tenure will increase
  - Protection for their children against people with bad will
  - Other/specify
20. For how long you have been working with ministry of Lands?

**Thank you for your cooperation**

**Appendix 2: District interview form**

**DISTRICT INTERVIEW FORM**

**Introduction**

This is a study on the customary land administration system (CLAS) how is promoting rural farmers in accessing credits.

Your participation is much appreciated. The information remains confidential and anonymous, and will be used for the purposes of academic research only. I would highly appreciate your assistance.

Designation .....

District Name .....

Date ...../2008

1. The main focus of this research is on implementation of village land Act No.5. When did you start implementing?
2. How many villages are in your district?
3. How many villages in your district have surveyed boundaries?
4. What are steps for land registration?
5. How long does it take to complete each step?
6. How much money applicants are required to pay per step or per process?
7. What activities are in place to create awareness to rural farmers in using CCRO as collateral?
8. Under the CLAS, where are the mortgages registered? District or Village office
9. Do you have farms that are owned by groups or jointly?
10. What are major activities carried out on groups/ jointly farms?
11. How many villages are still having boundary problems even after having village certificate?
12. Which financial Institutions e.g. Banks provide loans to holders of CCRO?
13. Are the financial Institutions aware of this land reform? Yes/No
14. Why do you think the answer is Yes/No

S/No	Year	2003	2004	2005	2006	2007	2008
	Question						
1	Number of villages which started implantation of Village land Act in each year						
2	How many parcels are owned customary?						
3	How many parcels have been registered in each year?						
4	How many CCRO holders applied for loans?						
5	How many loan applicants were granted?						
6	What was the value of the lowest loan?						
7	What was the value of the highest loan?						
8	How many borrowers have cleared their mortgage?						
9	According to your district data what was the value of land in rural areas per acre?						
10	What was the value of titled land per acre?						
11	Number of transfers made						

15. List down all names of farmers who got loans and their respective Division, ward, village and year
16. What do you think are the reasons for some division/ward/villages leading for farmers to get loans?
17. What are the rights, restrictions and responsibilities of a villager holder of CCRO?
18. What do you think apart from getting loans, are the reasons for registering their land?
19. Which argument do you use to convince people to register their land?
20. For how long you have been working with Mbozi district lands department?

**Appendix 3: Village Executive officer questionnaire**

**Questionnaire Village Office**

**Introduction**

This is a study on the customary land administration system (CLAS) how is promoting rural farmers in accessing credits.

Village Name .....

Designation Village Executive Officer

Date...../2008

1. What is a total area of your village in hectares?(Area from Village certificate)
2. What is the population of your village?
3. When your village was registered?
4. When your village boundary was surveyed?( Please show me your Village certificate)

<b>Village land use</b>	Agriculture	Communal Grazing	Forest	Reserve Land	Other
<b>Total Area Allocated in Hectares</b>					

5. What public services are available in your village?
  - Hospital
  - School
  - Market
  - Financial Institutions eg. Banks
  - Daily transport to district HQ
  - Railway Station
6. You are working as a village land officer did you attend any training?
7. According to your opinion the training you got were:
  - Very good
  - Good
  - Adequate
  - Not adequate
8. You are a village executive officer dealing with revenue collections; do you get enough time to deliver land services?
9. What are steps for land registration?

ASSESSING THE IMPACT OF CUSTOMARY LAND RIGHTS REGISTRATION ON CREDIT ACCESS IN TANZANIA: A CASE STUDY IN MBOZI DISTRICT

S/ no	Question	2003	2004	2005	2006	2007	2008
1	When did you start implementing the village Land Act No5?						
2	How many farmers have registered their land to your office?						
3	What was the average income of your people?						
4	What was the average price of untitled land per acre?						
5	What was the average price of titled land per acre?						
6	How many farmers applied for loans?						
7	How many farmers managed to get loans?						
8	How much money you collected for registration?						
10	Number of people who sold their land						
11	Number of people who bought land						
12	Number of transfers made						

10. How long does it take to complete each step?

11. How much money applicants are required to pay per step?

12. What activities are in place to create awareness to rural farmers in using CCRO as collateral?

13. When people apply for loan to any formal financial Institution; do they report to your offices?

14. Which financial Institutions (e.g. Bank) you know that they provide loans to holders of CCRO?

15. How many villagers (rural farmers) in your village own land?

16. What is household income of farmers who managed to access loans in your opinion?

17. What are the rights, restrictions and responsibilities of a villager holder of CCRO?

18. What do you think apart from getting loans, are the reasons for registering their land?

19. Which argument do you use to convince people to register their land?

**Appendix 4 : Bank interview form**

**BANK INTERVIEW FORM**

**Introduction**

This is a study on how banks respond to mortgages request from farmers with customary Land title (CCRO). Your participation is much appreciated. The information provided will remain confidential and anonymous, and will be used for the purposes of academic research only as described in introduction letter.

Name of Bank.....

Designation .....

Date ...../2008

1. Do you provide loans to farmers having land titles as collateral?
  
2. Which types of titles do you accept as collateral?
  - i. Granted certificate of occupancy.....
  - ii. Certificates of customary rights of occupancy (CCRO).....
  - iii. Residential License.....
  
3. When did you introduce a policy of accepting CCRO as collateral?  
.....
  
4. What are criteria/ conditions to be fulfilled in order to be eligible for loan?

S/No	Question	1year	3years	5Years	Other
1	What types of mortgage do you provide to rural farmers?				
2	Could you provide a percentage of people with problems in paying back money for each category?				
3	What is the minimum amount of loan in each category?				
4	What is the maximum amount of loan in each category?				
5	What is the present interest in each category?				

5. In case of problems with paying back money what actions are taken for each category?
  
6. What could be the reasons of failing to pay back money? (More than one answer is possible)
  - i. Drop down of price of crops
  - ii. Misuse of the loan
  - iii. Sudden Inflations
  - iv. Others
  
7. For which purposes do farmers use the money borrowed
  - i. Investments (Agric Machinery, Fertilizers, Buying disease resistance seed etc.)
  - ii. Home consumptions (Improving living conditions, Family ceremonies etc.)
  - iii. Educational purposes
  - iv. Other specify

s/no	Year Question	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
1	Applications for mortgage received from rural farmers holders of CCRO						
2	Mortgage granted under the same period						
3	The value of the lowest mortgage						
4	The value of the highest mortgage						
5	The interest rate per annum						
6	Number of mortgages with pay back problems						
7	Regions with highest number of applications list top three						
8							

8. Do you think rural farmers lack access to credit?

9. Why do you think the answer is YES/NO

**Thank you for your cooperation**

## Appendix 5 : Rural farmers' questionnaire

### Rural farmers Questionnaire

#### Introduction

The study is aiming at assessing the costs and benefits of having customary titles to rural farmers.

Respondent (F/M).....

Name of Village .....

Date ...../2008

1. Have you registered your land at village office?

2. Personal information:

- What is your age?
- You were born in this village?
- If no, where were you born?
  - (a) Out of ward
  - (b) Out of district
  - (c) Out of region
- Marital status
  - (a) Married
  - (b) single
  - (c) Divorced
  - (d) Widowed
- How many children do you have?
- What are the ages of your children?
- Your children are going to /went to school?
- How many people live in your household?.

3. How did you acquire your land?

- Inheritance
- Gift
- Buying
- You applied to the village government

4. Economical situation:

- What is your profession?
- What is the profession of your wife?
- How much acres of land do you own?



- What crops do you plant on your farm?
    - ( a) Food crops-Maize, beans, sweet potatoes, cabbage, others;
    - (b) Cash crops – Coffee, other;
  - Which crops did you have in 2008?
  - What is your main source of income?
  - How much is your income from farming activities?
  - How much is your income from other activities?
5. What were the total costs you paid for registration?
6. What were the costs you paid when you applied for registration but no receipt was given to you?
7. What do you see as the main benefits of having a title?
- No Benefits
  - Having a title gives me a higher status in the community.
  - I do not need anymore to protect my property against others in the community who put a claim on my land
  - To get a loan for a fair interest rate.
  - When I die my wife and children are protected from taking away the land
  - Registered land becomes more valuable
  - Other/specify

S/No	Question	2003	2004	2005	2006	2007
1	In which year(s) did you register land					
2	Which year(s) did you apply for mortgage?					
3	Which year(s) you were granted mortgage(s)?					
4	Which banks did you apply?					
5	Which banks granted mortgages					
6	What was the value of land with no title per acre?					
7	What was the value of land with title per acre?					
8	What was your income per year, for each of these years?					
9	How much interest did you have to pay					
10	Did you have problems in any of the years to repay and pay interest? If yes what were the reasons					
11	How many land disputes did you have in each of the years ?					

8. What problems you encountered in paying back loan?

- High inflation
- Lack of crop market
- High competition of business increases the running costs
- Lower crop harvest than expected

8. What are the disadvantages of having a mortgage?

- High interest rate puts a burden on my household budget
- Crop prices may be too low for repayment and paying interest
- One may loose the land to the bank
- Prior conditions before loan are difficult to be met
- Travelling to the nearest Bank takes time and money.

S/No	Question	1year	3years	5years	Other
1	What was the duration to repay back money?				
2	Which type of loan do you prefer?				
3	What was the interest rate?				

9. How did you know that .....Bank is providing loans?

- From neighbours
- From Village leader
- From advertisement of the bank
  - i. Radio
  - ii. Television
  - iii. Newspaper
  - iv. Bill boards
  - v. Posters on vehicles
- Others/ Specify

10. What were the additional requirements for you to get loan other than your title (CCRO)?

11. For which purposes did you use the loan?

- Farm investments
  - i. Agricultural Machinery
  - ii. Fertilizers
  - iii. Disease resistant plant seeds
  - iv. Others/ specify.....
- Consumption goods (Specify)
- Education fees
- Marriage
- Funeral .....
- Others (Specify)

12. Did the government stimulate you to register your land? If yes, which benefits did they sketch to convince you to register your land?

- Easier to get loans against lower interest rates
- Nobody in the community could take away my property
- When I would die my wife and children would inherit my land
- Others/specify

I mention a list of ten goods, please rank them according how important possession of the good is for you. 1 means most important, 10 means least important. I will first mention them all, and then you can give a rank number. Remember 1 means most important, 10 means least important <b>Good</b>	<b>Rank</b>
Draught Animal	
Bike	
Radio	
Motorbike	
Television	
Plough	
Electric Cooker	
Good education for my children	
Refrigerator	
Tractor	

Appendix 6: Village Land Form No 18

*Village Land*

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J.N. No. 86 (contd.)

Village Land Form No. 18

THE UNITED REPUBLIC OF TANZANIA

THE VILLAGE LAND ACT, 1999  
(No. 5 of 1999)

APPLICATION FOR CUSTOMARY RIGHT OF OCCUPANCY  
(Under Section 22)

PART I: (To be filled by the applicant(s))

1. Name of Applicant\*:
  - A. Full name of individual applicant(s): (family name first)
    - (i).....  
sex/age.....
    - (ii).....  
sex/age.....(add as necessary)
  - B. Full name of members of the applicant family: (family name first)  
**At least two members of the family must make the application**
    - (i).....  
sex/age.....
    - (ii).....  
sex/age.....(add as necessary)
  - C. Name of the body or organisation which is making the application  
.....
- \* **Fill in the section which applies to your application**
2. Address (if not ordinarily resident in the Village)  
/Location in the village.....
3. Nationality.....
4. Marital status (applicable only to A and B).....
5. Children, and ages (applicable only to A and B).....
6. Location of land the subject of application:

*Village Land*

G.N. No. 86 (contd.)

- Village.....  
District.....
7. Approximate area of land.....
8. Use or occupation of land at present e.g. farming, grazing cattle, housing.....
9. Proposed use or occupation of land (if different to present use and occupation).....
10. (a) Do you want to occupy the land as a family?\* YES/NO  
(b) Do you want to occupy the land as a community?\* YES/NO  
(c) Do you want to occupy the land as individuals?\* YES/NO

\* state divisions of interests in the land (fractions or percentages) if you want to occupy the land jointly or in common

Signature/Thumbprint(s) of applicant(s)  
.....  
.....  
.....

**At least TWO members of a family unit; or  
TWO leaders of a traditional group; or  
TWO authorised officers of an organisation  
Must sign the application**

Date of application

Where an application is made by a person or persons not ordinarily resident in the Village, the application must be signed by FIVE VILLAGERS:

Signature/Thumbprint of five villagers (where relevant)  
.....  
.....  
.....

**PART II: (For official use only)**

Remarks and recommendations of Village Council\*/District Council\*  
(delete where not applicable).

Names and Signatures of members of Village Council:

..... Date.....  
..... Date.....  
..... Date.....  
..... Date.....  
..... Date.....

Appendix 7: Village Land Form No. 19

*Village Land*

G.N. No. 86 (contd.)

Village Land Form No. 19

**THE UNITED REPUBLIC OF TANZANIA**

**THE VILLAGE LAND ACT, 1999**  
(No.5 of 1999)

**OFFER OF A CUSTOMARY RIGHT OF OCCUPANCY**  
(Under Section 24)

REF:.....  
TO:.....  
.....

RE: **LAND DESCRIPTION** (including location, size/area)

**AREA OF THE PLOT**.....

Your application for a Customary Right of Occupancy (later in this letter called "the Right") over land above described has been approved subject to the terms and conditions of the Right are as follows:-

1. (i) Term: indefinite\*/...years\* from .....
- (ii) Rent, if any, ..... a year revisable after every ten years.
- (iii) User: The land shall be used for: (insert here the purpose for which the land is to be used; e.g., farming and/or livestock keeping: .....
- (iv) You will be responsible for ensuring that the boundaries on the land remain clearly marked throughout the term of the Right.

\* delete what is not applicable

2. The following information is required:-

- (a) Your full name(s) in block letters. Requests to have a Certificate of Customary Occupancy issued in the name of a person or persons other than the applied for will not be entertained.
- (b) If matrimonial purpose name of spouse (s).
- (c) Your full residential address.
- (d) Indicate whether:-
  - (i) if you wish to hold the Right individually;
  - (ii) if you wish to hold the Right as joint occupiers except for spouses, leave of the court

**Village Land**

G.N, No. 86 (contd.)

3. The amount payable on acceptance of the offer is:-  
 Premium, if applicable .....  
 Fees for Certificate of Occupancy .....  
 Village Registration fees.....  
 Stamp Duty on certificate & duplicate, if any .....  
 Land Rent from.....to.....
4. The amount shown above should be paid to the Village Executive Officer or authorized officers. The original receipts should then be sent to me with the information requested above.
5. **This offer will remain open for a period of ninety (90) days from the date of its receipt by you. If you want to accept this offer, complete Part II of this form headed ACCEPTANCE OF OFFER OF CUSTOMARY RIGHT OF OCCUPANCY**

Yours faithfully,

Names and Signatures..... CHAIRMAN OF VILLAGE LAND COUNCIL	SEAL/RUBBER STAMP OF VILLAGE COUNCIL	NAME AND SIGNATURE ..... SECRETARY OF VILLAGE LAND COUNCIL
Date: .....		Date:.....

Appendix 8: Village Land Form no 20

Village Land Form No. 20

**THE UNITED REPUBLIC OF TANZANIA**  
**THE VILLAGE LAND ACT, 1999**  
 (NO. 5 OF 1999)

**ACCEPTANCE OF OFFER OF CUSTOMARY RIGHT OF OCCUPANCY**  
 (Under S. 24)


I/WE.....hereby accept the offer of customary right of occupancy on the terms and conditions contained in the offer of customary right of occupancy dated.....

Name(s) and Signature(s)..... Date.....  
 ..... Date.....

Photo(s)  
 Fees.....

Appendix 9: Village Land Form No 21 (Swahili)

*Fomu ya Ardhi ya Vijiji Na. 21*

 **Namba ya Hati  
ya Haki miliki 108MBZ/8255**

NAMOLE JAMHURI YA MUUNGANO WA TANZANIA

**SHERIA YA ARDHI YA VIJJI, 1999  
(Na. 5 ya 1999)**

**HATI YA HAKIMILIKI YA KIMILA**  
(CHINI YA FUNGU LA 25)

Leo tarehe.....mwezi.....mwaka.....

Hii ni kuthbitisha kwamba Halmashauri ya Kijiji cha **MPONELA S.L.P.3 MBOZI** imetoa kwa **ALIJUJO EMANUEL SHIBANDA** humu ndani akirejewa kama "Wakazi" hakimiliki ya kimila (itaitwa "hakimiliki") juu ya ardhi iliyofafanuliwa katika Jedwali (humu ndani itaitwa "ardhi") kwa kipindi kisicho na kikomo\*/kwa miaka 99\* tangu tarehe **1 mwezi OKTOBA mwaka 2007** kwa maudhui na tafsiri halisi ya Sheria ya Ardhi ya Vijiji na kwa kuzingatia vipengele vyake na kanuni zozote zinazotungwa chini ya sheria hiyo au sheria mbadala au marekebisho yake na kwa mujibu wa masharti yafuatayo:

- Mkazi atalipa kodi ya mwaka ya **Sh1000/=** kabla ya tarehe **30** ya mwezi **JUNI** kila mwaka (Kama inahusika).
- Ardhi itatunika kwa ajili ya **KILIMO**.
- Mkazi atawajibika kuhifadhi mazingira (ardhi na maji)
- Mkazi atahakikisha kwamba mipaka ya ardhi inalindwa na kutunzwa na idumu kuwa bayana kwa kipindi chote cha hakimiliki.
- Mkazi ataheshimu na kuhifadhi haki za njia zilizopo.
- Uhakilishi wa hakimiliki kwa mtu yeyote au kikundi chochote cha watu ambao kwa kawaida si wakazi wa kijiji lazima uidhinishwe na Halmashauri ya Kijiji.

**JED WALI**  
(Maelezo kamili ya eneo na mipaka yake)

Ardhi hii yenye eneo lenye ukubwa wa  
Ekari **8.672**.  
iko katika Kitongoji cha **MBUGANI**  
Kaskazini inapakana na **ROAD**.  
Kusini inapakana na **WILISON SIWALE**.  
Mashariki inapakana na **NIKUPALA BOTWA**.  
Magharibi inapakana na **VICTORIA**  
**MWAKYUSA**.  
Kama inavyoonyeshwa katika mchoro/ramani  
hapa kulia.

**SHAMBA LA ALIJUJO MPONELA**

