

Certificates of Customary Ownership (CCOs) and Access to Loans in Customary Land Contexts

The Case of Lango and Teso Sub-regions in Uganda



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October, 2025



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Introduction

With funding from GIZ under the Responsible Land Policy (RELAPU) project, Land and Equity Movement in Uganda (LEMU) conducted a short study in Lango and Teso regions of Uganda to examine obstacles to the use of Certificates of Customary Ownership (CCOs) and Land Inventory Protocols (LIPs) as collaterals for loans in the districts where GIZ had undertaken CCO land registration. The study was conducted under the project: *“Land Documentation as a Means of Enhancing Rural Farmer/ Cooperative Access to Financial Services in Lango and Teso Regions of Uganda”*. This study was undertaken in Teso and Lango sub-regions, specifically in the districts of; Soroti, Katakwi, Dokolo and Amolatar where GIZ-RELAPU supported about 10,000 customary land owners between 2016 and 2025 to document their land and have been issued with Land Inventory Protocols (LIPs) and Certificates of Customary Ownership (CCOs).

The study had two components: (1) the community survey, which assessed farmers’ status/obstacles and opportunities for access to finance using CCOs and LIPs and; (2) the Financial Service Providers (FSPs) survey, which assessed FSPs’ status/obstacles and opportunities in the provision of finance to small-holder farmers on customary land. In summary, both assessments sought to understand the relationship between land documentation of customary land, and financial inclusion. The study was conducted by LEMU researchers between July and October 2025.

Under the first component where the study sought to understand hindrances to the community’s use of CCOs for access to finance, 157 (2%) CCO owners out of about 10,000 CCOs issued under the GIZ- RELAPU project in Lango and Teso, the study randomly sampled to participate in the study. With this sample population (of 157 CCOs owners), the researchers present findings and draw conclusions based on the experience that no new information was being gathered from new respondents towards the end of the study, making the researchers to conclude that a saturation point had been reached and an expanded sample would not have led to new collection of new information. The findings presented in this study are therefore considered representative of the entire population of 10,000 CCO owners from Lango and Teso.

Community members were reached through key informant interviews (77 respondents) and Focus Group Discussions (80 respondents). Respondents were mainly CCO owners (key informants), community members that participated in the focus group discussions, as well as local leaders who participated both in key informant interviews and focus group discussions. Local leaders that participated in the study included; Local Council leaders (LC1, LC2 and LC3), Area land Committee members, clan leaders at their various levels of leadership, political leaders such as councilors at sub-county and district levels, teachers, parish youth councilors, as well as leaders of Village Savings and Loans Associations (VSLAs). 74% of the community study participants were male while 26% were female and 60% were above the age of 50 years.

Under the second component of the study, the study purposively sampled 6 institutions, basing on their engagement with smallholder farmers, of the 11 major financial institutions (UBA members) located in Soroti and Dokolo. To these was added 19 other key financial service providers purposively sampled from the list generated by smallholder farmers as constituting the FSPs they go to for loans when needed. In total, LEMU sampled 25 FSPs: 6 banks; 12 Microfinance institutions; 3 asset financing companies; 3 Village Loan and Savings Associations, and 1 Individual Money Lender. Key findings from both components of the study were validated through two multi-stakeholder regional dialogues held in Lango (Dokolo) and Teso (Soroti) respectively in which about 180 stakeholders in total (financial institutions, CCO owners, sub-county leaders, district leaders, lawyers, clan leaders, donor agencies, among others) participated.

Presentation of Findings.

Part 1: Community use of CCOs and LIPs for accessing loans

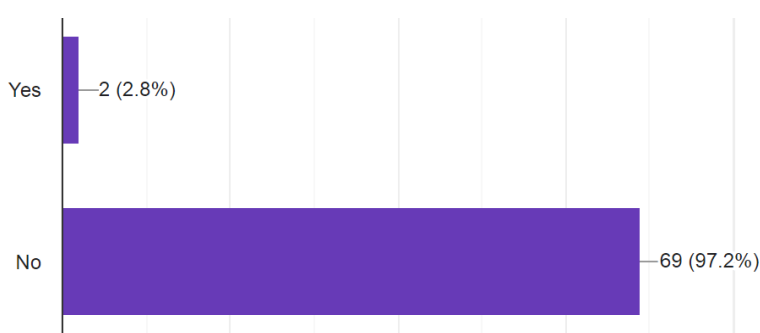
The main question that this part of the study addressed was “which customary land owners have used their land documents to access credit/loans from financial institutions”? so as to, assess their obstacles and opportunities for access to finance. The study generated findings as discussed below.

The majority of small-holder farmers use their land for subsistence production. The study found that some CCO owners use their land for purposes such as commercial farming, brick laying, settlement, tree planting, but the majority 97% stated that their main purpose for land use is subsistence/family farming. From the start, this finding indicates a less likelihood for small-scale farmers to engage in sourcing for external financing for improvement of their agricultural productivity, as was envisioned by the RELAPU project. It therefore became clear, from the beginning that a CCO (land documentation) did not automatically change land use practices from subsistence to commercial purposes.

Avoidance to use land as a form of collateral for loans. The majority of small-scale farmers use other forms of collateral, not land, for accessing financial credit/loans. The study made an assessment of people’s relations with the concept of loans, whether they had ever accessed loans from any financial institution, using CCOs or not. Our finding revealed that up to 67% of CCO owners had accessed loans from financial service providers. But land had only contributed to 18% of collateral used to obtain loans, while other collaterals (livestock and crops, running businesses, membership in village savings and loans associations, human guarantors, LC1 letter, pictures of the house, salaries, bicycles, land sales agreements, National Identification cards, having a phone/ sim card, machines such as grinding mills, ATM cards and savings, e.tc) took up the 82% of collaterals used for loans. Specifically, livestock and crops took up the highest form of collateral (41%) used by registered CCO owners to obtain loans. In some cases, people did not require any form of collateral to obtain loans, in case of VSLAs and asset financing companies. Despite the finding that only 3% of CCO owners used the CCOs for accessing loans, it was found that several forms of transactions were going on land where CCO registration had taken place. CCO owners were sub-dividing land to their children, gifting land to relatives, renting the land to outsiders that needed more land, farming on the land.

Only 3% of CCO owners used their land documents for accessing loan services from financial institutions. From the 157 CCO owners engaged in the study, only two people mentioned using their CCOs to obtain loans, representing only 3% of the CCO owners engaged in the study, as shown in the graph below.

Figure 1: Graph showing percentage of CCO owners that used their CCOs to obtain loans



Case study: Use of CCO for access to loan services. One of the CCO owners that used his CCO to obtain a loan is a local business man from Muntu sub-county in Amolatar district. He used his CCO to get a loan from Centenary bank in February 2025. He got a total of twenty five million shillings (25,000,000) with quarterly repayment plan and was due to pay within six months at an interest rate of 13%. It took 3 months (February to May 2025) for Centenary Bank to process the loan, this delay was kind of a setback because he wanted the loan for agricultural investment. Between application time and the time he received the loan, three months had passed. He presented the CCO and LIP voluntarily because the bank asked him to present documents for his land. Despite presenting the LIP and CCO, the bank still went ahead to verify with neighbors if he owned the land and also obtained consent from his wife. The respondent attributed enabling factors for his loan access as being the important documents such as National Identification card, CCO and LIP which increased the bank's confidence that he owned the land. Another enabling factor for obtaining the loan was the knowledge he gained from prior GIZ-LEMU trainings on investments because he learnt how to run his farm as a business and it made his loan repayment plan reliable, he had not defaulted in the repayment. The loan officer of the bank also supported him in his choice of which loan product was more suitable for him, in this case he was reliably informed that agricultural loan was better than a business loan and that is what he went for and repayment has not been a problem. Another enabler was that he already had a stable business which made his loan repayment easy, and this became a safeguard against the fear of losing land as a result of defaulting the loan. He advises that CCO owners should not use their CCOs and LIPs to obtain loans for starting a new business, but rather to expand an already existing business which has a potential to grow. The loan is used only to expand the business, not starting it. For the 97% of the CCO owners that did not use the LIPs and CCOs to obtain loans, there are several explanations as examined below.

Factors that hindered 97% CCO owners from using their CCOs to access loans

Difficulty in obtaining family and clan consent by the loan applicants. The fact the CCOs are not in the names of individuals, but all family members makes the process of obtaining consent mandatory for any loan application that involves the use of CCOs. The difficulty in obtaining consent presents itself under various scenarios. 1) If a husband wants to get a loan, his wife and children may not grant the necessary consent in the fear that the bank may foreclose (take) the land in the event of failure to repay the loan. 2) Some family members (like those working outside the village, those married outside the village or at school) may not be physically available to give consent when it is required during the loan application process. 3) Obtaining consent from children (minors below 18 years) presents legal challenges for both the loan applicant and the financial institutions because much as children have land rights, their names are included in the CCOs and are supposed to give consent for key transactions on their land (customary requirement), their age (below 18 years) makes their "consent" illegal as in the Ugandan law. 4) If the land was "surveyed"/mapped as a "block survey, the loan applicant may require consent not only from his immediate nuclear family of husband, wife and children, but from extended family members whose names are on the CCO. 5) The clans may vet the reason for getting a loan and find that it does not fall among their stipulated "reasons" for one to engage in such transactions, but rather being reckless, they will definitely refuse to give consent for the use of the CCO for obtaining loans.

Government restrictions on the CCO documents. There are "conditions, restrictions or limitations" inscribed the CCO documents themselves. On one CCO document belonging to a customary land owner located in Aringoading village in Alenga parish in Dokolo district, such terms and restrictions stated that;

1) "the ownership of the communal/family/individual comprised herein shall be held in perpetuity under the regulation of customary law of the community where the land is situated", 2) that "any

dealing with the said land for the purpose of selling, transferring, mortgaging, pledging, or subdividing the same, without written spousal consent (in case of family land) the approval of majority of members of Communal Land Association for that purpose (in case of communal land)... shall be null and void and shall give rise to no rights or interests in said land". These restrictions are not particular to the CCO document that was observed during this study, but that part III on restrictions constitutes a part-and-parcel of all CCO documents issued by the Uganda government.

Getting a loan/access to finance was not among the reasons people registered their land. CCOs owners argued in Okwongodul that, "if a loan was mentioned as one of the reasons for why they should document/get CCOs on their land, they would never have accepted". The argued that they allowed to register their land with the aim of safeguarding the land, by reducing boundary disputes, qualifying for compensation should the government discover minerals under their land, prevent people from selling land because CCOs engraved names of all family members on the land and made the enforcement of "consent" easier, should any one breach it. The therefore considered the idea of use of land as collateral for loans as strange. They noted that "opur lit ibobo gii" (land is dear to the farmers that depend on it), and that "if our fore fathers sold the land, where would we be"? For this reason farmers said they would opt for other alternative collaterals for accessing financial credit, other than land.

No/low demand for loans among rural households. Respondents made statements such as, "I have not encountered any problem that requires me to get a loan", "I have no demand for a loan", "I have no urgent need at the moment". Some people operate very "small economies" at the household, only aiming at meeting their basic needs and not interested in getting loans for the sake it.

Financial institutions prefer land titles, considering CCOs as less important. CCO owners noted that most banks working in the Lango and Teso region did not recognize CCOs as documents that could be accepted as collateral for loans. Most financial institutions did not know that CCOs existed and only considered land on which freehold titles were held.

People did not know that they could use these land documents (CCOs and LIPs) to gain access to finances. One person mentioned that "I had no idea that the CCO can be used to get a loan", some people said they were unfamiliar with loan processes so they did not want to gable with their new land documents (CCOs).

People feared that financial institutions may take original copies of their CCO documents, which may become difficult to retrieve in the event of forgery, loss or event death of the family member who uses it to get a loan. They worried that if the financial institutions took original copies, the land tenure security of the future generation would be at stake.

The long process for obtaining loans by financial institutions made the use of CCOs not even an option. One person said he moved with his CCO from one financial institution to another until he gave up because he was always referred to financial intuitions not of his choice, as those that may consider giving loans on a CCO.

Fear of failing to repay the loan leading to foreclosure. The majority said they worried about failing to repay the loan, a factor that would make the financial institutions to foreclose (confiscate or sell of) their land. To them, using their CCO to obtain loans would mean exposing their land to the same insecurity they mitigated by getting a CCO, as one CCO owner in Amwoma sub-county stated, "I got the CCO to secure my land from land grabbers, how can I again use it to get a loan and bring the bank to grab my land?". Even for purposes of improving agricultural productivity, CCOs owners were skeptical because they noted that agricultural loans were prone to failure resulting from climate

failures, and they had no insurance guarantees in such circumstances.

Some CCO owners felt a CCO was “too important” to be used as collateral for loan. They said the CCO is not just a document, but it carries with it the entire past, present and future of family members whose names are on it. Once a CCO was obtained, the owners thought it needed to be seriously guarded from theft and anything that would make it to be used to dispossess the family members. For this reason, some CCO owners argued that the CCO document was way bigger than their family financial needs and would not risk it in loans, but rather find alternative ways of obtaining finances without having to use the CCOs.

Gender considerations still disadvantaged women from the use of CCOs to access financial credit. Even in the cases where women's names had been included on the CCOs, male family members stated that would be “unthinkable” that a women in the family would consider herself an eligible individual to use the CCO to obtain a loan. The family restrictions that applied to individual men, would be applied to women, but it is more likely that women would not be permitted to use the family CCO for individual loans, even in circumstances where men would easily obtain family consent.

Some CCO owners did not see the need for a loan because there existed other rural, rather flexible financial services where no collateral is required. Rural financial services, such as the government Parish Development Model (PDM) and Village Loan and Savings Associations (VLSAs) through which it was possible to obtain money to start small businesses. It is important to note that for many of these rural financial services, there is no collateral required for one to obtain a loan, but the most important requirement (condition for loan eligibility) is one's membership to the group. It turned out that 53% of CCO owners that participated in the study go to village informal savings groups as their most preferred financial services and only 34% go to mainstream banks. The study categorized eight types of financial service providers/institutions that small-scale farmers in the study locations go to obtain financial credit/loans. *These include;* Banks, Micro Finance Institutions, Company/Asset Lending institutions; Village Savings and Loans Associations (VSLAs); Individual/Business Money Lenders; Balaalo individual/company money lenders; Telecommunication Companies; Online loan services.

Bank behavior/impunity of money lenders was yet another hindrance to people using their CCOs to obtain loans. Borrowers from communities shared nasty experiences such as their original National ID being taken by lenders; banks writing with unerasable ink “bank property for sale” when a borrower defaults and people consider this dehumanizing because such a reputation stays even when the loan is paid; charging exorbitant interest rates up to 100% for asset companies, confiscating household property, storming homes in the night when couples are asleep by what has popularly come to be known as “team no sleep/hakuna kulala”). When communities see how lenders relate with their clients after default, they are automatically discouraged from borrowing and look for other alternatives of accessing finance.

Part 2: Hindrances to financial institutions issuing loans to CCO owners.

Limited knowledge of CCOS/LIPs: Many FSPs assessed had limited or no knowledge concerning CCOs and LIPs. Up to 60% of assessed FSPs (15 out of the 25 FSPs assessed) had never heard of CCOs/LIPs, and it came almost naturally that their key recommendation was that LEMU and GIZ should provide as more information as possible on LIPs/CCOs, especially these documents' potential in credit to smallholder farmers. Some were hearing for the first time that there is such a thing as a formal government-issued document on customary land. Thus, a key request these FSPs made to LEMU and GIZ during the assessment, which also resurfaced fully during the

regional Multi-Stakeholder Dialogues, was to continue availing them with more detailed information on CCOs and LIPs. With this information, they indicated, it would be possible for them to determine how to move forward on the use of these documents in their financial services with smallholder farmers and cooperatives on customary land. One major financial institution even proposed a “Master class”, where LEMU and GIZ would be joined by other relevant institutions like the Ministry of Lands to offer a tailored training to all FSPs, and through which LEMU and partners would also respond to all pertinent questions on the integration of CCOs/LIPs into the Loan Management Systems of FSPs. During the regional MSD in Dokolo, one major financial institution attributed this general lack of knowledge on CCOs/LIPs to the fact that CCO owners might be deliberate on excluding their use in financial matters, specifically loans.

The complex position of consent: The customary context, which defines a collective (family, clan, community) interest on land, requires that any transaction on land must obtain a collective sanction, at least through customary/community leaders. This collective social sanction on all transactions on customary land was represented by FSPs in Soroti and Dokolo as a consent requirement. On customary land therefore, consent is a bottom-up requirement. It can be understood as a socio-political mechanism through which society engages modern interests that implicate land, while at the same time safeguarding core interests of society on the same land. Consent, seen this way, is a social safeguard, one through which society retains political power to regulate and control developments on land – in the interest of all its members. For all financial institutions assessed, the question of consent occupied a rather complex, oftentimes contradictory, position – especially in as far as the integration of CCOs and LIPs into FSPs’ financial services to customary land owners is concerned.

On the one hand, the question of consent emerged as first and foremost barrier. This barrier stems on the fact that in a customary context, consent from a complex web of an individual’s social relations (the family and the clan) is unavoidable if any piece of this land is to be implicated in any loan. For a financial institution, such as a bank, the ideal borrower using land as a collateral is one who owns land individually, and, “security that cannot be transferred is not collateral”, as stated by one bank official in Soroti. What customary land does is to complicate the process through consent. Because here, land is owned in collectives (family, clan), any form of transaction on this land would still require collective approval. While communities see this as the only way to retain collective interest and power to decide what happens on their land, for financial institutions, this means more work with limited outputs.

On the other hand, many financial institutions recognized consent as a necessary element to guarantee and safeguard loans on customary land. In Dokolo, one Microfinance told LEMU researchers that loans on customary land are safe for as long as the financial institution establishes measures to avoid common fraudulent practices and properly obtains consent from family members, especially those whose names are on the CCO/LIP, and clan authorities. With proper consent, one bank told LEMU in Soroti, “it is very hard to default” because the land in question “involves many”. Upon reflection, the reason for this difficulty of defaulting emerged a political one: consent drags a purely economic transaction into the sphere of local politics. A loan to which family members and the clan have provided clear consent is not only managed by the financial institution in question. Even more so, it is also managed by the family and the clan, who must ensure that it is used for the right purposes, and that their family member pays it up because it implicates land that is collectively owned.

Because of the complexities around consent, FSPs have emerged with what we have categorized into two forms of responses. The first response is for FSPs to disengage from land as collateral for loan services and instead consider alternative forms of collateral such as animals, crop products, agricultural-related businesses, and household (movable) property as collateral. In the second form of response, financial institutions have had to reimagine land as collateral. Five

(5) of the twenty-five (25) FSPs assessed by LEMU indicated having designed their own templates through which they offer loans to customary land owners with customary land as security. One financial institution calls its own version of these documents a 'Customary Land Transfer Form'. This is because the document aids transfer of a piece of land from the family and clan to the individual family member strictly for purposes of a loan from that financial institution.

Regulatory barriers: Financial Institutions noted that even as they may be willing to consider customary land documents as collateral for loans on customary land, the regulatory environment within which they function has not created the necessary conditions for them to do so. In particular, they pointed out the fact that none of the two major financial regulatory bodies; Bank of Uganda (BoU) and Uganda Microfinance Regulatory Authority (UMRA) have issued guidelines on the use of customary land (CCOs in particular) as strong collateral for loan services. They thus urged LEMU and GIZ to sensitize the regulators on these documents, and to lobby them to issue guidelines that will streamline the use of CCOs as loan collaterals within the mainstream financial sector in Uganda.

Complex ownership regime of customary land as socially embedded: Many FSPs noted that the customary mode of ownership and management of land in Lango and Teso does not make it easy for them to transact using this land as collateral. This point always took their reflections back to the question of consent – the fact that the document has not just one but multiple family members. As one microfinance institution in Soroti told LEMU, the fact that any of these new documents (CCOs/LIPs) has multiple names on them requires all to agree for the document to be used for a loan, which is not easy. Moreover, we were reminded during the Multi-Stakeholder Dialogue in Lango, it rarely happens to be the case that all these members can be located in one place. To get all to sign not only takes time: it is very expensive, and not worth it for a loan involving very small amounts. These considerations led many financial institutions assessed by LEMU to suggest speeding up processes of subdivision of family land to individual family members (a new wave of land individualization after CCO registration), who would go ahead to use their individual plots to obtain loans. While this would make the work of FSPs quite easier, it would also function to remove the social safeguards to borrowers on customary land, which is embedded in the requirement of collective consent.

Management complexities to comply with clan consent: FSPs also highlighted the fact that some complexities emerge from within the clan system itself. They indicated that many contemporary clan-leaders are very busy men, oftentimes well-educated. They cannot be expected to be in their villages/territories full-time. Yet, it was argued, the requirement of consent implies that those who must provide consent are easily accessible – in this case the clan-heads. For financial institutions, this was always seen as a barrier, for it drags loan processes. And when it involves facilitating the movement of clan heads, the process becomes rather expensive.

Location of the land: Even in cases where all the necessary consent is obtained from family members and the clan, FSPs pointed to the difficulties that are involved in selling rural land. Most of this land was said to be “deep in the village” and “selling it might be very hard for the financial institution”. The most likely buyers of such land in case of default are the neighbors, who, it was noted, are oftentimes unwilling to dispossess their fellow community members. FSPs saw rurality of the land as already limiting the loan amounts they can offer to customary land owners no matter the strength of the document.

Susceptibility to fraud: Many FSPs indicated that the complexity of customary land renders it susceptible to fraudulent behavior. They mentioned cases of community members forging family and clan consent, such as a case of an in-law who forged consent and used the land of the family of his wife to obtain a loan from a major financial institution and later vanished from that village. Financial Institutions also noted cases where bank staff connive with clan heads to defraud the bank. No doubt, fraudulent behavior is not exclusive to customary land. Even where land is duly registered, such as

in Buganda region, there are many cases of sale of the same piece of land to multiple buyers, on top of the structural issues of the same piece of land having more than one land title. Nevertheless, FSPs link fraud in a customary context to the complexities inherent to customary land in general. Other barriers pointed out by FSPs include behavior of community members (fraudulent behavior on consent, refusal to pay knowing the institutions will not be allowed by family members and the clan to sell off the land, etc.); the fact that most customary land has family graveyards which makes it illegal to use such land as collateral under the current Bank of Uganda guidelines on collateralization of land, among others.

Conclusion

Even though development partners in Uganda, such as GIZ-RELAPU heavily invested in land registration/documentation under customary land tenure as a means of contributing to economic development, through improving access to financial credit by enabling registered land owners to use their land documents to access credit, this dream has barely taken off. The idea that (customary) land can be used as collateral for financial credit seems to directly clash with land owners in the customary land context where small-scale farmers mainly depend on land for their subsistence, rather than for running commercial agri-business ventures.

This study has shown that for both customary land owners possessing land documents such as CCOs, and Financial institutions operating in both regions of Lango and Teso, customary land and specifically Certificates of Customary land Ownership has not emerged as collateral for accessing loans. Both community members and financial intuitions consider land and land documents a “no-go” zone when it comes to considerations of collaterals for loans. Both land owners and financial institutions avoided using CCOs and LIPs in loan transactions, by giving importance to other collaterals and documents for accessing loans. The reluctance of both small-scale land owners and financial institutions stemmed from the pre-existing customary rules and norms that restricted both internal and external attempts to turn land into collateral for loans/financial credit. In particular, the idea of consent became an unavoidable reality. For community members, consent constituted the major societal **safeguard** and control against dangers of financial inclusion conceptualized exclusively through blind market forces. For financial institutions, consent constituted a puzzle. While many recognized proper consent (from family members and the clan) as the only safe guarantee for loans implicating land owned by customary collectives (families, clans, and other community forms); their broader interests and operational mechanisms naturally led them to see the societal requirement of consent as a barrier – for it politicized what was conceptually presented as non-political processes of financial inclusion, **by fronting suspicion and fear of losing land** as key principle social safeguards against the risks paused by such forms of financial inclusion that directly implicate land.

Recommendations

A. Recommendations from CCO owners and community Members

It is important to note here that recommendations made by CCO owners and community members were addressed to financial institutions, because of their general pre-existing experiences and new threats perceived to be coming with the use of land as collateral for loans. Together with the broader findings of the study presented above, these recommendations informed LEMU's design of IEC materials used in sensitization sessions with communities, FSPs, and during the regional multi-stakeholder dialogues held in Teso and Lango. It also informed LEMU's design of a roadmap that can be used for the integration of CCOs and LIPs into loan services of financial service providers. These community recommendations are presented below.

1. Financial institutions should not issue loans where family members disagree, and should ensure that there is written consent from both family members whose names appear on the CCO and their clan leaders.
2. Financial Institutions should help applicants develop business plans before issuing loans to them.
3. Financial institutions should give the loans in installments and monitor how the applicant is progressing with repayment. If an applicant applies for 20 million shillings, first issue 5 million and keep adding as the loan is proved to be functioning for the purpose for which it was obtained. This would be a good safeguard against people taking large sums of money that they cannot manage.
4. Loan officers of financial institutions should visit the families of loan applicants and discuss with them the terms and conditions of the loan, and only approve the loan after the family members have given their consent.
5. Financial institutions must issue documents acknowledging receipt of original copies of important land documents (CCOs and LIPs) to give confidence to owners that their document will be kept safe and returned when the loan is paid.
6. Financial institutions should be aware that the clan has a role in land management, they should not give out any loans to applicants whose clan leaders have not given consent. They should know the hierarchy of leaders in the approval and witnessing of loans. For example, LCs cannot witness/sign before the clan have approved, because LC signature and stamp is only secondary when it comes to land management and preventing loss of land.
7. Financial institutions should check if the applicant has the capacity to repay the loan, and if he owns the land.
8. Financial Institutions should ensure that the loans are not misdirected to other uses not declared at the time of applying for the loan, this can be done through the financial institutions making constant follow up on the progress of the intended project.
9. To safeguard land rights, financial institutions should develop loan products that does not target land as collateral, but rather agricultural loans that use land only for credit worthiness, but makes the crops (and not land) to be the collateral for such loans. Under such agricultural loans, the financial institutions would not have to take people's land if the crops failed, but rather consider insurance packages that shield farmers against such losses.
10. Government should regulate the individual money lenders that operate, according to community members, with impunity (charging exorbitant interest rates, taking original copies of National Identity cards, confiscating household property, storming homes in the night when couples are asleep by what has popularly come to be known as "team no sleep/hakuna kulala").

B. Recommendations from Financial Institutions

Finally, in line with the hindrances identified, financial institutions offered recommendations that would give them more power/enhance acceptability of CCOs as collaterals for loans within mainstream financial service providers. In part, these recommendations informed LEMU's design of IEC materials used in sensitization sessions with communities, FSPs, and during the regional multi-stakeholder dialogues held in Teso and Lango. It also informed LEMU's design of a roadmap that can be used for the integration of CCOs and LIPs into loan services of financial service providers. The recommendations are presented below.

1. LEMU and GIZ should offer more information on CCOs and LIPs to financial service providers. This could be in form of a "Master-Class" where all financial institutions are engaged, or through relevant sensitization initiatives.
2. LEMU and GIZ should sensitize community members on the potential use of CCOs and social documents (LIPs and ordinary land maps) in accessing finance.
3. LEMU and GIZ should engage State regulatory institutions, specifically Uganda Microfinance Regulatory Authority (UMRA) and Bank of Uganda (BoU), to issue guidelines that will streamline the use of CCOs as loan collaterals within the mainstream financial sector in Uganda.
4. If possible, the CCOs/LIPs could be subdivided and issued to individual members of the family to reduce on the complexity of securing consent from the many family members whose names appear on these documents.
5. Under the present form, using CCOs and LIPs for loans should proceed only after prior and comprehensive consent from family members and clan leaders.
6. CCOs and LIPs, involving whole of family land, may best be used for loans for big family projects, rather than individual projects of family members. Here, the family would need to come together, conceive a project (such as a school) and then use their family land to get a loan.
7. Comprehensive financial literacy should be provided to the borrower and family/clan members before issuing the loan, even if this may make the loan a bit more expensive.
8. Financial Institutions should focus on businesses as the basis for loans no matter the size of land owned by the clients. This reduces on the possibilities of default for loans on customary land.
9. Government should regulate the activities of individual money lenders in the same way the activities of formal financial institutions (such as banks and microfinance institutions) are regulated.
10. Families may map and register their land not as a single block – land with burial grounds should be registered separately from the rest of the land to allow the latter to be used in loan processes as collateral.
11. Financial institutions should learn from fellow financial institutions that are using other forms of collateral (animals, crops, chattels, etc.) and not necessarily land.

Annexes: Sensitisation materials developed from the study

Annex 1: Community Poster

POSTER FOR FINANCIAL INSTITUTIONS

SEPTEMBER 2025

WHAT YOU NEED TO KNOW BEFORE GETTING A LOAN ON YOUR CUSTOMARY LAND

1 WHAT IS A LOAN?

A loan is money borrowed from a financial service provider, to be paid back with interest within a specified period of time. A loan can be in the form of physical cash or in the form of assets, such as a motorcycle, solar panels, phones, etc.

Some loans require security/collateral such as land, crops, livestock, vehicles, motorcycles, and other assets. If you have registered your Customary Land and you have a certificate of Customary Ownership (CCO), you can use it to obtain a loan after developing a business plan and seeking the consent of your family members and clan leaders.



2 WHAT IS A GOOD LOAN?

A good loan is one obtained by the borrower after considering a valid reason and developing a clear and secure repayment plan. For customary land, a good loan is one obtained after seeking the consent of all family members and clan leaders, and after developing a good repayment plan.

3 WHAT IS A BAD LOAN?

A bad loan is a loan obtained by the borrower without having a valid reason for borrowing and without developing a clear and secure repayment plan. For customary land, a bad loan is one obtained without seeking the consent of all family members and clan leaders, and without developing a good repayment plan.

4 ADVANTAGES OF A LOAN

- A loan can boost your agricultural activities by giving you access to more money than you have in savings
- With a loan, you can expand and fertilize the area currently under cultivation, hence boosting the productivity of your land
- A loan can help you in value addition to the products of your land, which may earn you more than when you sell them raw
- A loan can help you to take advantage of new investment opportunities, and it can increase the working capital of your existing business
- A loan can give you access to money in case of serious emergencies

5 DISADVANTAGES OF A LOAN

- Loans are expensive because of the interest charged and other related costs
- In most cases, loans require collateral, which borrowers may not readily have
- In cases where the borrower obtains a loan with collateral security such as land, he/she may lose the land to the financial service provider in case they fail to pay back all the money with interest.
- The requirements of group membership in the case of a group loan may be a hindrance

6 WHEN TO GO FOR A LOAN

You can go for a loan when you have a justifiable need for financing, such as boosting your agricultural activities, investing in an existing business, acquiring assets, meeting family needs such as education, home construction, etc.

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Annex 2: Poster for Financial Institution

POSTER FOR FINANCIAL INSTITUTIONS

SEPTEMBER 2025

CCOs AND LIPs AS SAFE COLLATERAL FOR LOANS ON CUSTOMARY LAND

WHAT IS A CERTIFICATE OF CUSTOMARY OWNERSHIP (CCO)?

A Certificate of Customary Ownership (CCO) is a legal document issued by the Government of Uganda recognizing customary land rights. A CCO is obtained from the Sub-county, and it can be acquired by an individual, a family, a clan, or a community that owns customary land.

While a CCO introduces new sets of rules for land governance by the state, it nevertheless allows for the continuation of land management on the basis of customary rules and norms.

1

HOW CAN A CCO BE SAFELY USED AS COLLATERAL FOR LOANS ON CUSTOMARY LAND?

By seeking appropriate consent from family members and relevant clan leaders before applying for and obtaining such a loan.

The process of obtaining family and clan consent scrutinizes the purposes for which the loan is required, as well as the ability to repay the loan.

Family and clan consent also backs up the loan with social pressure on the borrower, should he or she fail to repay the loan within the stipulated period of time.

2

HOW CAN A LIP BE SAFELY USED AS COLLATERAL FOR LOANS ON CUSTOMARY LAND?

Like the CCO, the best way to safely use the LIP as collateral for any loan on customary land is by obtaining the consent from family members and relevant clan leaders. The process of obtaining consent will function to ensure that the loan is required for justifiable reasons and that the borrower has a clear plan for paying back the loan.

4

Family and clan consent also back up the loan with social pressure on the borrower, should he or she fail to pay back the loan.

WHAT IS A LAND INVENTORY PROTOCOL (LIP)?

A Land Inventory Protocol (LIP) is a cartographic database/digital land map detailing the structure and characteristics of land in any area at any given time. In Uganda, a Land Inventory Protocol (LIP) is a social document issued by institutions involved in land mapping to show evidence of land rights. It is not a legal document issued by the state.

The LIP documents ownership of the land, neighbours on the land, developments on the land, the map, and the actual size of the land, as well as geo-referenced boundary points of the land. Currently, GIZ and partners have facilitated the issuance of LIPs to tenants on Mallo land in central Uganda, and to owners of customary land, specifically in Teso and Lango.

LIPs provide individual smallholder farmers and groups with a more detailed and locally verifiable documentation of their land, making it easier for interested owners to use their land documents to access financial credit from financial service providers.

3

WHERE IS A CCO AND LIP ISSUED FROM?

The LIP document is issued at (and is obtainable from) the Sub-County, and is signed by the Chairperson of the Area Land Committee.

Because it is issued at the Sub-County, the LIP document makes it easier to obtain the Certificate of Customary Ownership (CCO). However, there are circumstances where land owners may possess only one of the documents (either LIP or CCO), because of the following possible circumstances:

- It is not mandatory for one to obtain a LIP before a (CCO)
- One may stop at getting a LIP and not proceed to a (CCO)

5

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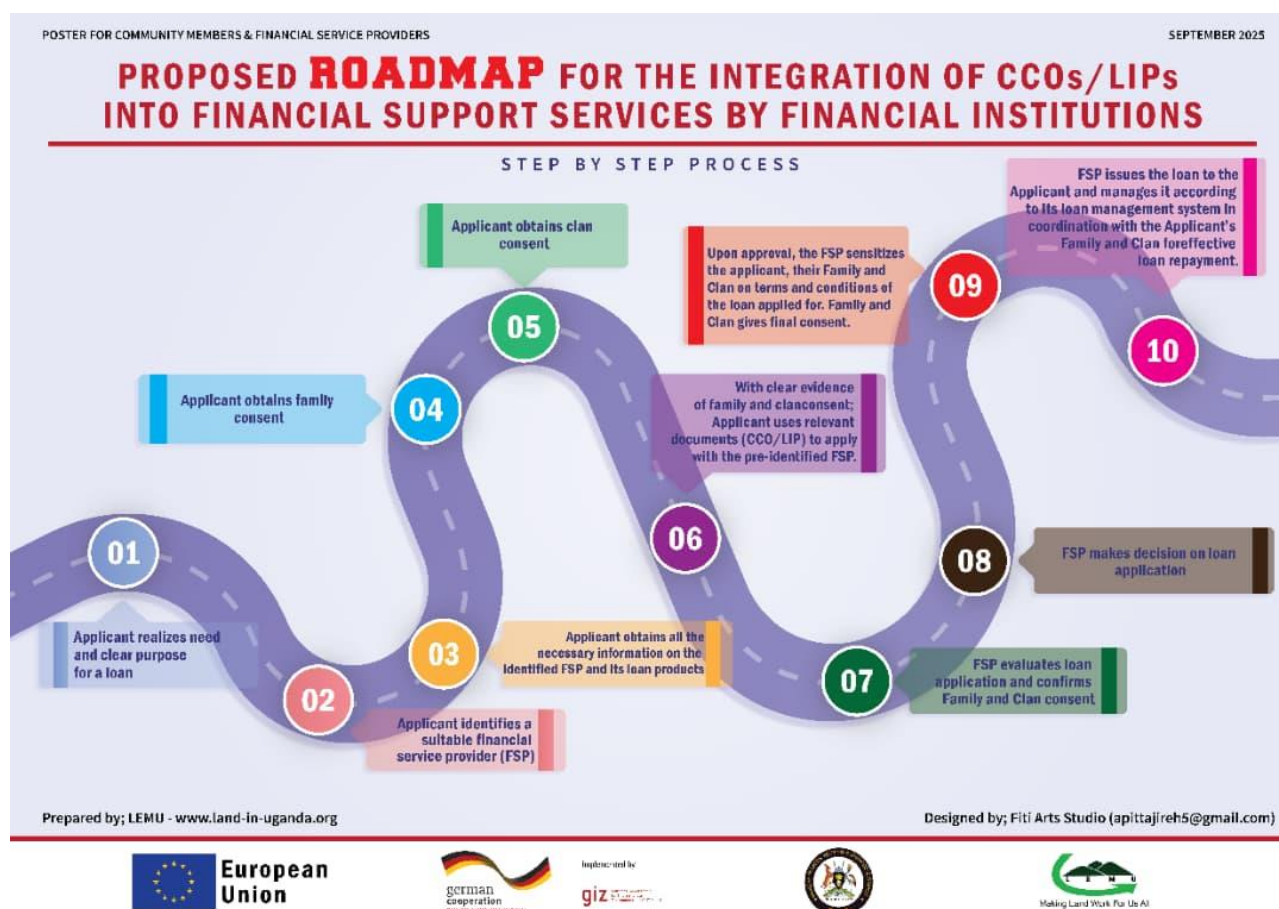


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Annex 3: Proposed Roadmap for the Integration of CCOs/LIPs into Financial Support Services by Financial Institutions





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Designed and Printed by OLCA DESIGNERS LTD. 0752524564

*This policy brief was written by Land and Equity Movement in Uganda (LEMU)
with the Financial support from GIZ-RELAPU, EU and BMZ*