

# **Institutions Governing Informal Settlements in the Peri-urban Areas of Ethiopia, the Case of Bahir Dar**

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**Key words:** *informal settlement; institutions; land transaction; peri-urban.*

## **SUMMARY**

Urban centers across Africa and other developing countries are growing rapidly both demographically and spatially. The process of urbanisation is accompanied by the erosion of the existing local peri-urban land tenure relations and emergence of new and urbanized form of man to land relationships both with in the legal framework (formally) and outside the legal framework (informally). In the era of rapid urbaization, the transitional peri-urban land located between fully urbanized areas and rural areas which predominantly has been used for agricultural purpose and held by local farmers is the target area for informal settlement. Despite the fact that most governments in sub-Saharan African countries like Ethiopia are ill-informed with respect to the social rules and institutions governing how people are acting in the informal settlement areas, informal settlements have their own forms of social ordering and systems. Actors in the informal settlement areas survive with their own initiative management system and land tenure relations. However, little in-depth research and analysis has been conducted on the actors involved in the informal (illegal and unauthorized) acquisition and development of peri-urban agricultural lands of Ethiopia. Also, research on what institutions are facilitating and regulating the process of informal acquisition and development of land in the peri-urban areas is very limited. Thus, this study aims to provide an overview on the principal actors involved in the informal transaction of land and the nature of non-state institutions governing informal acquisition and development of peri-urban plots. The study has employed a mixture of an intensive desk review with a case study research. This study has identified that the principal actors interested to have a plot of land from peri-urban areas informally are largely the urban poor. Moreover, traditional social institutions play a significant role in stabilizing and solving land related conflicts in the informal settlement areas. The study has also found out that the process of acquiring a plot of land from peri-urban areas passes through its own stages which mainly start with identifying a plot for sale and ends with the confirmation of letter of agreement signed by transacting parties.

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## **1. INTRODUCTION**

Urban centers across Africa are growing rapidly both demographically and spatially. The population projection shows that by 2030, about 50% of the population of Africa will inhabit in urban centers (UN-HABITAT, 2010). In the early 2040s, African cities will collectively be home to one billion, equivalent to the continent's total population in 2009. Cities are becoming the future habitat for the majority of Africans. Moreover, megacities inhabited by more than 10 million people are emerging in different parts of the continent such as Cairo, Lagos and Kinshasa (Obeng-Odoom, 2011; UN-HABITAT, 2010). The rapidly growing urban areas are affecting land relations and exerting pressure on peri-urban land located immediately after urban boundaries. The process of urbanisation is accompanied by the erosion of the existing land tenure relations and emergence of new and urbanized form of man to land relationships both formally within the legal framework and informally outside the legal framework.

Peri-urban areas, located in the transitional zone between fully urbanized and rural agricultural land is a mushrooming place for new settlements both formally and informally (Kombe, 2005). Informal settlements are areas where housing units have been constructed on land to which the occupants have no legal claim or the constructed housing units are not in compliance with the land use planning and building permit requirements of a given country (UN-Habitat, 2003, p.196). Governments' limited supply of affordable housing and inefficiency to guide urban development in a proper way are the main reasons for the emergence of informal settlements in the inaccessible peri-urban areas (FIG, 2008, p.10).

Informal settlements are considered to be illegal and chaotic in most Sub-Saharan countries (Leduka, 2000). Most governments are ill-informed with respect to the social rules and institutions governing how people are acting in the informal systems. However, informal settlements and developments have their own forms of social ordering and systems (Nkurunziza, 2007, p.510). Actors in the informal settlement areas survive with their own initiative management system and land tenure relations (Rakodi, 2007).

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Like that of most Sub-Saharan countries, the illegal and unauthorized conversion of agricultural fields into urban built up property is very observable and vast in the peri-urban areas of Ethiopia (UN-Habitat, 2011). However, little in-depth research and analysis has been conducted on the actors involved in the informal (illegal and unauthorized) acquisition and development of peri-urban agricultural lands of Ethiopia. Also, research on what institutions are facilitating and regulating the process of informal acquisition and development of land in the peri-urban areas is very limited.

Therefore, this study aims to show the process of informal settlement in the peri-urban areas from the perspective of the people involved and the institutions governing the informal system. To achieve the aim of the study, a mixture of an intensive desk review with a case study research approach is employed. The study has identified that the principal actors interested to have a plot of land from peri-urban areas informally are largely the urban poor. The study has also found out the key activities and patterns of behavior of key actors as well as rule-structuring processes through which households acquire and keep a plot of land that enable them to erect structures for habitation.

## **2. DEFICITS OF FORMAL URBAN LAND AND HOUSING DELIVERY SYSTEM IN ETHIOPIA**

Ethiopia is the second most populous country in Sub-Saharan Africa with an estimated population of about 80 million. It is only about 17% of the population that lives in urban areas (UN-Habitat, 2007, p.1). However, the country is witnessing one of the fastest rates of urban growth, with an average growth rate of five percent per year. This fast rate of urbanization has resulted in a very high demand for residential housing. As a response to the growing demand of urban residential housing, the government has formulated urban development policies and strategies. The urban land lease policy is one of the major policy interventions made by the government pertaining to allocate urban land for residential housing development to individuals, cooperatives etc through lease contract. It is also intended to create a steady source of revenue for municipalities that can be used for the improvement urban facilities (FDRE, 2011).

The condominium housing program is another policy intervention intended to address the urban housing challenges. The program has the aim of constructing multi-storied housing units mainly for low and middle income households in large urban areas. The condominium housing program is mainly funded by the Commercial Bank of Ethiopia (CBE) as per an agreement made between the city administration which is in charge of running the program and the Bank. Condominium unit beneficiaries are required to make an initial payment (down-payment) which is about 10% of the total price of a unit out of their own savings. For the remaining payment, the beneficiaries are also required to enter into a contractual loan agreement with the CBE. The amount of initial payment and the monthly interest and principal repayments to the bank vary according to the area of the unit and the total price of the unit.

Both the lease policy and condominium housing programs have remained insensitive to the housing demand of the urban poor (UN-Habitat, 2007, p.30). In order to acquire a plot of urban land through a lease contract or a condominium unit, a substantial amount lump sum fee or initial/down payment is required from own saving. The allocation of plots through lease contract and allocation of condominium flats seem to provide greater benefits to the urban middle and higher classes (Kassahun, 2010, p.78). The insensitiveness of the formal land and housing supply for the poor has led to the proliferation of new informal settlements in the peri-urban areas (UN-Habitat, 2011, p.3). In addition to the pushing factors stated above, availability of an illegally subdivided plot with a relatively cheap and affordable price for poor has created a favorable condition for the emergence of new informal settlements in the peri-urban areas (Ayonga, 2008, p.39).

The peri-urban land which has been predominantly used for agricultural activities and held by local landholders/farmers is becoming a preferable place to erect unauthorized and sub-standard structures for habitation. However, little in-depth research and analysis has been conducted on the actors involved in the informal (illegal and unauthorized) acquisition and development of peri-urban agricultural lands of Ethiopia. Also, research on what institutions are facilitating and regulating the process of informal acquisition and development of land in the peri-urban areas is very limited. Therefore, this study aims to show the process of informal settlement in the peri-urban areas from the perspective of the people involved and the institutions governing the informal system. To achieve the aim of this study, a mixture of an intensive desk review with a case study research approach is employed.

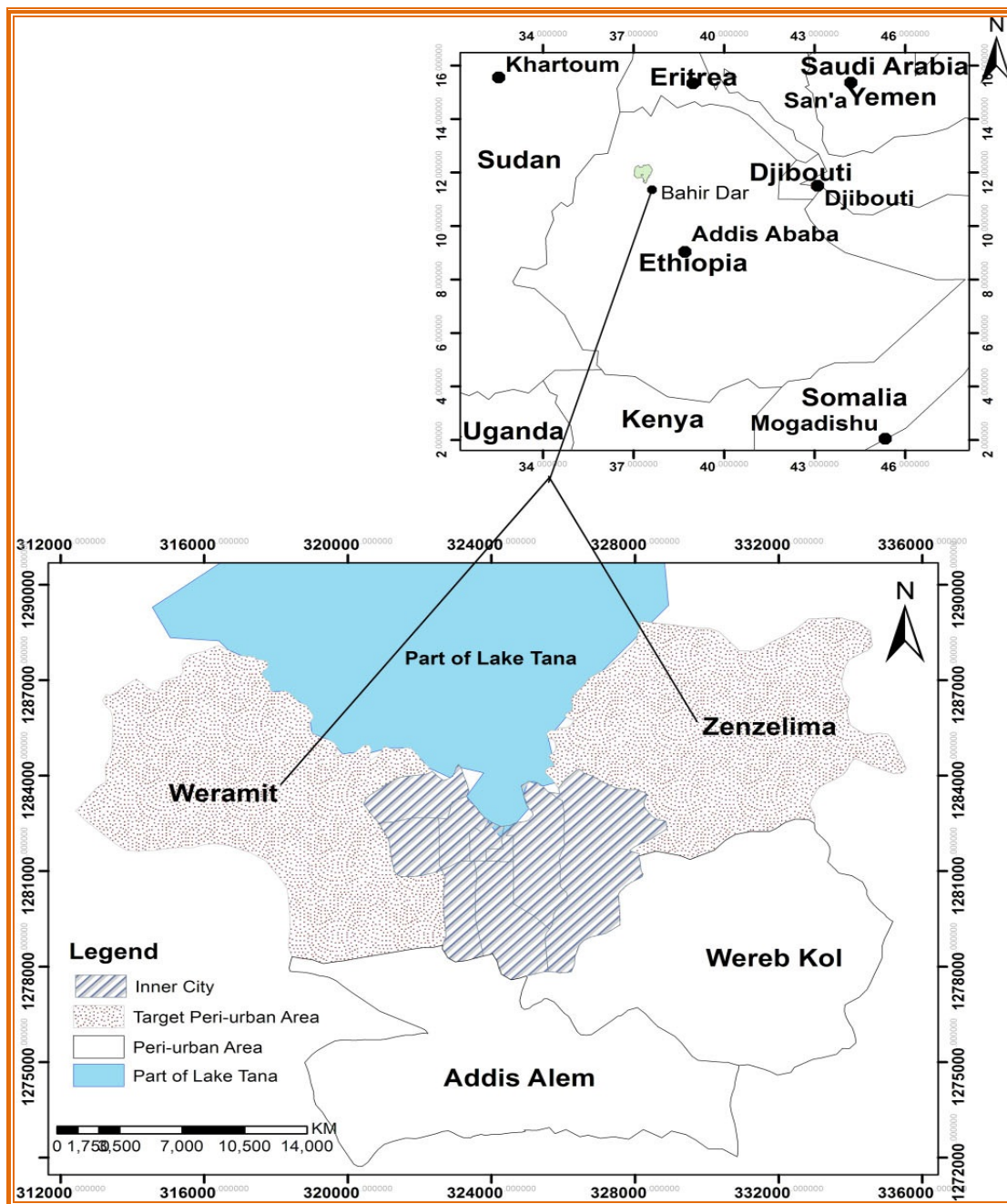
The peri-urban land which has been predominantly used for agricultural activities and held by local landholders/farmers is becoming a preferable place for the urban poor to erect unauthorized and sub-serviced structures for habitation. The process of acquiring a plot for informal settlements does not follow the legal/formal requirements. Moreover, the practice of informal settlement in the peri-urban areas is aggravated by the expectation of the rightful local landholders themselves that the city administration may expropriate their land for urban expansion programs (Ayonga, 2008)

### **3. RESEARCH METHODS AND MATERIALS**

Given the wide range of issues covered by the study, it was necessary to employ a methodology allowing for combination of different data sources. Combined sources of data provide the most effective way of gaining the necessary understanding of the problem under study. Thus, this study has utilized questionnaire, focus group discussion (FGD) and interview methods so as to generate primary empirical data. A questionnaire was distributed to 120 household heads residing in the informal settlement areas in the two peri-urban villages that is weramit and Zenzelima, The sample house hold heads for questionnaire survey was selected by purposive sampling method from the two peri-urban villages ie . FGD with four officials from Bahir City Administration working as land delivery and administration was made. An interview was also undertaken with three elders in the village and three land brokers. Moreover, a review of secondary documents related to land and housing legislations and

policies are also used to generate additional empirical data for this research. Other relevant literatures related to this research were also intensively reviewed. Combination of simple descriptive statistics and qualitative content analysis methods were employed to analyze the data.

Bahir Dar is selected as a case study area for investigating the actors involved in the informal acquisition and development of peri-urban land. Moreover, the case study area is expected to collect the best possible information about social institutions that facilitate informal transaction of land and how the actors interact each other in the peri-urban areas. Bahir Dar is located in the northwestern part of Ethiopia and is the capital of Amhara National Regional State (see figure 1). It is also one of the fast growing urban centers in the northern part of Ethiopia both demographically and spatially. Based on the figures from the Central Statistical Agency of Ethiopia, this city including the peri-urban areas, is inhabited by an estimated total population of 250, 000 (CSA, 2008).



**Figure 1** Map of Bahir Dar city and Its Peri-urban Areas (produced by the author)

Because of a very rapid urban population increase and the resulting demand of land for housing and other purposes, peri-urban areas around Bahir Dar are witnessing a dramatic land use change from agricultural field to urban settlement area. Peri-urban agricultural land around Bahir Dar has been held by local farmers engaged in farming. The constitutional right of the local farmers on land is to retain and use the land only for farming purposes. However, Governing Institutions of Informal Settlements in the Peri-Urban Areas of Ethiopia, the Case of Bahir Dar, 6/17 (6823)  
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large numbers of the local farmers appear to be engaged in the unauthorized subdivision of agricultural land into pieces and selling these pieces to newcomers.

Currently, new informal settlement areas are largely emerging and growing in the peri-urban areas of Bahir Dar City. According to the recently finalized cadastral surveying work by PRIME Consultants, more than 30% of the houses (10,000) in Bahir Dar city are identified as informal houses. These houses are constructed either on land possessed by local peri-urban landholders/farmers or state land without formal requirements and procedure. These houses are also not recognized by the city administration as legitimate properties. Most of the informal houses are found in the western, north-western, and southern edges of the main city (FUPI and BDMCA, 2006, p.214).

From the peri-urban informal settlement areas of Bahir Dar City, Weramit informal settlement area, located in the west and North West direction of the main city, is the largest and growing all the time. There are about 1800 unauthorized and substandard houses built on agricultural land in this area. Based on information obtained from focus group discussion (FGD), most of the houses in the area were constructed on the eve of the 2005 national election, within 15 days. Even now, peri-urban agricultural fields in the case study area are highly subjected to further subdivision and conversion into urban built-up. Therefore, the peri-urban land in the case study which predominantly has been used for agricultural purpose and held by local farmers is now becoming a target area for informal settlement.

#### **4. THEORETICAL FRAMEWORK: INSTITUTIONAL ANALYSIS**

##### **4.1. Informal Settlement in the Peri-urban Areas**

Peri-urban land, located in the transitional zone between fully urbanized and rural agricultural land is a mushrooming place for new informal settlements (Kombe, 2003, p.117). Informal settlements are areas where housing units have been constructed on land to which the occupants have no legal claim or the constructed housing units are not in compliance with the land use planning and building permit requirements of a given country (UN-habitat, 2003, p.196). In other words, it is the contravention of official law in a manner of the occupation of land, its use, the subdivision standard, the way of transfer and the by-passing of official requirements for building permit.

The contraventions of official law related to land acquisition and development can be categorized into either squatter settlement or unauthorized development (UN-Habitat, 2003, p.196). Squatter settlement refers to occupation of land and/or building without permission from owner while unauthorized development refers to those constructions and developments without a plan and building permission from the respective authority. Most often, unauthorized developments take place on privately owned peri-urban agricultural lands outside of the municipal boundaries. While squatter settlements are found both in the peri-

urban areas and in the centrally located urban areas, mostly on public land and less frequently found on private land (Durand-Lasserve and Royston, 2002, p.4).

The development of informal settlements either in the form of unauthorized developments or squatter settlement pass through three different stages: starting, booming and saturation stages (Fekade, 2000, p. 142). The starting or infancy stage refers to the construction of low standard wood and muddy houses by prospective low-income house seekers at peri-urban agricultural land. These houses are often scattered on the agricultural fields. The booming or collective expansion stage is characterized by the construction of formal-like apartments that match to the middle income housing demand. At this stage, about 80% of the agricultural land is converted into housing. At saturation or consolidated expansion stage, open land for the construction of houses is more or less depleted and additional housing units are primarily resulted in plot densification and extension on public and semi-public spaces.

Governments' limited supply of affordable housing and inefficiency to guide urban development in a proper way are the main reasons for the emergence of informal settlements in the inaccessible peri-urban areas (FIG, 2008, p.10). In a situation of inefficient and unaffordable formal housing and land delivery system, informal markets are the main sources of land for low-income groups of the society (Mooya and Cloete, 2007, p.6). The source of finance for building informal residential houses is largely through personal savings and mutual aid arrangements (Mooya, 2009, p. 169).

#### **4.2. Institutional Analysis of Informal Settlements in the Peri-urban Areas**

Urbanization by its very nature leads to massive conversion of the immediate peri-urban agricultural fields into urban residential use both formally and informally (Gough and Yankson, 2000, p.2496). The formal and informal conversion and acquisition of land operate according to social rules that are understood and complied by actors in the system. The system under which actors interact based on the social rules can be considered as institutions. Institutions are devised to shape human interactions into a predictable and manageable way (North, 1991, p.97).

Institutions are evolved with a purpose of governing transactions so that markets operate with a kind of fluidity and efficiency (Klein, 1999, p.466). For the purpose of this study, transaction can be seen as the alienation and acquisition of ownership or holding rights of land between individuals. Any type transaction requires some kind of governing mechanism to protect the transacting parties from various hazards associated with exchange. Three principal forms of interpersonal relations that can do play a role in governing transactions are trust, violence and social sanctions based on collective action (Berner, 2000, p.8). In the informal ways of acquiring land where the process is apparently outside of the formal regulatory framework, trust as norms of behavior is an important source of stability in human interaction. It is only trusting agents that can enter into transactions or co-operate with each other (Rakodi and Leduka, 2003, p.14).



However, trust by itself offers no solutions if disagreements among the transacting parties arise. The other forms of interpersonal relations either in the form of social sanction or violence can play a role in solving disagreements among informally transacting parties (Berner, 2000, p.9). Violence is a very expensive and insecure mode of governance even for those who employ it. Nobody will enter into transactions if he/she expects to be robbed violently. Therefore, social sanction measures against rule breakers are widely practiced as predominant modes of solving conflicts and stabilizing human interaction.

Even though it is somehow difficult to separate the informal institutions from formal ones (North, 1991, p.97), this study focuses mainly on how informal land development and transaction in the peri-urban areas is governed. Informal land development and transaction might seem unregulated and chaotic but it has often been regulated by social rules that are developed and understood by the actors involved (Rakodi and Leduka, 2003, p.15). Actors in the informal settlement areas survive with their own initiative management system and social ordering consistent with the expectations of transacting parties (Nkurunziza, 2007, p.510). Parties entering into exchange relationships often are likely familiar with the social environment in which their transactions occur and possess knowledge of their rights and obligations in the things being transacted under existing social conditions (Rakodi and Leduka, 2003, p.14).

## **5. FINDINGS OF THE STUDY**

The peri-urban land which predominantly has been used for agricultural purpose and held by local farmers is now becoming a target area for informal settlement. The process of informal subdivision, transactions and development of land in the study area is examined mainly from the perspective of the principal actors' behavior. The study has revealed that the process of getting a plot of land in the informal way has its own patterned and broken-down activities and stages. Thus, the key activities and patterns of behavior of key actors as well as rule-structuring processes through which households acquire and keep a plot of land that enable them to erect structures for habitation are the central themes of discussion in this section.

### **5.1. Profile of Informal Settlers in the Peri-urban areas**

The actors interested to acquire a plot of land from peri-urban areas have multifaceted profiles. Examining the profile of actors involved in acquiring a plot of land would provide a clear structure and insight about the characteristics of actors and institutional arrangements governing informal transaction and development of land. The profiles of actors involved in the informal acquisition, transaction and development of land are mainly analyzed based on socio-economic characteristics. Socio-economic features such as occupation, monthly income, their prior residence, reasons for selling or buying a plot of land from informal market are given emphasis for analysis.

The response from sample respondents shows that informal settlers in the peri-urban areas are engaged in various occupations to earn income for their livelihood. Self employed households

engaged in small scale commerce and daily laborers working mainly in the construction sector account more than 75% of the informal settlers. The remaining proportions of informal settlers are mainly government employees and local residents engaged in farming activity. The majority of informal settlers engaged in the above occupations earn very low monthly income. Out of the total sample respondents 89% of them have a monthly income of below 1000 Ethiopian Birr which is equivalent to 56 USD. It is only for 11% of the respondents that their monthly income is above 1000 Ethiopian Birr.

An attempt to assess the prior residence of the informal settlers was also made. A very significant proportion (92%) of informal settlers in the area used to live in the inner-city in a rental house. Local residents' involvement in the construction of unauthorized housing units accounts for 7% of the respondents. Local residents or local informal settlers are those actors who built muddy house either on their own farm land received for agricultural purpose, or on a plot received as a gift, or on a plot bought from other local peri-urban landholder. Thus, the prior residence for local informal settlers was in the same locality.

The informal settlers have also reflected their view on why they preferred to come to the inaccessible and unplanned peri-urban areas. Unregulated rising of housing rent and inability to buy a condominium flat in the inner city are the most significant factors that expelled them to the peri-urban areas in search of shelter. They claimed that the initial (down) payment they were asked to pay for condominium flats was unrealistically high as compared to their ability to pay. The initial lump sum payment they were asked was an average of 15000 birr which they could not afford to pay at once rather they were forced to come here and purchase the land for price about 5000 birr.

The profile of actors involved in the construction of informal housing units and the nature of the houses built in the study area reveals that the land development is at its infancy stage where the area is inhabited mainly by low income households (Fekade, 2000, p.142). All house structures built in the area are sub-standard and temporary shelters constructed from muddy and wooden walls and roof of iron sheet scattered on the agricultural land and inhabited by low income households. Moreover, basic amenities such as school for children and other basic facilities such as electricity, road and sanitation services are not available.

## **5.2. Modes of Plot Acquisition**

An attempt to examine the modes of acquiring a plot of land shows that informal settlers have been using different ways of acquiring a plot of land. About 78% of informal plots are bought from rightful local peri-urban landholders and about 8% of plots are received as a gift from relatives. Sometimes the local landholders may also sell the land to those people who are engaged in construction of an informal house with expectation of profit in the future. Thus, about 9% of informal houses are built on plots bought from previous informal buyer with profit. The remaining 5% of sub-standard houses are constructed by local landholders themselves on their own agricultural field (see table 2). Therefore, the largest proportion of

the land occupied by informal settlers was not vacant, but it was privately possessed land, destined to be used for agricultural purpose only.

The action of local peri-urban landholders/farmers is against the constitutional provision that forbids land sale since land is public property where citizens enjoy only use rights without the right to sell the land itself (FDRE,1995). Moreover, they are not only the primary suppliers of land to the informal market but also they are involved in the unauthorized subdivision and construction of sub-standard residential house on agricultural fields without permission to do so. The construction of unauthorized houses by the local landholders themselves on agricultural fields is partly due to an interest to generate additional revenue by renting rooms and partly due to an interest to enjoy future urban land value increase.

It is also worthwhile to see the factors that push local peri-urban landholders to be involved in the informal subdivision and selling of their agricultural land piece by piece. The local peri-urban landholders' expectation that their land would not stay with them for longtime in the future is pushing them to subdivide their agricultural land into pieces and sell it in the informal market. They feel that sooner or later the city administration would take their land for urban expansion programs. They have also a feeling that the compensation is not only enough but it will not be paid at the right time if their land is taken. As a result, they prefer to subdivide and sell their plots so that they can collect more cash by themselves.

### **5.3. Negotiation and land transaction process**

The various aspects of decision making processes involved in the informal plot acquisition process are identified in this study. The most important ones are issues related to search behavior of a buyer such as seeking to have information about plot availability for sell and the behavior of the seller. Information about the potential land sellers like reputation for good behavior and reliability are among the important issues that buyers want to know. It is only after the informal buyer has developed trust on the behavior and reliability of the seller that the process of negotiation for transaction would start. It is obvious that social norms like trust and reciprocity play a prominent role in the coordination of land transaction and regulation of the behavior of transacting parties (Rakodi and Leduka, 2003, p.10).

Having accurate and reliable information about plot availability for sale and the reliability of the seller are the preconditions for initial negotiation to be started between seller and buyer in the informal market. Local residents play a key role as information centre for the newcomers who want to buy a plot of land from the area. Local residents are either the rightful local landholders themselves or informal settlers who came to the area some time earlier. Local residents also act as sub-brokers, who supply information to the main brokers. The questionnaire survey shows that about 72% of the informal land acquirers obtained information about plot availability for sale from local residents and rightful local landholders directly, while the remaining 28% of the respondents have got information from brokers (see table 3).

A focus group discussion made with main brokers and land administration experts in Bahir Dar City Administration reveal that the contribution of land brokers in the informal market is even greater than that of the one reflected by responses from sample respondents of the questionnaire. Land brokers are the main diffusers of information about availability of plot for sell. Once they had obtained information, they spread the information by talking to everybody they happened to meet. Land brokers in the area have wide-range of social interactions through which they can get information about plot availability for sale.

Once the seller and the potential buyer come to negotiation table and being introduced, what follows is a process of bargaining, with each party trying to secure the best deal possible. Usually the central point of negotiation is the price of the plot. There are a number of issues that are taken into consideration during the price negotiation process, including plot size, location, and distance from public facilities such as public road. Information from questionnaire reveals that most buyers do not like to take the negotiation by themselves during the initial phase and about 63% prospective buyers have used brokers and local residents to open initial negotiation with the sellers. The negotiation conducted directly between seller and buyer accounts for about 37% of the informal transaction (see fig. 3).

#### **5.4. Plot Demarcation and Documentation Process**

After negotiation about price of a plot has been concluded, demarcating the spatial extent of the plot and preparing traditional letter of agreement (contract of sale), locally known as '*yemender wule*', would follow. Land brokers and local residents who facilitated the transaction are responsible to prepare letter of agreement (contract of sale). The letter of agreement is expected to be signed by seller and buyer as evidence/document of transaction at the presence of three witnesses who locally are known as '*shemagelewoch*.' Often, elders of the village or leaders of traditional social institutions are preferred as witnesses of transaction. The buyer and seller receive copies of the agreement, and often a third copy is made and kept by one of the witnesses of transaction.

Different strategies have been used to document the informal acquisition of land. Two different types of agreements or '*yemender wule*' would be prepared and signed simultaneously by transacting parties for single transaction in an attempt to secure the transaction. These agreements are fake/false loan agreement and contract of land sale. The statement in the fake/false loan contractual agreement would be stated as if the seller had borrowed some amount of money from the buyer that would be repaid back within a given period of time. Usually the amount of money stated in the contractual agreement is greater than the real purchase amount with an intention to consider future increase in the value of land. In the fake/false loan agreement, it would also be stated that if the borrower could not pay back the loan within agreed time, he agreed to convey his piece of land to the lender in an exchange to the money borrowed.

The body of the agreement also contains a written description of the extent of the plot measured in meter or feet. The spatial extent of the plots are demarcated and delineated by

different actors involved in the transaction. The plots are demarcated using different types of markers, such as poles, plants, stone marks and fence either by sellers and buyers themselves or elders/witnesses of transaction. The response from sample respondents shows that about 27% of plots are marked by the buyers and sellers themselves, while about 67% of the plots are measured and demarcated by elders in the village. The non-demarcated plots in the area are very few and constitute only about 6% of the informal plots (see figure 4). The plots which are not measured and demarcated are mainly those plots where unauthorized residential houses are constructed by the local peri-urban landholders themselves. In such a case transaction of land is not undertaken yet. The land is still in the hands of rightful local landholders and there is no need to physically delineate these plots.

The contractual agreements signed by buyers and sellers either in the form of sale or loan or mortgage transfers have no legal ground due to two main reasons. First, land in Ethiopia is not saleable property (FDRE, 1995). Second, the contracts related to any transaction of immovable (building and land) should follow some formal requirements that includes the transaction to be in writing and be registered by concerned public bodies (Civil Code, 1960). Currently, the registration of urban land is delegated to municipalities while Woreda (district) Environmental Protection, Rural Land Use and Administration office is responsible to register rural land. Hence, it is another mandatory requirement to inform the municipality about the mortgage or sale of immovable so that the latter to put some information on the file.

Even though both purchase and fake/false loan contractual agreements have no legal ground, it gives protection against conflicts arising between the transacting parties. All written contractual agreements are not registered by municipality but signed in front of socially respected witnesses/elders. Thus, when conflict arises the affected parties will take their cases to the elders in the village and the elders try to solve the problem by urging the conflicting parties to be governed by their letter of agreement. If the parties cannot reach into agreement, they may face problems like being excluded from the local society. Therefore, social sanction measures like excluding from the society is the most important tool to stabilize the community in the informal settlement area (Berner, 2000, p.8).

### **5.5. The Role of Traditional Social Institutions in the Informal Settlement Areas**

The potential sellers' involvements in the local traditional community association like in "*idir* and *iqub*" are some of the behaviors (elements) that the potential buyers want to know. Both *Idir* and *Iqub* are the oldest traditional social and financial institutions which have been widely practiced in Ethiopia. *Idir* is established by neighbors to provide financial support and funeral services for death of anyone of family members and raise funds that will be used during emergencies on the basis of monthly contribution. While *Iqub* is established by a small group of interested people in order to provide substantial rotating funding for members on the basis of monthly or weekly contributions.

An attempt to assess the role of the traditional social institutions in the informal settlement areas was made as part of this study. An interview with leaders of traditional social

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institutions in the study area shows that '*Idir*' and '*Iqub*' have a very significant role in mobilizing social capital and as a source of finance for the informal transaction of land. '*Idir*' and '*Iqub*' also help to resolve land disputes when conflict arises. Land related disputes could not be taken into the court, as both parties have no legal ground to seek justice in the formal judiciary system. The conflicting parties prefer to take their cases to the socially respected elders and leaders of '*idir*' in the village and they are quite efficient in solving such conflicts even in the formal settlements. Informal settlers in the area also use the local social institutions (like '*idir*' and '*iqub*') to act together and to pursue shared objectives and interests. These local institutions play a significant role in making negotiation with government body claiming for formalization and in organizing resistance against forced eviction. Moreover, these institutions help the members (residents) identity of belongingness to the area. It is only through these associations that the residents in this settlement area are recognized and registered as residents of the village.

## 6. CONCLUSION AND RECOMMENDATION

Large fraction of peri-urban agricultural land which has been held by local farmers is highly subjected and demanded for informal settlement and development. This study has tried to show the principal actors involved in the informal acquisition, transaction and development of land in the peri-urban areas of Bahir Dar. Local peri-urban landholders (farmers) who received land for agricultural purpose are the principal suppliers of land for informal market. They are also playing a vital role in the construction of unauthorized and sub-standard houses on their own agricultural fields. On the other hand those actors interested to acquire a plot of land informally from the inaccessible peri-urban areas are primarily low-income households seeking for residential house. They are largely genuine urban poor who couldn't afford to pay either for the increasing housing rent or buy condominium flat in the inner city. Therefore, prevailing practice of informal settlement in the peri-urban areas shows that the formal land and housing delivery system is not efficient enough to accommodate the urban poor.

This study has also identified the patterns of behavior of key actors and the key activities and rule structuring processes that enable households to acquire and keep a plot of land to erect structures for habitation. The key activities/stages in the process of informal acquisition and development include; identifying a plot for sell, showing an interest on the plot, studying the behavior of the seller, undertaking price negotiation and documenting the transaction by letter of agreement or contract. Even though the letters of agreement/contract signed by transacting parties are not valid documents, these documents play a significant role in avoiding future land related conflicts between the transacting parties. Land transaction in the peri-urban areas is mainly governed by trust without any legal document of exchange.

Moreover, this study shows that land conflicts are mainly solved by the intervention of elders or leaders of traditional social institutions in the village as mediators. The mediators try to bring the conflicting parties face to face and urge them to reach into agreement by proposing solutions. If the conflicting parties could not reach into agreement or if one of the conflicting parties could not accept the solutions suggested by mediators, the parties may face problems

like being excluded from social relations in the community. This shows that social sanction measures like excluding from the community is an important mechanism to force the conflicting parties to reach into agreement on the one hand. Moreover, in the informal settlement areas where the system is apparently outside the formal regulatory framework, social sanction measures play a very significant role in maintaining social stability.

Finally, the observation on the actors involved in the informal acquisition, transfer and development of land and the institutions regulating the informal settlement in the peri-urban areas calls for further detail research. Understanding the prevailing situation of peri-urban areas and the factors that led people to the acquisition, transaction and development of land outside the formal regulatory framework is an important requirement for sustainable urban land development. Unless these considerations are taken aboard, the ambitions of urban policy makers, urban planners, land managers and other concerned bodies to shape the spatial structure and form of urban areas shall by and large remain a wishful thinking.

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