

## Peri-urbanization and New Built-up Property Formation Process in the Peri-urban Areas of Ethiopia

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**Abstract** Peri-urban areas in Ethiopia like that of other African countries are places where much of urban growth is taking place and as a result the competition for land between agriculture and non-agriculture (urban built-up property) is intense. It is there that new properties and property rights emerge and at the same time the existing traditional or customary rights may also disappear or dissolve. This study has attempted to assess and demonstrate the process of built-up property formation process in the transitional peri-urban areas of Ethiopia. So as to achieve the purpose of the study analysis of survey results were employed to figure out the process of peri-urbanization and new property development and formation process in Ethiopia. This study has also reviewed about contemporary literatures on rapid peri-urbanization and the resulting emergence and formation of new urban built up property rights process both through the formal (legal) system and informally outside the legal framework. Finally, the findings of this study have shown that both formal and informal ways are equally important in the process of converting peri-urban agricultural lands into urban built-up non-agricultural properties.

*Key words: Peri-urbanization, property, formal and informal*

### 1. Introduction

The concept of *peri-urbanization* refers to the process through which peri-urban areas are physically and functionally incorporated into the urban system (Webster and Muller, 2004). It is the process of urbanization in the transitional zones between countryside and city which involves the conversion of rural agricultural farmlands to urban built-up properties. The process also entails the transformation of existing rural settlements into urban settlements (UNFPA, 2007). Consequently, peri-urbanization would result in transition of both people and land: rural villagers becoming urban residents, and agricultural land being converted for urban uses.

Peri-urban land is of capital importance in modern societies because it is there that most of the transformations resulting from the dynamics of

society are concentrated. Much of the current urban growth is taking place at the peri-urban areas and as a result the competition for land between agriculture and non-agriculture (urban housing) is intense there. Urban expansion and the lively competition for land which may latter on result in changes in land use, ownership, property rights regime and land tenure (Wehrmann, 2008). The competition for secure, serviced land as a result of rapid urbanization increases the importance of peri-urban land still further (Payne, 1997). Thus, peri-urban areas are the centre of almost all new developments that range from urban expansion both formally and informally to the decline of agricultural land and rural employment opportunities (Allen, 2003).

The bulk of literature on peri-urbanization especially in Sub-Saharan Africa and other developing countries equates with the emergence

of new property rights on land; the intensification of conflict over boundaries and ownership; and continuous changes on land use, customary tenure, and property rights countries (Nkwae, 2006). The existing literature on peri-urbanization also reveals that changes in the property rights in land are resulting in emergent landlessness and the outright loss of agricultural livelihoods. The emergent landlessness may result from either the loss of land for housing as the city expands outward, or it may be a result of environmental damage.

This study has primarily aimed to review the details on the relationship between peri-urbanization and property rights institutions and property/land right formation process. The existing contemporary literature on peri-urbanization is reviewed in detail. The review has used as a mirror to reflect and demonstrate the situation of peri-urbanization and the new urban built up property formation process in Ethiopia. The demonstration on the process of new urban built-up property formation process is supported by case study survey results. Bahir Dar City form the northern part of Ethiopia is selected as a case study area to analyze the formal and informal process of urban built up property formation process in the peri-urban areas of Ethiopia.

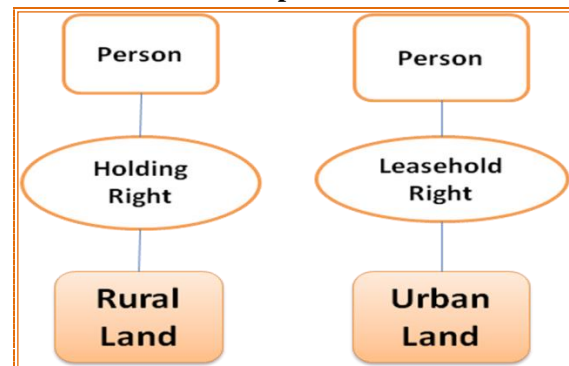
## 2. The property system and urban development strategy of Ethiopia

The property system in Ethiopia is strictly bifurcated into rural and urban landholding systems under the umbrella of exclusive state ownership of all land (FDRE, 1995). Land located in the rural territory is governed by a rural land holding system by which rural landholders are provided to exercise use/possession right only without the right to permanent transfer through sale or without the right to convert it into non-agricultural use by themselves (FDRE, 2005b). While the urban land in the urban jurisdiction is governed by a leasehold system by which allocation of urban land is carried out through auction and government allotment on the basis of surface-based annual rent for a specified lease

period and allows development rights according to a land use plan (FDRE, 2011).

The state as the owner of land is responsible to allocate and reallocate holding rights/use rights to the people. The ways and requirements to allocate and reallocate land rights to people are different for rural and urban land. The rural land can be granted to the people with holding right free of charge without time limit. Any resident of rural areas of the country who want to engage in farming activity for his/her livelihood can receive holding rights/use rights to plots of land from rural areas for life time (FDRE, 2005b). Those who receive land for agricultural purpose from rural areas have the authority to use and harvest on it, to rent it, to donate it, to bequeath and sharecropping except sell and mortgage. While land allocation or supply to people in the urban areas is carried out by leasehold right system (FDRE, 2011). Land rights to urban land can be transferred to people through lease contract with a payment of fee for the duration of time specified in the lease contract. The urban leaseholder can exercise the right to develop on it, the right to bequeath, the right to donate, the right to use or develop on it, the right to use as a security for loan and the right to sell improvements on it. Therefore, the land holding arrangement in Ethiopia is divided into rural and urban with different legislations and institutions to govern (see figure 1).

Figure 1: **The bifurcated man-land relationships in the context of Ethiopia**



Source: Modified based on (Henssen, 1995)

The authorities responsible to govern land are also divided into municipal authorities and rural land administration authorities for urban and rural land respectively. The separation of land governance institutions and land tenure systems into urban and rural has created confusion in the land tenure and governance system in the transitional peri-urban areas where the land is highly demanded for urbanization and being converted into urban built up property rapidly. The authority and the land tenure system in the transitional peri-urban areas is lacking clarity and the two land tenure systems may also co-exist. Sometimes this transitional area may also fall under neither rural nor urban jurisdictions.

Moreover, the urban boundaries are always expanding into the surrounding peri-urban agricultural and rural areas both formally/legally and informally/illegally this in turn has been affecting the rural jurisdiction. As urban growth strategy, the government has been implementing expropriation of land from peri-urban areas as a response to the growing demand of land for rapid urbanization and the need for modernized infrastructures. Compulsory expropriation in Ethiopia is the only formal way of trading between rural and urban land. It is only through expropriation that rural land next to urban centers can be converted into urban land. Therefore, state controlled provision of land for urban expansion is a critical importance across urban centers in Ethiopia.

### **3. Theoretical framework: peri-urbanization and new property development process**

#### **3.1. The concept of peri-urban land and peri-urbanization**

##### **3.1.1. Peri-urban area – conceptual and spatial landscape**

The term ‘peri-urban’ has many different manifestations in the contemporary literature in terms of its definition, characteristics and

delimitation. There is no single satisfactory definition for peri-urban interface and different definitions are understood to apply in different circumstances. Emphases, interpretations and conceptualizations have differed across regions (Mbibaa and Huchzermeyerb, 2002). They may even change in the same location over time as cities expand; for example as a medium-sized city becomes a large one, the spatial extent of the peri-urban zone also changes (Rakodi, 1998). As the development of peri-urban area is closely related with the growth and expansion of a city, it is often difficult to delineate the peri-urban boundary in the era of rapid urbanization. It is continuously shifting outward from the city and its development is an inevitable consequence of urbanization (Adell, 1999).

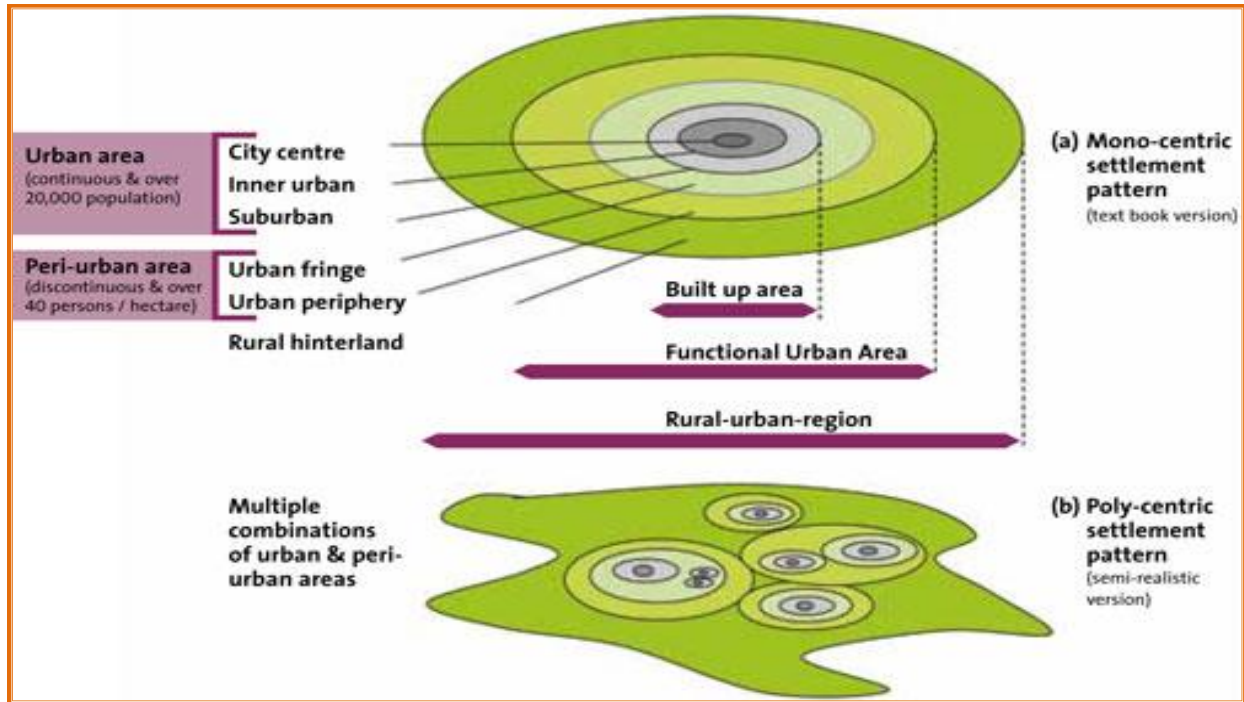
With an intention to explore peri-urban development process throughout this research, and avoid simple definitions, it is perhaps useful at the outset to present basic characteristics and views of what peri-urban is. The word ‘*peri-urban*’ could be used to denote a place, concept or process (Narain and Nischal, 2007). As a place, it can refer to rural agricultural areas surrounding cities. It is a transitional zone between fully urbanized land in cities and areas in predominantly agricultural use. It is a space in between fully urban built up area and rural agricultural hinterland areas (Ravetz et al., 2013). It is a zone of transition between urban built up area and rural agricultural areas (See figure 2). As a concept or process, peri-urban could be seen as an interface of rural and urban activities and institutions where urban and rural development processes meet, mix and inter-react on the edge of the cities. It is also characterized by mixed land uses and indeterminate inner and outer boundaries (Adell, 1999). As a process, it could be thought of as the two-way flow of goods and services and a transitional stage between rural and urban.

### 3.1.2. Peri-urbanization

Peri-urbanization can be observed from the spatial dynamics of the city's fringe areas as well as more complex dimensions involving social, cultural and economic aspects of community life. The transformation of the economic structure, from rural-based economy (agricultural) to urban-based

economy (manufacturing and services), rapid population growth due to migrant workforces, rising land costs due to speculation, and a changing development pattern are the common features associated with the peri-urbanization process (Webster and Muller, 2004).

**Figure 2: Spatial extent of peri-urban areas**



Source: (Ravetz et al., 2013)

Peri-urbanization is not only a process of transition of land from its rural agricultural use to urban built up property, rather, it is a complex process that involves many concerns such as change in landownership pattern, land transfer process, types of development, regulatory measures and their enforcement (Masum, 2010).

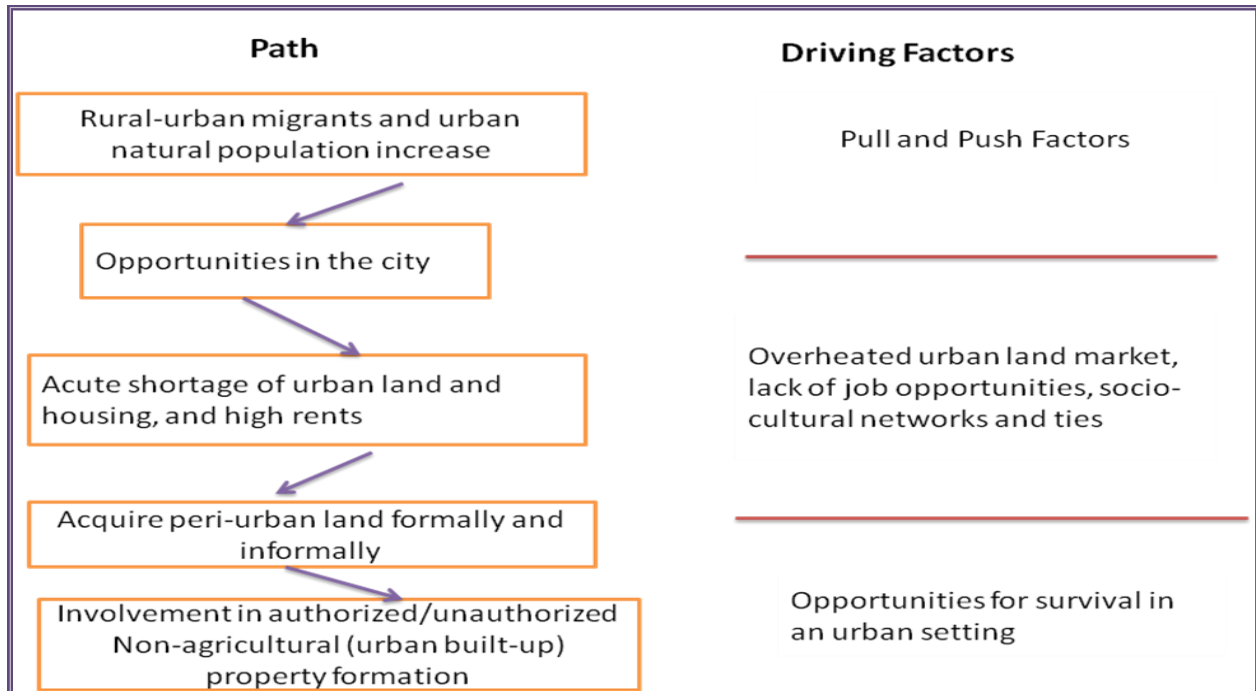
Peri-urbanization in sub-Saharan Africa and in much of the developing world is the results of pull and push factors (Nkwae, 2006) and (Kasanga et al., 1996). In other words, peri-urbanization stems from the depressing conditions in rural areas and the promises and prospects of 'bright lights of

cities'. As a result of the push and pull factors rural-urban migrants and urban residents alike seek a foothold in the city to exploit the opportunities for a meaningful and better life offered by the city (see figure 3). This situation results in acute shortage of land and high rents in the city, which is facilitated by an overheated urban land market, lack of job opportunities, and weakening of social-cultural networks and ties. The deepening of this situation in the city leads to a rush for peri-urban land as well as land grabbing and speculation on the fringes of the city. The lack of or inadequate institutional framework results in both legal and illegal land development processes by developers – all driven by the desire to exploit the opportunities

for survival in an urban setting. Thus, the last outcome of peri-urbanization is the formation of non-agricultural urban built-up property either

through the process of authorized or unauthorized ways of land development.

**Figure 3: Driving factors for peri-urbanization**



Source: adapted from (Nkwae, 2006)

### 3.2. Evolving and dissolving of property right institutions in the peri-urban areas

Property right institutions in urban and peri-urban areas of the developing world are largely in the continuous process of change (Kasanga et al., 1996). As peri-urbanization is penetrating into the countryside, agricultural lands are increasingly converted into non-agricultural uses. Usually, competition for land between local peri-urban/rural villagers who want to continue in agricultural practices and urban actors who are interested on this land for residential purposes is fierce. The competition for land during transition could instigate institutional change, aiming to regulate the emerging land rights which could be either

formal or informal. It is obvious that peri-urban areas are largely characterized by a wide range coexistence of formal and informal land transaction practices (see figure 4). Consequently, they are breeding ground for new types of informal tenure systems (which can be either semi-legal such as occupation of state land or non-legitimated totally) and land transaction processes which exist side by side with formal and customary systems (Wehrmann, 2008).

Peri-urban areas are places where new property rights emerges and at the same time the existing traditional or customary rights may disappear or dissolve. As a result two contending perspectives have been reflected on the impact of rapid urban

growth in peri-urban areas (Maxwell et al., 1998). One view characterizes peri-urban areas as consisting of dynamic markets and dynamic places. This perspective sees the rapid peri-urbanization and growth in population leading to the development of new markets, and the conversion of property rights from rural/customary tenure into various forms of privately held rights. Both of these forces lead to greater entrepreneurialism, and the transformation of the local economy from agrarianism to a bustling, dynamic free market of commerce, services, small-scale industry and commercial agriculture. Another perspective sees rapid peri-urbanization as the destruction of the existing property system and agricultural livelihoods without necessarily replacing them with any alternative form of economic activity. Loss of agricultural livelihoods leads to the rapid growth of an informal economy that often grows only by absorbing more participants without an accompanying increase in overall economic output.

Both perspectives see peri-urbanization as a driving force for the emergence of new property system and institution both formally and informally. In many parts of the developing world mainly in Sub-Saharan Africa, it has been observed that growing population pressure and development of market economies as a cause and consequence of urbanization are leading to significant changes in land tenure practices and related property rights. Land tenure practices have and are still undergoing several processes of transformation and change from the purely communal and family landholding system to individual landholding (Kasanga et al., 1996). Thus, peri-urbanization largely in sub-Saharan Africa is accompanied by the erosion of the existing local peri-urban land tenure relations and implantation of new and urbanized form of land/property rights (Cotula and Neve, 2007).

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1996). As peri-urbanization is penetrating into the countryside, agricultural lands are increasingly converted into non-agricultural uses. Usually, competition for land between local peri-urban/rural villagers who want to continue in agricultural practices and urban actors who are interested on this land for residential purposes is fierce. The competition for land during transition could instigate institutional change, aiming to regulate the emerging land rights which could be either formal or informal. It is obvious that peri-urban areas are largely characterized by a wide range coexistence of formal and informal land transaction practices (see figure 4). Consequently, they are breeding ground for new types of informal tenure systems (which can be either semi-legal such as occupation of state land or non-legitimated totally) and land transaction processes which exist side by side with formal and customary systems (Wehrmann, 2008).

Peri-urbanization and the resulting land transaction and demand for different urban purposes has led to the continuous flow of land rights from informal to formal rights (see figure 5). The flow of rights which referred as the *continuum in land tenure rights* can better be observed in the peri-urban areas of developing countries due to the coexistence of different sources of laws and ownership patterns (UN-Habitat, 2008) and (Payne, 1997). Peri-urban areas display a diversity of tenure situations, ranging from the most informal types of possession and use to full ownership. However, it is important to note that the level of rights can also be altered by a series of other factors.

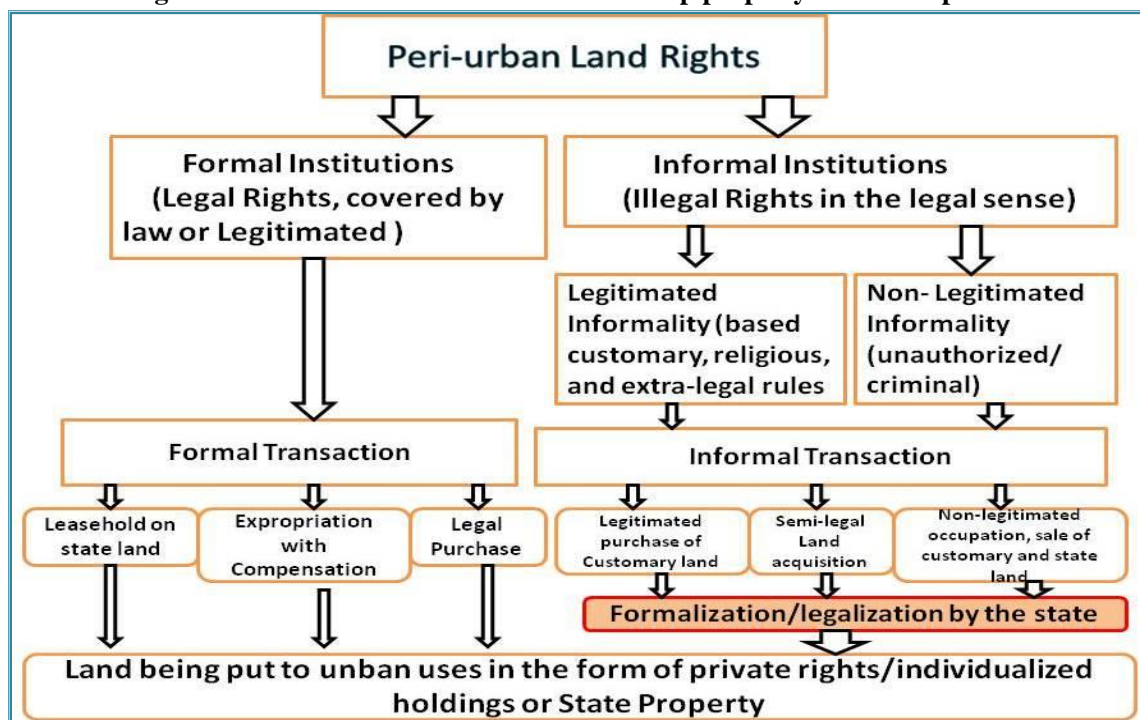
Among these are restrictions on the use of the land since land use must conform to planning rules, development and construction norms and standards, as well as to the type of development mentioned in the contract or agreement between the owner and the user of the land. The level of rights may also depend on the period of time for which rights are agreed upon and whether they are renewable and transferable. Finally, the degree of

formality in rights agreements or lease contracts can affect the level of rights as they can range from informal unwritten agreements to formal contracts between land owners and occupants (i.e. leaseholds). Customary agreements may also exist, which can provide various levels of rights depending on the local legal and regulatory framework. The continuum of land rights follows a path from informal to formal land rights and this trend is more commonly observed in the transitional peri-urban areas and associated with peri-urbanization.

The continuum of land rights path shows the existence of two extreme land rights in a given locality (UN-Habitat, 2012). At one end of the

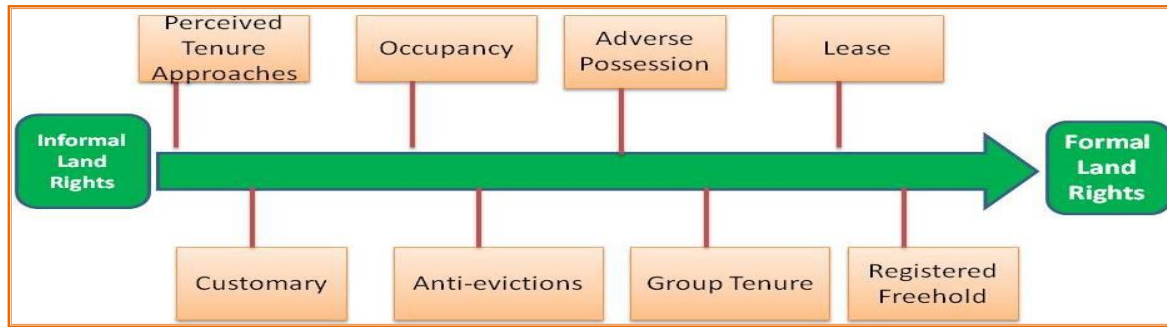
continuum there are formal land rights, where the owner is an individual, who holds a set of registered rights to a parcel of land that are enshrined in law: the parcel is delineated on a map; held in a record office; the owner has the right to occupy the land, build on it (subject to approvals), sell it, rent it out, transfer it to his or her heirs, and prevent other people from coming on to it. At the other end of the continuum are informal rights: a group of individuals (such as a clan) may have traditional rights to use a piece of land. The boundaries of the land may not be clearly marked on the ground or on a map, and there may be no official paperwork certifying who owns or has what rights to the land. In between these two extremes there are also a wide range of rights.

**Figure 4: Peri-urbanization and urban built-up property formation process**



Source: Modified based on (Wehrmann, 2008)

Figure 5: The continuum of land rights path



Source: (UN-Habitat, 2008)

#### 4. Peri-urban land development in Ethiopia: empirical issues and debates

Urban areas in Ethiopia are growing and over spilling into the peri-urban areas in terms of space and population. Accompanying with rapid urbanization and the growing demand of land for urban built up property, peri-urban areas located adjacent to the municipal boundaries become the most dynamic areas in Ethiopia. It is also there that all forms of lively competitions for land are fierce by people of diverse backgrounds and social status. Due to the rural-urban dichotomy of land holding systems in Ethiopia, urbanization and urban development in peri-urban areas involves land holding right acquisition and transfer issues. In the process of urban expansion and development in Ethiopia, peri-urban landholders or farmers' land rights, are expected to be forcibly taken by the state and thereafter reallocated to urban residents, private developers through lease agreement. At the same time the informal acquisition and development of land is a commonly seen phenomenon in the transitional peri-urban areas of Ethiopia. Therefore, this section is devoted to demonstrate the features of peri-urban land development supported by evidences collected from field survey and documentary analysis.

##### 4.1. The formal urban development: its deficits and features

The formal urban development strategy of Ethiopia is solely dependent on compulsory expropriation

and re-allocation of land. The transitional peri-urban areas in Ethiopia are places where expropriation measures are being largely implemented as a response to the growing demands of land and housing imposed by rapid urbanization. State controlled expropriation decision is the single way of trading between the strictly dichotomized rural and urban tenure systems. As urban territory extends into the adjacent peri-urban areas, the landholding right of local peri-urban landholders is expected to be automatically canceled by expropriation decision and transferred to the people who can pay for lease.

Urban growth and development process in Ethiopia is a three step phenomenon (Adam, 2014b). First, it requires including the peri-urban area into the city's master plan; second, expropriation and redevelopment; and third, reallocation of the expropriated land to private developers, investors, and other urban groups through lease contract on the basis of annual ground rent for a specified lease period (see figure 6).

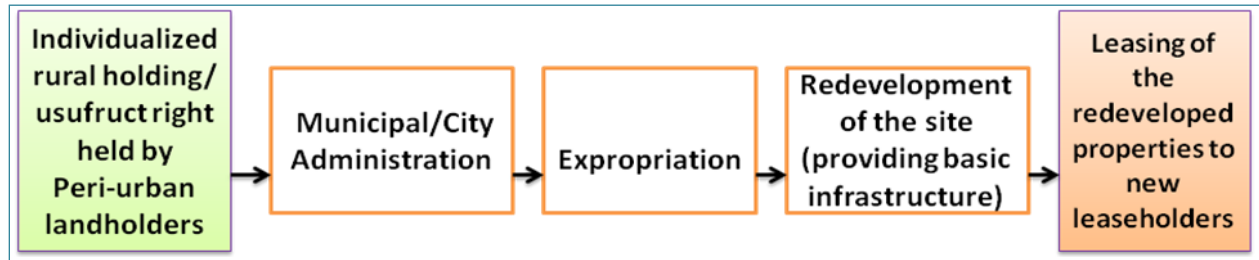
As figure 4 reveals the mechanism to convert peri-urban/rural land rights held by local peri-urban farmers into urban rights in the process of urbanization is non-existent. The use right of the local peri-urban landholders supposed to be exercised for lifetime can be canceled at any time by expropriation decision if the land is demanded for urban expansion purpose. As urban boundary



approaches to the peri-urban territory, local landholders at this territory are assumed to be subjects of expropriation. As a consequence, sense of land tenure insecurity is a prevalent problem in the transitional peri-urban areas than any other places in Ethiopia. The response from questionnaire survey shows that about 94% of the

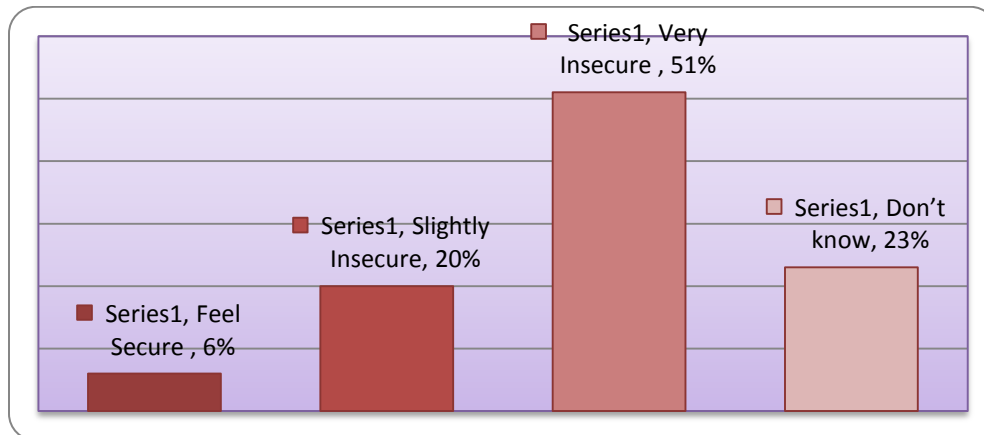
local peri-urban landholders in one way or the other feel insecure for their land right (see Figure 6). They expect that their land shall be taken by city administration at any time when the land is needed for urban expansion programs.

Figure 5: Urban land development process in Ethiopia



(Author produced)

Figure 6: Peri-urban landholders land tenure security level (n=70)



Source: (Questionnaire survey)

Unjustifiable disregard of land value in the amount of compensation paid to those people expropriated from their land is another problem in the process of expropriation for urban development. Due to the assumption that all land belongs to the state (FDRE, 1995), local peri-urban landholders can be provided compensation only for improvements on land, i.e. buildings and structures on the land (FDRE, 2005a), without taking into consideration the land value itself. The practice also shows that

there is a considerable variation in the rate and amount of compensation paid to the expropriated landholders (Alemu, 2013) and (Anteneh, 2007). For example, if the land is taken for a federal purpose, landholders would be compensated at a rate determined by the federal government; if the land is taken by regional or local authorities, the rate would be determined by regional or local authorities. The allocation of budget for local level authorities for compensation and other purposes is smaller than that of the federal government. It

appears that land losers are better compensated when their land is needed for federal development projects rather than regional or township-scale projects.

Moreover, the urban growth and land development in peri-urban areas is not built on socially and economically acceptable participatory approaches. The inability to make a direct involvement and negotiation with the affected landholders with a sense that land is the exclusive property of the state and can never be definitely negotiated by any one has created uncertainty on peri-urban landholders located adjacent to the cities (Adam, 2011). That means the land acquisition (expropriation) decision made by municipal authorities is a top-down one without persuading the local peri-urban landholders. The practice shows that reaching consensus and agreement with the affected local landholders before the final decision of land acquisition is most often non-existent. As a result objection and resistance against government's expropriation measure is a common phenomenon in the peri-urban areas of Ethiopia.

Sample peri-urban landholders were also asked to reflect their preference in the type of compensation they would opt for when their land is needed for urban development. The majority of the landholders in the peri-urban areas would like to have either land-to-land compensation from other areas or preserving reasonable portion of land within the urban boundary. The questionnaire survey result shows that about 91% of sample respondents do not want to have cash compensation (see Table 1). This indicates that they would like to preserve their land rights rather than just only receiving cash compensation which latter on implants them from the locality. In addition they want to transfer their land to their sons and daughters as they have received it from their parents.

Those who have chosen cash compensation were those people who are old and who could not be able to produce on their land and who need cash

for their immediate consumption and subsistence. There are also few individuals who want to continue in non-agricultural business who are in short of cash prefer to have cash compensation.

**Table 1: Compensation preference of peri-urban landholders (n=70)**

| Preference in the type of compensation | Percentage |
|--|------------|
| Cash compensation                      | 9          |
| Replacement land from other areas      | 28         |
| Preserving reasonable portion of land  | 63         |
| Total                                  | 100        |

Source: Questionnaire survey

The overall reflection from sample respondents and previous research results on the current urban development process in Ethiopia seems to be ignoring the land rights and livelihoods of the local peri-urban communities and skewed to the urban people. The process and practice of land acquisition from peri-urban areas for urban growth purposes seems far beyond good international standards and experiences (World-Bank, 2012). Moreover, acceptable international practices maintain fair distribution of development benefits by converting former land owners/holders into urban land rights.

#### **4.2. Informal built-up property formation process in the peri-urban areas**

Peri-urban land which has been used predominantly for agricultural purpose and held by local farmers is also a target area for informal development. The expectation of peri-urban local landholders that their land shall be taken by urban administration compulsorily, on the one hand, and the inefficiency to provide affordable houses to the low income people in the inner-city have created an increasing pressure upon peri-urban land to be sold in the informal market (Adam, 2014b). The process of informal subdivision, transactions and

development of land in the study area was examined mainly from the perspective of the principal actors' behavior. The study revealed that the process of getting a plot of land in the informal way has its own patterned and broken-down activities and stages. The key activities and patterns of behavior of key actors as well as rule-structuring processes through which households acquire and keep plot of land that enable them to erect structures for habitation is analyzed in detail in the following subsections.

#### 4.2.1. Profile of Informal Settlers in the Peri-urban Areas

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 in the peri-urban areas. The actors interested in

acquiring a plot of land from peri-urban areas have multifaceted and engaged in various occupations to earn income for their livelihood see table 2. 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 in the case study area. 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 about 89% of them have a monthly income of below 1000 Ethiopian Birr (53 USD). It is only for 11% of the respondents that their monthly income is above 1000 Ethiopian Birr (53 USD).

**Table 2: Respondents' Occupation and Monthly income (n=120)**

| <i>Respondents' Occupation</i> | <i>Respondent's Monthly Income</i> |                       |                        |                    | Total |
|--------------------------------|------------------------------------|-----------------------|------------------------|--------------------|-------|
|                                | <500<br>Eth. Birr                  | 501-1000<br>Eth. birr | 1001-2500<br>Eth. Birr | >2500<br>Eth. Birr |       |
| Government Employees           | 0%                                 | 9%                    | 7.00%                  | 0%                 | 16%   |
| Farmers                        | 1%                                 | 6%                    | 0%                     | 1%                 | 8%    |
| Daily Laborers                 | 19%                                | 23%                   | 0%                     | %                  | 42%   |
| Small scale business           | 7%                                 | 24%                   | 2%                     | 1%                 | 34%   |
| Total                          | 27%                                | 62%                   | 9%                     | 2%                 | 100%  |

Source: Questionnaire Survey

An attempt to assess the prior residence of the informal settlers was also made. The largest proportion respondents which account about 92% of informal settlers used to live in the inner-city with rental houses. There are also housing units constructed by local residents themselves whose prior residence is from the same locality. Local residents or local informal settlers are those actors who built muddy house either on their own farm land or on a plot received as a gift, or on a plot bought from other local peri-urban landholder. The housing units constructed by local residents account about 7% of the houses in the area.

The informal settlers have also reflected their views of 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 were 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 (about 800 USD) which they could not afford to pay at once, rather they were

forced to come here and purchase a plot for price about 5000 birr (about 300 USD).

The profile of actors involved in the construction of informal housing units and the nature of the houses built in the study area revealed that the stage of settlement and land development in this area is at its infancy where the area is inhabited mainly by low income households (Fekade, 2000).

All house structures built in the area are sub-standard and temporary shelters constructed of 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.

#### 4.2.2. Modes of Informal Plot Acquisition

Informal settlers use different ways or modes of acquiring and maintain a plot of land from the informal market. For example, 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. Even, the local landholders may also sell their land to those people who are engaged in construction of informal houses with expectation of profit in the future. That is why about 9% of informal houses are built on plots bought from previous informal buyers with some profit. The remaining 5% of sub-standard houses are constructed by local landholders themselves on their own agricultural field (see table 3). Therefore, the largest proportion of the land occupied by informal settlers was neither public land nor vacant, but it was privately possessed by local peri-urban farmers and destined to be used for agricultural purpose only.

**Table 3: Ways of plot acquisition for informal construction (n=120)**

| Ways of plot acquisition                | Percent    |
|---|------------|
| Bought from local peri-urban landholder | 78         |
| Received as gift from relatives         | 8          |
| Bought from previous informal buyer     | 9          |
| Own rightful holding                    | 5          |
| <b>Total</b>                            | <b>100</b> |

Source: Questionnaire Survey

The action of local peri-urban landholders/farmers is against the constitutional provision that forbids land sale. Article 40(3) of the constitution of the Federal Democratic Republic of Ethiopia states that all land is a public property in which citizens enjoy only use rights without the right to sale the land itself (FDRE, 1995). However, local peri-urban landholders 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 houses 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 in generating additional revenue by renting rooms and partly due to an interest in capturing future land value increase resulted from the incorporation of the land into urban jurisdiction.

It is also worthwhile to see the factors that push local peri-urban landholders to subdivide their agricultural fields into pieces of plots and later on to transfer it through sale and other mechanisms of transaction. Local peri-urban landholders' expectation that their land would not stay with them for longtime in the future is the most important pushing factor to subdivide peri-urban agricultural land into pieces and sale it in the informal market. The largest proportions of local peri-urban landholders feel that sooner or later the city administration would take their land for urban

expansion program. 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, local peri-urban landholders on their side, by weighing the amount of compensation that they will be paid upon expropriation of the land and the sales price they are receiving by their own, prefer to sell the land.

The separation of land governance into urban and rural institutions is another favorable ground for the widespread practice of informal transaction of land in the transitional peri-urban areas. Sometimes a power vacuum peri-urban zone might be created when the urban administration adopts a revised master plan that includes the periphery into the urban center without expropriating and putting the land into its land bank. Then, this newly created zone falls under no one's jurisdiction. For this reason, local farmers try to transform their agricultural land to residential plots by subdividing and then selling the plots without any interference from government bodies.

#### **4.2.3. Information on the availability of plot for sale and negotiation process**

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 sale 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. Here, social norms like trust and reciprocity seem to play a prominent role in the coordination of land transaction and regulation of the behavior of transacting parties (Rakodi and Leduka, 2003).

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 got information from brokers (see table 4).

**Table 4: Sources of information about plot availability for sale (n=120)**

|                |                  | Frequency | Percent | Valid Percent |
|----------------|------------------|-----------|---------|---------------|
| <b>Valid</b>   | Local Landholder | 50        | 41      | 44            |
|                | Local resident   | 32        | 27      | 28            |
|                | Land broker      | 32        | 27      | 28            |
|                | Total            | 114       | 95      | 100           |
| <b>Missing</b> | Not responded    | 6         | 5       |               |
| <b>Total</b>   |                  | 120       | 100     |               |

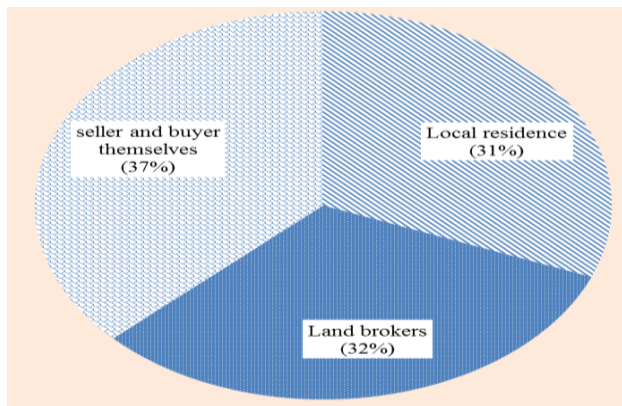
Source: Questionnaire Survey

The FGD made with main brokers and land administration experts in Bahir Dar City Administration reveal that the contribution of land brokers to the informal market is even greater than that of the one reflected in the questionnaire survey result. Land brokers are the main diffusers of information about availability of plot for sale. Once they obtained information, they disseminate it by talking to everyone they 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 a negotiation table and being introduced, what follows is a process of bargaining. In the process of bargaining, that is each party tries to secure the best deal as much as possible. The central point of the negotiation is usually the price of the plot. There are a number of issues that are taken into consideration during price negotiation process. These include plot size, location, and distance from public facilities like public road networks. The questionnaire survey result reveals that most of the buyers do not like to take the negotiation by themselves during the initial phase, and about 63% of the prospective buyers use brokers and local residents to open initial negotiation with the sellers. The negotiation conducted directly between sellers and buyers accounts for about 37% of the informal transaction (see figure 7).

Figure 7: Actors who facilitated and negotiated land transaction (n=120)



Source: Questionnaire Survey

#### 4.2.4. Plot demarcation, documentation, dispute resolution process

After negotiation about plot price 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 of transaction at the presence of three witnesses who are locally known as ‘shemagelewoch.’ Elders of the village or leaders of traditional social institutions are often preferred as witnesses of transaction. The buyers and sellers receive copies of the agreement, and 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. Most commonly, 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 has borrowed some amount of money from the buyer that would be repaid back within a given period of time. The amount of money stated in the contractual agreement is usually greater than the real purchase amount with an intention to consider future increase in the value of land. The content of agreement also states that if the borrower could not pay back the loan within the agreed time, he/she agreed to convey his/her piece of land to the lender in an exchange to the money borrowed. In addition, the content of the agreement 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 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 permanent or temporary transfer of rural land is registered by district level rural land administration office. Thus, registration of any kind of land transaction is mandatory requirement to inform the municipality about the mortgage or sale of immovable properties so that the latter to put some information on the file. The main purpose of having fake/false loan contractual agreements is protecting conflicts between the transacting parties.

Traditional social institutions such as '*Idir and Iqub*' in the informal settlement areas play a very significant role in mobilizing social capital and resolving land disputes. These institutions are also serving as a source of finance for the informal transaction of land. Since land related disputes could not be taken into the court, as both parties have no legal grounds to seek justice in the formal judiciary system. The conflicting parties rather prefer to take their cases to the socially respected elders and leaders of '*idir*' in the village and the elders and leaders social institutions are quite efficient in solving such conflicts. 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 agreement. If the parties cannot reach into agreement, they may face problems like being excluded from participating in different social affairs with the community. Therefore, social sanction measures play a significant role in stabilizing the society in the informal settlement areas where the formal regulatory system is inefficient.

Informal settlers in the area also use these local social institutions (*idir* and *iqub*) to act together

and to pursue shared objectives and interests. These local social institutions play a significant role in making negotiations with government bodies claiming for formalization and organizing resistance against forced eviction. Moreover, these institutions provide the members (residents) an 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. Why do the formal and informal channels of land development co-exist in the peri-urban areas of Ethiopia?**

The existence of formal and informal channels of land transaction in the peri-urban areas is largely because of the inability of the formal land tenure system to meet the requirements of the current rapid rate of urbanization. For instance, all land including peri-urban in Ethiopia is state or national property (FDRE, 1995). Formal private property does not exist; likewise neither does customary tenure as Ethiopia went through a monarchy, feudalism and socialism to a market economy based on national land ownership. Since 1993, individuals have been granted access to urban land largely from peri-urban areas based on 99-years leasehold contracts for residential housing. The introduction of this leasehold market was supposed to replace the inefficient socialist allocation system. However, the administrative allocation of urban land through lease contract seems to be inefficient and corrupted. The poor have not been able to afford land for housing. Even for the middle class, it is increasingly becoming difficult to acquire land through formal lease system.

On the other hand, there is a great demand for cheap and easily available land, which is being intensified by in-migration from rural areas and other urban areas. This demand is partly indeed met by informal supply of land from peri-urban areas. Peri-urban farmers fearing expropriation (revocation of their agricultural use rights/holding rights) by the state without adequate compensation

prefer to subdivide their farm land into building pieces and transfer their land in the informal (black) market (Adam, 2014a). Different groups of actors such as brokers, speculators, corrupt government officials, peri-urban residents have been willing to involve in the process of informal transaction and development of land in the peri-urban areas. This trend result in a rapid development of an informal land market, based partly on extra-legal, partly on not-legitimated, and therefore criminal, land tenure regulations. To legitimize the transaction the parties involved the informal transaction of land use different mechanisms such declaring the transaction as a gift, inheritance, repayment of debt and the like. Despite all illegality in the informal transaction of land, there is also an increasing trend and chance of formalization or legalization. Therefore, this instance best explains the continuous breeding of informal land rights and then after the emergence of new formal property rights by means of formalization/ legalization of informal land rights. Even in the formal process of urban expansion through compulsory acquisition of land by the government new individualized built up properties have been emerging as a result of urban expansion. Local peri-urban farmers are expected to be forcibly displaced and dispossessed form their land and then-after the expropriated land is expected to be redistributed to private developers with the aim to facilitate urban-based economic growth. This compulsory and formal conversion of the individualized holding rights into the individualized lease hold right is very common and growing in the peri-urban areas than any other geographical space.

## **7. Conclusion**

This study has assessed and demonstrated the process of peri-urbanization and urban built-up property formation process in the transitional peri-urban areas of Ethiopia. So as to achieve the purpose of the study analysis of survey results were employed to figure out the process of peri-urbanization and the new property development

and formation process. This study has also reviewed the existing contemporary literatures about peri-urbanization and the resulting emergence of new urban built up property rights formation process both through the formal (legal) system and informally outside the legal framework.

This study has shown that both formal and informal ways are equally important in the process of converting peri-urban agricultural lands into new urban built-up non-agricultural properties. In the process of urban expansion, the former peri-urban landholders are expected to surrender their land to the urbanities. Hence, the urban expansion and development policy of Ethiopia is largely based on compulsory acquisition of peri-urban land which may result in displacement and dispossession of the local people and then-after the expropriated land is expected to be redistributed to private developers with the aim to facilitate urban-based economic growth. Thus, the move from individualized holding/possession right towards individualized lease holding rights by the government's urban development policy is commonly practiced in the transitional peri-urban areas than any geographic place in Ethiopia.

This study has also found out that the inefficiency of the formal land and housing delivery system in Ethiopia is another a driving force for the emergence of new urban built up properties in the peri-urban areas. The urban development policy of Ethiopia seems to favor the urbanities at the expense of the local peri-urban communities. As a result local peri-urban landholders would like to subdivide and sell their agricultural land illegally to the urban poor before the government expropriates and reallocates their land to the urban developers. This is also aggravated by the bifurcation of the rural and urban land tenure system for urban and rural areas which has resulted in ambiguities on by which system that the transitional peri-urban areas shall be governed. Finally, the process and practice of land acquisition from peri-urban areas for urban growth



in Ethiopia seems far beyond good international standards and experiences. The urban development process in seems to be ignoring the land rights and livelihoods of the local peri-urban communities and skewed to the urban people. Urban land development practices which relies on state controlled land delivery mechanism like expropriation is criticized for being onerous and coercive (Hong and Brain, 2012). Coercion measures imposed by public authority are not acceptable by the contemporary liberal society. Building upon the analysis of the existing urban land development situations and limitations, this study argues that it is high time for Ethiopia to think outside the box and revisit alternative participatory and inclusive land development approaches like land readjustment. It is also crucial to look into experiences from other countries that may be appropriate to the peri-urban reality.

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