



# **Study on Improving the Formal Registration of Land Transactions**

**The Ethiopian Economic Association/ Ethiopian Economic Policy  
Research Institute  
September 2018**



## Contents

Acknowledgements.....	2
Executive Summary.....	3
Background and Purpose of the Study.....	6
Literature Review.....	7
The Rural Land Administration Legislation: Proclamations and Regulations.....	8
Transfer of landholding rights .....	9
Outstanding Legislative Matters .....	14
Conclusion on the Rural Land Administration Legislation .....	15
LIFT Customer Satisfaction Study: Brief Overview of Major Results .....	16
Factors Affecting Formal Transactions.....	16
Implications and the need for further study .....	17
Study Methods and Techniques .....	17
Findings and Discussions of the Study.....	21
Extent and Magnitude of Land Transactions.....	21
Formal Land Transactions: Data from iWORLAIS system .....	22
Formal Transactions by Types .....	23
Formal Land Transactions related to Transfer of Land Holding Rights.....	25
Size of the land transacted .....	26
Formal and Informal Land Transaction: Community Members View .....	27
Trends and Future Prospects of Formal Land Transactions .....	28
Factors Affecting Farmers' Preferences.....	31
Reasons for Informal Land Transactions.....	35
Reasons for Formal Land Transactions .....	38
Benefits and Costs of Formal and Informal Land Transactions .....	40
Recommendations to increase formal transactions .....	49
Strategy 1 - Reduce Usage Costs: Improve service provision at Kebele and Woreda level .....	49
Strategy 2 - Increase the (perceived) costs of informal land transactions .....	50
Strategy 3 - Increasing the benefits of formal transactions .....	50
Strengthening Awareness (communication strategy).....	51
Other Recommendations.....	52
Implementation of the Recommendations .....	52
Conclusions .....	53
References .....	55

## Acknowledgements

This research was commissioned by LIFT but has been conducted by an independent consultancy, and does not necessarily represent the views of LIFT

This material has been funded by UKaid from the UK government; however, the views expressed do not necessarily reflect the UK government's official policies

## Executive Summary

### Background

In a country like Ethiopia where population growth is high and where agriculture remains the dominant source of livelihood, the use of agricultural land in a productive and sustainable manner is very important. This, along with a proper land use plan, demands a well-functioning and efficient market for transactions on land, as it enhances the productivity of rural land by facilitating its transfer from relatively less productive to more-productive farmers. Similarly, secure tenure is important as it facilitates long-term investments in agricultural land that is important for the sustainable use of farmlands. A good land administration system should help to achieve these two objectives, albeit with different priorities.

Ethiopia has been engaged in land registration and certification programmes for over almost two decades now. However, despite the establishment of a mass rural land records system via the rural First Level Land Certification (FLLC, launched in 1998) process, a large number of successive transfers of land-holding rights still went unregistered. Notwithstanding the above, studies that analyse the underlying range of causes for a large volume of land-holding rights transfers to be undertaken on an informal basis as opposed to formal transfers, are very rare and in short supply. There have been subsequent interventions like the Second-Level Land Certification (SLLC, launched in 2014) programme to address some of the deficiencies of the FLLC that reduced the effectiveness of the formal land registration process. The volume of formal land transactions, however, is still low and continues to threaten the gradual erosion of public land registers around the country.

Any mechanism to strengthen a sustainable Rural Land Administration System (RLAS) in general and the formal land-holding rights transactions in particular, should be based on an easy, yet comprehensive, adaptable, locally based and accessible land administration system. However, prior to the system, potential users of the system – farmers on the supply and demand side – should see the system as attractive enough to meet their needs, demands and expectations. The present study has been initiated to address these issues. The following three specific objectives have been addressed in this study:

- Assessment and estimation of the extent, magnitude and type of the main formal and informal land-holding rights transactions,
- Examination and analysis of the underlying complex web of causes for land-holding rights transactions to go through either formal or informal dealings, and
- Recommendations for evidence-based strategies and actions that will enhance and reinvigorate the registration of the transfer of/limitation on land-holding rights through formal means, under a variety of conditions and settings.

### Previous Findings

As the LIFT Customer Satisfaction Survey (2017) showed, the need for frequent visits to the land authority offices and going through a long bureaucratic process were pointed out as factors affecting formal registration of land transactions. Besides, the survey identified different sources of information on the need to register formal land transactions and that most of the formal land transactions were processed through the replacement of land certificates, but the issuance of such certificates from the concerned land authorities was reported to be too low as only 28.6% of certificates were issued for those who applied.

The survey also assessed whether respondents were aware of the need for formal registration of land transactions. Accordingly, it identified that the large majority of respondents (85.2%) learned about the benefits of registering land transactions mainly during the Second Level Land Certification (SLLC) process. The study also noted that one-third of the land transactions had been registered for renting in order to reduce risk and uncertainty of the rental agreement and avoid possible betrayal by the parties. Transactions among family members like sharecropping, but not inheritance, were not usually registered due to the fact that family members perceived that doing so is less risky.

### Research Approach

The research fieldwork was conducted between June 25<sup>th</sup> and July 13<sup>th</sup>, 2018. The study was conducted in the four regions where LIFT is operating and supporting the registration of formal land transactions. In order to gather the relevant information for the study, the research mainly employed qualitative techniques with the aim of generating first-hand information from study participants. In terms of specific methods, the study employed three tools and techniques for gathering the required data. These tools were Focus Group Discussion (FGDs), Key Informant Interviews (KIIs) and scoring and ranking methods which were used as an integral part of the KIIs and FGDs.

## Major Findings

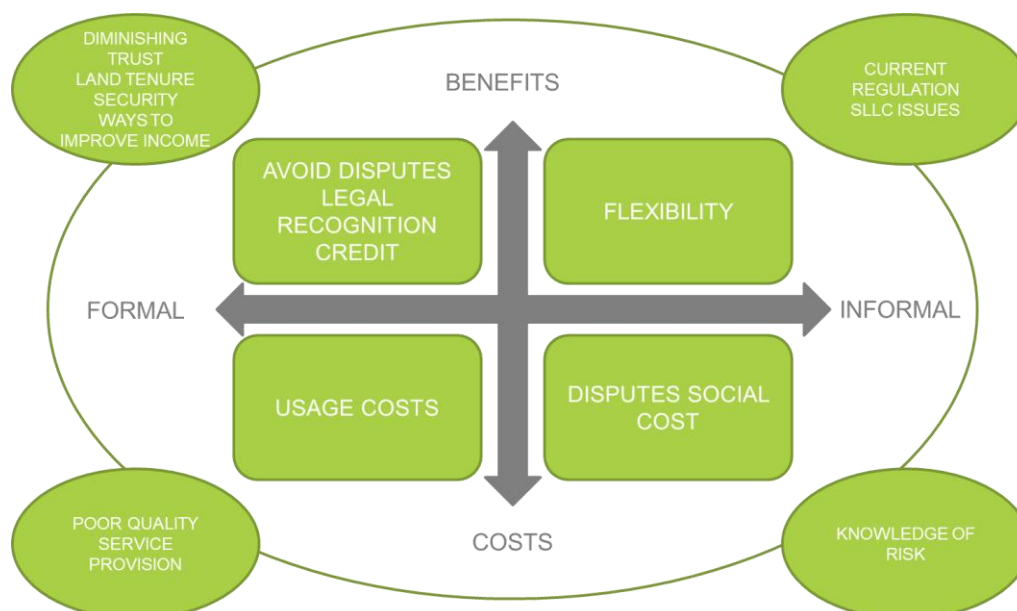
A significant portion of land transactions in the study areas are still conducted informally without registration in/recognition from the land registry system. This has a huge implication for the reliability of the data in the land register and therefore a critical negative implication for the long-term sustainability of the rural land administration system.

### *Extent, Magnitude and Type of the Main Formal and Informal Land-Holding Rights Transactions.*

The study clearly indicates continuing high levels of informality. Key informants were asked to estimate the size of informal land transactions by type of land transaction. The highest degree of non-registration was reported for fixed-rental and land transaction in the form of gifts. In terms of fixed rental, key-informants estimated that up to 60% (in three of the eight Woredas) of the transactions were conducted at village level without the involvement of the land registry. Apart from its role in terms of protecting the legal right of the weaker party in a potential contract violation, such fixed rental did not have much impact on the land documentation as they are usually one-year contracts where the holding right remains with the right holder; however, this is important information for potential renters and MFIs. The high degree of non-registered gift/donation related land transactions demands close attention as it impacts seriously on the reliability of the land database. The same is true in the case of inheritance, though at lower level.

### *Causes for Land-Holding Rights Transactions to go through either Formal or Informal Dealings.*

The study has assessed the main reasons for respondents to be engaged in formal or informal land transactions and their perceived benefits and costs. These reasons are summarized in the model below.



The study has also identified a number of legal bottlenecks that could discourage farmers from using the formal land transaction process and encourage them to continue the use of the informal transfer of landholding rights, which is widespread and deeply entrenched in customs and traditions that prevails in the rural setting.

Reasons for recording a formal transaction are; diminishing trust, the quest for land tenure security, the benefits of formal transactions and their links to income improvement and the level of awareness with regard to the risks of informal transactions. The reasons for informal transactions are mainly the result of the continuing poor quality formal service provision, which leads to high usage costs for the farmers and the current regulation, which does not allow farmers the flexibility they seek when transacting on land. Besides these reasons, incorrect or missing certificates still impede farmers from transacting land along the formal route.

## Recommendations

Based on the findings of the study and its objective to recommend ways to increase the share of formally executed land transactions, three strategies have been identified, namely:

1. Reduce the usage costs of the formal system by improving service provision at Kebele - and Woreda level.

2. Increase the awareness of the benefits of formal transactions and of the potential costs/risks related to informal transactions. It is important to increase farmers' awareness and knowledge of the benefits of a formal land transaction and its modalities and the potential costs of an alternative informal land transaction. These perceived costs could be considered as forgone benefits of formal transactions if informal transactions experienced such risks (e.g. expropriation of land under informal registration or court litigation for failed informal transactions). The strategy to increase awareness of the costs of informal transactions should be a part of the "to be designed" communication strategy.
3. Increase the benefits of the formal system. Introduce additional benefits, either unique for the formal system or modalities which are currently only offered in the informal system. The benefits of formal land transactions could be enhanced through:
  - The introduction of incentives
  - The introduction of the benefits of the informal system into the formal system
  - Introduction of new services linked to formal land transactions.

From a practical point it is advised to work first on recommendations that can be addressed within the existing institutional setup and conditions. In this regard, priority should be given to recommendations at community and household levels— awareness and better/improved support to the KLAC. Recommendations that enhance the efficiency, effectiveness and capacity of the service delivery (and its' structure) have to be addressed concurrently.

Policy related issues that involve changes in existing land regulations could have a huge impact on formal land transactions. However, because of the complexity in enacting the required legal adjustments, these measures may be less feasible from a short-term perspective.

Feasibility and prioritisation of implementation of the recommended strategies as well as details of the implementation process will have to be derived in an additional study; however, the implementation process for the 3 strategies should be as follows, in a first approach:

#### ***Recommended Next Steps for Strategy 1. Improving Service Provision at Kebele and Woreda Levels***

- Development of effective service concepts
- Testing improved service provision in model woredas.
- Further roll out to other woredas.

#### ***Recommended Next Steps for Strategy 2. Increase the Awareness of the Benefits of Formal Transactions and of the Potential Costs/Risks Related to Informal Transactions***

- Development of communication campaigns
- Testing campaigns in model woredas
- Further roll out to other woredas

#### ***Recommended Next Steps for Strategy 3. Introduce Additional Benefits in the Formal System***

- Development of measures to include the flexibility of the informal system into the formal system
- Development of additional benefits for the formal system
- Testing the effect of additional benefits in the formal system in model woredas
- Further roll out to other woredas

All in all, the rural land administration system should improve its flexibility and institutional capacity to work on a dynamic basis vis-à-vis the reasons for farmers' preferences for the informal channel. Otherwise, the land-holding right data, built through the SLLC and registered in the land register, will gradually become unreliable and finally lose its relevance, leading to a non-sustainable Rural Land Administration System in the long term. Political willingness/readiness is equally as important as interventions recommended for lower level stakeholders.

## Background and Purpose of the Study

In a country like Ethiopia where population growth is high and where agriculture remains the dominant source of livelihood, the use of agricultural land in a productive and sustainable manner is very important. This, along with a proper land use plan, demands a well-functioning and efficient market for transactions on land as it enhances the productivity of rural land by facilitating its transfer from relatively less productive to more-productive farmers. Similarly, secure tenure is important as it facilitates long-term investments in agricultural land that is important for the sustainable use of farmlands. A good land administration system should help to achieve these two objectives, albeit with different priorities.

The Ethiopian government has been trying to promote agricultural development through granting farmers a permanent/time-unlimited land holding right of agricultural land. In addition, farmers are allowed to participate in land rental/share-cropping arrangements where farmers who have labour/capital, but with little or no land, and those who have land but insufficient labour/capital, can exchange their comparative resource endowments to benefit them directly but also the wider society indirectly. Farmers also engage in other types of transactions where they transfer their land along with their land holding right permanently, in inheritance, gift, or divorce-related land transactions. In case of public/private investments on their land, farmers will be paid compensation.

Land holding rights can be transferred formally (with recognition and registration by a third/official party) or informally with the recognition of the land-lord and the tenant only and may be some neighbours or relatives. The informal transactions however, are officially not recognised (and guaranteed) by the government. While there are a number of conditions (i.e. acceptable challenges and risks) and 'traditions (i.e. beliefs and attitudes)' that encourage one or other form of land transaction, both have their own advantages and disadvantages, either to the owner/landlord, lessee/renter, or to both parties as well as to wider society.

Public land registry institutions are important to register land/land holding rights, issue Land Holding Certificates and update relevant public documents when land transactions are made. An effective process of creating new formal rights can occur when smallholders take the initiative to collect and certify land claims, demand that their property be officially registered/updated in the public domain and they be granted rights to use their land holding rights efficiently in a manner that enhances their productivity and maintain the sustainable use of the land resources.

To achieve these public policy objectives, Ethiopia has been engaged in land registration and titling programmes for over almost two decades now. However, despite the establishment of a mass rural land records system via the rural First Level Land Certification (FLLC, launched in 1998) process, a large number of successive transfers of land holding rights still went unregistered. Numerous research activities and studies documented the erosion of the rural land records due to a multiple web of factors associated with the demand and supply sides (Deininger, et. al, 2006, 2007; USAID, 2004). Notwithstanding the above, studies that analyse the underlying range of causes for a large volume of land holding rights transfers to be undertaken on an informal basis as opposed to formal transfers, are very rare and in short supply. Zevenbergen (2006) reported the lack of clear and detailed legal procedures coupled with a low level of awareness about the purpose and procedures related to the transfer of land holding rights, as a key problem and one of the major issues in updating the rural land record system in Amhara, Oromia, SNNP and Tigray regional states. There have been subsequent interventions like the Second-Level Land Certification (SLLC, launched in 2014) programme to address some of the deficiencies of the FLLC that reduced the effectiveness of the formal land registration process. The volume of formal land transactions, however, is still low and continues to threaten the gradual erosion of public land registers around the country.

Any mechanism to strengthen a sustainable Rural Land Administration System (RLAS) in general and the formal land holding-rights transactions in particular, should be based on an easy, yet comprehensive, adaptable, locally based and accessible land administration system. However, prior to the system, potential users of the system – farmers on the supply and demand side – should see the system as attractive enough to meet their needs, demands and expectations. The present study has been initiated to address these issues. The following three specific objectives have been addressed in this study:

- Assessment and estimation of the extent, magnitude and type of the main formal and informal land-holding rights transactions,
- Examination and analysis of the underlying complex web of causes for land holding rights transactions to go through either formal or informal dealings, and



- Recommendations for evidence-based strategies and actions that will enhance and reinvigorate the registration of the transfer of/limitation on land holding rights through formal means, under a variety of conditions and settings.

The remaining sections of the report are organised as follow: Chapter two focuses on the literature review where regional and federal land laws are assessed, especially in terms of whether they are facilitating or hindering formal land transactions. In addition, LIFT's Customer Satisfaction study is briefly reviewed in this chapter in terms of its key findings on the status of formal land transactions and factors that affect formal land transactions, both from supply and demand side of the transactions. The study methods and techniques employed are discussed in chapter three. Chapter four presents the study findings and related discussions. Finally, the conclusions and implications of the study for LIFT are discussed in chapter five.

## Literature Review

### Farm Size and Access to Farmlands: Trends and Implications

Access to land is a key determinant of food security and economic wellbeing for rural households in Ethiopia and one of the main criteria for assessing the nature of the land policy in a country is the extent to which it facilitates access to land. The Ethiopian land policy is faced with formidable challenges. It is not able to ensure adequate access to farmlands that meet the households' food security objective and other livelihood objectives, let alone the broader objective of the agricultural system in terms of facilitating the transformation of the national economy. There are many factors including high population growth and competition from non-farm livelihood activities that have compounded the challenges for the land policy.

Though the general trend is of declining average size of farmland and of difficulty to access farmland, the problem is not similar across all regions. In Guraghe Zone, where both of the selected study Woredas in the SNNP region are located, the farming population has increased from 1.3 million to 1.8 million between 2005/6 and 2015/16. During the same period, the average farmland, however, declined by 36% from 0.87 ha/household to 0.64 ha, indicating the challenge facing the land policy objective in terms of fighting against land fragmentation.

The difficulty in getting access to farmland becomes clearly evident when one looks at the trend in the size of their holding. In 2005/6, a little over 37% of all farmers in Guraghe Zone hold/cultivate farms with 0.5 ha or less (defined as micro holding) but the percentage of farmers with such holding size increased to 60% in a decade. In other words, in 2015/16, six farmers out of ten cultivate farms of 0.5 ha or less. This has strong implications for rural land transactions as the land legislation of the region make it difficult for farmers to be engaged in land transactions that involve farms of less than 0.51.

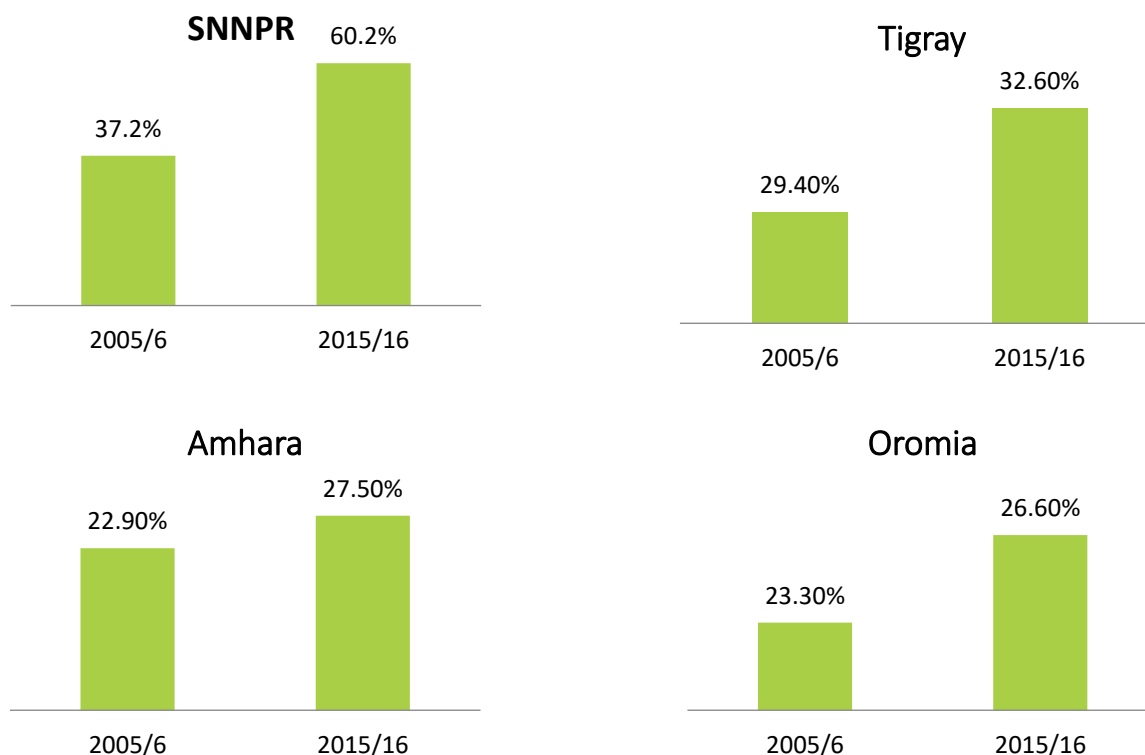
The problem is also similar in the other regions where this study was undertaken, although to a lesser extent. Farmers with micro-holdings in Tigray, Amhara and Oromia, for instance, constitute 32.6%, 27.5% and 26.6% of the farmers in the respective regions. The trend in micro-holding ownership is also increasing, but at relatively lower rate. Farmers with micro-holdings in the Tigray region, for instance, increased from 29.4% to 32.6% in just a decade between 2005/6 and 2015/16. In the Amhara region it increased from 22.9% to 27.5% while in Oromia it increased from 23.3% to 26.6% during the same period<sup>2</sup>. As pointed out above, the size of the holding can potentially exclude a significant proportion of farmers who own such small holdings. The situation is worsening, and the trend of diminishing farm size has continued (Fig. 1)

<sup>1</sup> 0.5 hectare is defined as the minimum holding size to be consider for formal registration of a land transaction.

<sup>2</sup> In Oromia region farmers cannot rent out more than 50% of their landholding, which also encourages informal land transactions as indicated by key informants in the two study Woredas of the region.



**Figure 1: Changes in micro-holding owner households (% of all farming households)**



Source: Computed based on CSA data.

### The Rural Land Administration Legislation: Proclamations and Regulations

The characteristics of the landholding rights, their associated legal requirements to allow them to be transferred/restricted through different types of land transactions and the legal provisions that motivate/restrict landholders to transfer their land through the formal land registration system, are reviewed in this paragraph. The purpose is to assess the adequacy of the rural land legislation in view of the formalisation of the registration of rural land holding rights transactions.

The Federal Rural Land Administration and Use Proclamation (Proclamation No. 456/2005) provides a framework and guidelines for the development and enactment of the Regional Rural Land Administration and Use Proclamations and Regulations. The Federal Proclamation offers a diversity of landholding rights for the landholders, for an indefinite duration of tenure and the right of all rural landholders, pastoralists and semi-pastoralists to transfer their landholding rights via inheritance, gift/donation and exchange and to rent/lease land from their holding. Indeed, Articles 5.2, 7.1 and 8.1 of the Federal Proclamation stipulate the following:

*Provision 5 (2): “Any person who is member of a peasant farmer, semi-pastoralist and pastoralist family having the right to use rural land may get rural land from his family by donation, inheritance from the competent authority”*

*Provision 7 (1): “The Rural land use right of peasant farmers, semi-pastoralists and pastoralists shall have no time limit”*

*Provision 8.1: “Peasant farmers, semi-pastoralist and pastoralist, who are given holding certificates can lease to other farmers or investors land from their holding of a size sufficient for, the intended development in a manner that shall not displace them, for a period of time to be determined by rural land administration laws of regions based on particular local conditions”.*

The Regional Proclamations and Regulations of Amhara, Oromia, SNNP and Tigray regional states reflect more or less the same characteristics of rural land holding rights, but with some variations in terms of processing the different transfers of landholding rights. An exceptional deviation from the essence of the rural land holding rights in Ethiopia is the recently enacted Amhara Regional Proclamation, which allows landholders to mortgage their landholding rights for not more than 30 years (Regional Proclamation No 252/2017). Indeed, Art. 19 of the Amhara Regional Proclamation states:

*Provision 19 (1): “Any rural landholder may mortgage his using rights to financial institutions which has been given recognition by the country’s National bank for not more than 30 years permitted by proclamation. Details will be determined by regulation.”*

*Provision 19 (4): “Any contract of mortgage related to rural land use right should be registered by the lender institution; the copy of this rent contract should be attached with the landholder’s personal file being submitted to the Woreda rural land administration and use office where the land is found”.*

## Transfer of Landholding Rights

There are several possibilities to transfer landholding rights including inheritance, gift, marriage/divorce, exchange, reallocation and expropriation; there are also possibilities to rent/lease land from the holding which implies a restriction on the landholding rights.

There are differences in the procedures and conditions involved when processing different landholding rights transactions in the different regions, including eligibility and priority for the legal heirs and/or gift-takers, actors involved during each step of the transfer’s process and legal conditions to be fulfilled.

The section below highlights these procedures and conditions, in relation to different types of land transactions but to keep this paragraph focussed, only the most popular/frequent land transactions will be discussed here.

Table 1 at the end of this section summarises the key conditions for land transactions in the different regions, related to the minimum holding size to be transferred, rental duration and registration requirements.

## Inheritance/Bequeath

In case of death of the land right holder (or of one of the land right holders), the landholding right is transferred to another person (or group of persons). Different situations can occur depending if the dead land right holder had prepared a will or not and if there is one or more heirs (in the latter case, the parcel might have to be sub-divided). Conditions and requirements for a land transaction through inheritance/bequeath can vary in the different regions

### Amhara Region

The Amhara Regional Rural Land Administration and Use (RRLAU) Proclamation permits landholding rights transfer through inheritance via “testament” or “will”. Right transfers through will, however, should fulfil the requirements defined in the Civil Code. The decision to transfer landholding rights through inheritance is taken by the Court and there are limits of “minimum” holding size or parcel(s) size of a landholding that can be transferred via inheritance. Relevant articles from regional proclamations include:

*Provision 17 (1): “The landholder can transfer his holding and using right for specific time for more than one person through will”*

*Provision 17 (5) “Notwithstanding the presence of the provision provided under sub-articles /1/ and /2/ of this Article, when one is found intestate or the given will is to be void, the right is transferred to deceased children, parent/parents or to any legally permitted other family member respectively who engaged in or wants to engage in agricultural activity”*

The minimum landholding size or parcel(s) size of a landholding to be transferred via inheritance is defined in the RRLAU Regulation (Regulation No.159 /2018). Articles 5 (1) and (2) of the regulation stipulates the following:

*Provision 5 (1): “The minimum and maximum holding size of the landholder’s in the region shall be >0.25 ha if used on rainfed-based agriculture and >0.06 if used for irrigated agriculture. And for building the residence house, the land size should be >0.02 ha of land”.*

*Provision 5 (2): “In any conditions and settings, no parcel (s) of a holding shall sub-divided below the limit indicated under Article 5 (1)”*

### Oromia Region

The Oromia RRLAU Proclamation and Regulation Proclamation No.130/270 and Regulation No. 15/2012) defines the eligibility of legal heirs and conditions as the minimum holding size to be transferred. Articles 7 (1) and 9 (3) of the regional proclamation stipulates:

*Article 7 (1): “Maintaining the existing farm plot size as it is, the holding size for the future shall not be less than 0.5 hectares for annual crops, and 0.25 hectares for perennial crops “*

*Article 9 (3): “If the inheritance of land contradicts the provision specified in Article 7(1), the claimants shall either jointly, or by any other means they agree upon use the land “*

With respect to the legal heirs, both the landless family members and individuals whose livelihood depend on the deceased household will have priority for inheritance. Indeed, Article 10 (1) of the regional regulation stipulates the following:

*Article 10 (1): “In accordance to Article 9 (1) of the proclamation, any person who has got the right to use rural land shall have the right to bequeath his own or common holdings to landless members of his family, who is living on income generated from the land or has no other means of income and permanently living with the landholder shall get the priority for inheritance.”*

### **SNNP Region**

The SNNP RRLAU Proclamation and Regulation are relatively brief and general with respect to details related to transfer of landholding rights via inheritance and other land right transfers (Proclamation No 110/200 and Regulation No.66/2000). Relevant provisions from the proclamation include:

*Article 5 (11) : “ any person who is a member of a peasant, semi pastoralist and pastoralist family have the right to use rural land that may be obtained from his family by gift or inheritance or from the competent authority”*

*Article 11 (2): “When a rural land is transferred by inheritance it shall be accomplished in such a way that the size of the land to be transferred is not less than the minimum size of holding. Details shall be determined by the regulation”*

*Article 11 (3): “If possession of the divorced spouses is less than a minimum holding size they shall use their holding by any means other than subdivision. Details shall be determined by the regulation”*

### **Tigray Region**

The Tigray RRLAU Proclamation states the inapplicability of the Civil Code with respect to the transfer of rural lands through inheritance and gift. The Regional Proclamation (Proclamation No. 239/2016) and Regulation (Regulation No. 48/2016) take precedence over the Civil Code when transfer occurs via inheritance and gift. The regional legislations define the priority of the legal heirs under various conditions and settings including the minimum holding size to be transferred and the processes involved in transferring land rights through inheritance. Articles 14 (5) and 14 (6) of the proclamation stipulates the following:

*Article 14 (5): “During transfers through inheritance, the holdings of legal heirs shall not be less than 0.25 ha of land.”*

*Article 14 (6): “During transfer through inheritance, if the holding to be transferred is less than 0.25 ha of land, the legal heirs shall have the right to use the land commonly and shall not be allowed to sub-divide. If some of the legal heirs are unwilling to use the land commonly, they are considered to forfeit their rights to the inherited land by their own and the rest legal heirs who agreed to use the land commonly shall the use the inherited land based on their agreement.”*

In the Tigray Region, inheritance cases are dealt at the Court and the following is stipulated in the Regional Regulation:

*Article 15 (1): “Based on Article 14 of the regional proclamation, after the inheritance case is presented at the court and advertised for any claims and counter-claims, no other counter-claims shall have acceptance.”*

### **Donation/Gift**

In this case a land right holder (or group of) gifts its land (or part of) to another person (or group of persons); the parcel might have to be sub-divided if the gift is made to more than one person. Conditions and requirements for a land transaction through donation/gift can vary in the different regions

## Amhara Region

The Amhara Proclamation permits transfers through gift /donations on a permanent or on a temporary basis and shall be registered by the Woreda Rural Land Administration and Use Offices ( WRLAUOs). Similar to transfers via inheritance, transfers via gift/donation should meet the minimum size of a holding or a parcel(s) of a holding. Relevant provisions contained in the Proclamation include:

*Provision 16 (5): “Without prejudice to the provision under sub article (1) of this Article, any rural landholder can transfer his holding right permanently and his using right for a limited period of time for different persons”*

*Provision 16 (7): “Any contract of donation should be in written; a contract donation agreement made in verbal shall not have acceptance before the law”*

*Provision 16 (8): “Any contract of donation made in written should be submitted and registered in the Woreda rural land administration and use office where the land is found”*

*Provision 16 (9): “The contract will be effective from the date of registration by the relevant Woreda rural land administration and use office”*

## Oromia Region

The eligibility of the gift-takers and minimum holding size to be transferred are defined under the following provision of the Regional Proclamation and Regulation:

*Article 9 (5): “Any peasant or pastoralist or semi pastoralist shall have the right to transfer his land use right to his family members or children whose livelihood depends on it, or have no other income, or to his children who have no other incomes or are landless as a gift “*

The minimum size landholding or parcel (s) of a holding to be transferred though gift is stated under Article 10 (8) of the Regulation;

*Article 10 (8): “ Any person who has got rural land less than 0.50 ha for annual crops, 0.25 ha for permanent crops and 0.25 ha for irrigable lands shall have no right to redistribute the holding through transfer by gift to his family or landless children”*

## SNNP Region

The legal details, including the legal eligibility of the gift-takers and the required legal documents are stated in a very general and brief way in both the Regional Proclamation and Regulation, and similarly, they do not provide for any details on procedures related to transfers though gift.

## Tigray Region

The Regional Proclamation and Regulation permits transfer through gift to landless children, and individuals who lived with the family and parents. Article 11 of the regional Proclamation stipulates the following:

*Article 11: “Based on Article 8 (10) of this proclamation, transfer through gift is possible via the following:*

*Article 11 (a): “Notwithstanding the statement defined under Article 8 (5) of this proclamation, transfers through gift shall be permitted to children, individuals who lived with the family and parents”.*

*Article 11 (b): “The registration of transfers through gift by “Woreda or Sub-Woreda registration and authentication Office” shall take into effect if the WLAO has a written approval document which includes evidence on ownership of the landholding to be transferred along with the neighbouring landholders. The gift-giver, gift-taker and the witness have to sign the agreement at the presence of the mediator.”*

Different from other regions, the legislation from Tigray prohibits any gift-giver from accessing any other land if he/she transferred a parcel (s) of a holding to another individual who is legally eligible to be gift-taker. Article 12 (b) of the Proclamation stipulates the following:

*Article 12 (b): “The landholder who is permitted to transfer land through gift shall have no right to accessing land through inheritance, gift or reallocation.”*

## Exchange

This is in case two different land right holders are both willing to exchange their respective land; the rationale for exchange can be reducing the distance from home to the land or regrouping small parcels (land consolidation) to make them more convenient for development. Conditions and requirements for a land transaction through exchange can vary in the different regions.

## Amhara Region

The RRLAU Proclamation and Regulation contains a brief description of the parcel data and attributes required during the exchange process of a holding between different landholders. Provision 10 (2) of the regulation stipulates the following:

*Provision 10 (2): “Based on Provision 10 (1) of the regulation, the agreement on exchanges of the two landholder shall consists of the data sets on soil fertility, land size , neighbouring landholders, location of the parcels to be exchanges including the kebele, sub-kebele and “Got”*

## Oromia Region

The RRLAU legislation contains little details on the procedures related to the transfer of landholding rights through exchange. The relevant Article from the regional regulation includes:

*Article 11 (2):” In accordance with Article (8) of the proclamation, rural land holders shall have the rights to exchange their holdings by consolidating for modern agriculture or to make the farm adjacent. The details shall be issues in directives.”*

## Tigray Region

The Regional Proclamation permits to the rural landholders to exchange their holdings or parcel (s) of a holding who are located in different kebeles or different woredas within in the region. However, the landholding or parcel (s) of a holding to be exchanged should have more or less the same size. Article 16 (3) of the proclamation states:

*Article 16 (3); “Every landholder within the region shall be able to exchange their holdings or parcel (s) of their holding between different woredas or different kebeles and the parcels to be exchanged with similar land size.”*

## Rent

A land right holder can lease, to other farmers or investors, land from his/her holding of a size sufficient for the intended use, in a manner that shall not displace him/her and for a period of time to be determined by the rural land administration and use Proclamation/Regulation of the particular Regional State. Consequently, conditions and requirements for a land transaction through rent can vary in the different Regions

## Amhara Region

The legislation of the Amhara Region sets no legal limits on the size of the land to be rented out to the third party, however, vagueness prevail on the proportion of land that can be rented out by the landholder (lessor) to the tenant. Further, a limitation is placed on the rental duration based on the type of agriculture to be applied on the rented-in land. The rental agreement requires the registration of the agreement at different levels depending on the duration of the rental agreement. Relevant provisions from the Regional Proclamation include:

*Provision 15 (2): “Notwithstanding the provision under sub-article/1 of this Article, any person cannot rent his holding right to any activity other than agriculture”*

*Provision 15 (3): “Any type of rural land rent contract should be made in written”*

*Provision 15 (8): “Any land rent contractual agreement up to the period of two years should be registered being presented to the kebele administration where the land is found and to the office of the rural land administration and use when the agreement is longer than the period of two years. Details will be determined by a regulation”.*

*Provision 15 (9): “The maximum period of rural land rent, based on this proclamation, is 30 years concerning permanent fruit plants or preferred tree types, and 10 years concerning annual crops. Hence, as its appropriateness, an agreement to be found more than 30 and 10 years is presumed as for 30 and 10 years respectively in accordance with this proclamation”*

## Oromia Region

The Regional Regulation places a severe restriction on rental duration and size of land to be rented-out. Relevant provisions from the regional proclamation include:

*Article 10 (1): “Without prejudice to Article 7(1) any peasant, pastoralist or semi pastoralist has the right to rent out up to half of his holding”*

*Article 10 (2): “Duration of the agreement shall not be more than three years for those who apply traditional farming, and fifteen years for mechanized farming”*



*Article 10 (3): “Land renting shall be valid before the law, if and only if it is registered and approved by the Oromia Agricultural and Rural development Bureau. The agreements made prior to this Proclamation shall be treated according to this proclamation”.*

### **SNNP Region**

The Regional Proclamation defines the rental duration period based on the nature of investment and land use types. The registration of the rental agreement at different levels is determined by the rental duration. Relevant Articles from the regional proclamation include:

*Article 8 (1): “Peasant farmers, semi-pastoralist and pastoralist who are given land holding certificates can rent out land for farmers or investors from their holding of a size sufficient for the intended development in a manner that it shall not displace them. Concerning the duration of the contract:*

- a) From peasants to peasants, the duration shall be up to five years.*
- b) From peasants to investors, the duration shall be up to ten years.*
- c) From peasants to investors who cultivate perennial crops shall be up to 25 years*
- d) Land described in this article sub article 1- a, b, c, shall be returned to the land holders when the duration terminates based on civil code.”*

*Article 8 (2): “The rental agreement made according to this Article Sub Article 1 has to be accomplished based on the agreement of the family of the land holder and shall be approved and registered by the competent authority as follows.*

- (a) the contract agreement with duration of up to two years shall be registered at Kebele Administration office.*
- (b) the contract agreement with duration of more than two years shall be registered by the concerned Authority.”*

### **Tigray Region**

The Regional Proclamation and Regulation stipulates that the registration all rental agreements but in particular rental agreements with a duration  $\leq 3$  years have to be processed and completed at the “Got Rural land Administration and Use Committee” and “Kebele Land Administration and Use Committee” levels. The concerned WLAO has, however, to be informed (by copy) of the rental agreement. Relevant articles from the Regional Regulation include:

*Article 14 (3): “Without prejudice to Article 9 (5) of the proclamation, any rental agreements with rental duration of  $\leq 3$  years, the agreement shall be signed at the Kebele Rural land Administration and Use Committee after it is approved by the “Got Rural land Administration and Use Committee”. The signed rental agreement shall be sent as a copy to the WLAO.”*

*Article 14 (6): Based on Article (5) of this regulation, the Kebele Rural land Administration and Use Committee review and approves the agreement within 10 days. For rental durations with  $\geq 3$  years, the applications with all supporting documents shall be sent to the WLAO. However, the kebele could reject the rental agreement based on legal reasons.”*



**Table 1: Limits for minimum holding size to be transferred, rental duration and registration requirements**

Region	Minimum holding size	Rental duration	Registration of rental agreements
<b>Amhara</b>	<ul style="list-style-type: none"> <li>• &gt;0.25 ha for rainfed use;</li> <li>• &gt;0.06 ha for irrigated use</li> <li>• 0.02 ha for building residence houses</li> </ul>	<ul style="list-style-type: none"> <li>• ≤ 30 years: For fruit crops or tree plantations.</li> <li>• ≤ 10 years: Annual crops</li> </ul>	<ul style="list-style-type: none"> <li>• ≤ 2 years duration: To be registered at the Kebele Administration Office.</li> <li>• &gt; 2 years durations: To be registered at the Woreda Land Administration and Use Office</li> </ul>
<b>Oromia</b>	<ul style="list-style-type: none"> <li>• ≥0,50 ha for annual crops;</li> <li>• ≥ 0.25 ha of land for perennial crops;</li> <li>• ≥ 0.25 ha of land for irrigated land</li> </ul>	<ul style="list-style-type: none"> <li>• ≤ 3 years : Traditional farming;</li> <li>• ≤ 15 years: Mechanized farming</li> <li>• Landholders allowed to rent-out ONLY half of their holdings</li> </ul>	<ul style="list-style-type: none"> <li>• All rental agreements irrespective of the rental durations shall be approved and registered at the Woreda Land Administration and Use Office</li> </ul>
<b>SNNP</b>	<ul style="list-style-type: none"> <li>• ≥0,50 ha of land for rainfed agriculture;</li> <li>• ≤ 0.50 ha of land for irrigated land</li> </ul>	<ul style="list-style-type: none"> <li>• ≤ years: Farmers to farmers;</li> <li>• ≤ 10 years: When a farmer rent-out to investors who produce annual crops;</li> <li>• ≤ 20 Years: When a farmer rent out to investors who produce annual crops</li> </ul>	<ul style="list-style-type: none"> <li>• ≤ 2 years rental agreements: To be registered at the Kebele Administration Office.</li> <li>• &gt; 2 years of rental agreement: To be registered by the “concerned authority.”</li> </ul>
<b>Tigray</b>	<ul style="list-style-type: none"> <li>• ≥0.25 ha of land: For rainfed agriculture;</li> <li>• The above land size limit does NOT include irrigated land</li> </ul>	<ul style="list-style-type: none"> <li>• ≤ 3 years: for traditional farming;</li> <li>• ≤ 20 years: For farming based on modern technology</li> </ul>	<ul style="list-style-type: none"> <li>• All rental agreements to be registered and documented;</li> <li>• For rental agreement ≤ 3 years, validation and approval will take place at the Kebele Rural Land Administration and Use Committee. The same to be reported to the Woreda Land Administration and Use Office</li> </ul>

### Outstanding Legislative Matters

Based on review of the RRLAU Proclamations and Regulations, there are a number of legal caveats that would potentially impede landholders to transfer land rights on a formal basis. In other words, some of the ideas embodied in the current regional legislations may play role in the decision of the landholders to undertake transactions on an informal basis.

These issues relate to the legal limitations of the landholding sizes to be transferred, characteristics of landholding rights and legal requirements on registration of the land transactions via exchange and rent. The latter two cases with particular relation to the Tigray region.

Further, the legislation of all the four regions places the responsibility on individual landholders to undertake land transactions on a formal basis in spite the knowledge that customs and traditions are one of the key drivers for landholders to practice land transactions on an informal basis. Indeed, the legislations place the primary responsibility to formalise landholding rights transactions on the landholders, although the current practice is heavily influenced by behavioural and custom factors.

The following five critical areas have been identified as important legal caveats in relation to the formal registration of land transactions.

#### The limit placed on the Minimum Holding Size

The minimum holding size or parcel(s) of a holding to be transferred via inheritance, gift, divorce, rent and other are defined in the RRLAU Proclamations and Regulations. In all four regional states, the minimum holding size to be transferred range from 0.25 ha in Amhara and Tigray regions (i.e. if land use is based on rainfed or annual crops) to 0.50 ha in Oromia and SNNP regional states (i.e. if land use is based on rainfed or annual crops). On the other hand, the current average holding size of the majority of landholders in the Highlands of Amhara, Oromia, SNNP and Tigray regional states is far less than the minimum holding size

required for processing a land transaction in the regional rural land legislations. The above described contradictory situation between the minimum land size required to legally transfer a landholding and the actual land size held by the majority of rural landholders, tends to influence the rural households that will undertake land transactions on an informal basis rather than on a formal basis.

### ***The Right on Mortgaging Landholding Rights***

There is a significant difference in characteristic of landholding rights of the Amhara region as compared to the Oromia, SNNP and Tigray Regional states. Differently from Oromia, SNNP and Tigray regional states, the recently enacted rural land legislation of the Amhara region permits mortgaging of landholding rights and prohibits the transfer of mortgaged landholding rights via rent or exchange. This characteristic of landholding rights is not explicitly stated in the rural land legislation of Oromia, SNNP and Tigray regional states with legal implications to accessing credits using the landholding certificate as collateral.

### ***Legal Requirements to Formally Register Land Rights Transactions***

The legal provisions enshrined in the regional legislation stipulates the “need” to register any landholding right transaction on a formal basis without any specification on the legal responsibilities on the part of the landholders on the one side, and of the legal environment needed to motivate landholders to register land transactions on a formal basis, on the other side. There are no legal provisions that would motivate landholders to formally register land transactions, knowing the widespread and deeply encroached customs and traditions that prevail in the rural setting that promote the landholder to practice land transactions on an informal basis.

For rural legislation to be effective and acceptable for the wider community and therefore to motivate them to register land transactions on a formal basis, the legislation should reflect the customary values and practices. The legal provision should clearly emphasise updating of land right transfers as a legal requirement, compounded with various incentive mechanisms rather than penalties, in order to encourage landholders to register land transactions on a formal basis. Incentives such as exempting farmers’ from paying land use fees for those who have formally registered land transactions would be one potential legal alternative.

### ***The Registration of Transfers Though Rent***

Exceptionally, the rural land legislation of Oromia regional state clarifies the registration of all rental agreements by the Woreda Land Administration offices (WLAOs), irrespective of the rental duration. The rural land legislation of the Tigray Regional State defines the validation and approval process needed for a rental agreement with a duration of less than 3 years at the Kebele Land Administration Committee, with the same agreement to be reported in copy to the WLAO. While the Amhara and SNNP rural land legislation states the need for registration of the rental agreement with a duration of less than 2 years at the Kebele Administration Office, they are silent on whether the same is to be registered at the WLAOs or not. In the case of Amhara and SNNP regions, the legislation lacks clarity on the registration of rental agreements with a duration  $\leq 2$  yrs at the WLAO, which may create a legal bottleneck to accessing loans for landholders using the Second Level Land Certificate (SLLC).

### ***Legal Environment for Legalisation of Transfers via Gift and Exchanges in the Tigray Region***

The legislation of the Tigray Region does not permit any gift-giver to access other rural land via means such as inheritance, gift, re-allocation and others. This legal provision may potentially demotivate any gift-giver and encourage them not to undertake any landholding rights transfer on a formal basis, since it denies the gift-givers to accessing any more additional lands.

For a land exchange to occur, parcels to be exchanged should have more or less similar sizes with disregard for land productivity and other factors. Legal provision should be made that parcel(s) of land to be exchanged may have similar land productivity but different land size and therefore are legally authorised to be exchanged. This would motivate landholder’s who want to exchange their holdings with different land sizes but with similar land productivity levels, to process the land transaction on a formal basis.

### ***Conclusion on the Rural Land Administration Legislation***

This paragraph has reviewed the key legal differences related to the most popular/frequent landholding rights transactions in the Amhara, Oromia, SNNP and Tigray regional states and has identified a number of legal bottlenecks that could discourage the formal land transaction process but on the contrary may enhance the informal transfer of landholding rights that is already widespread and deeply encroached in customs and traditions that prevails in the rural setting.

This has the consequence of decreasing the reliability of the landholding rights data registered in the land registry database, leading to the non-sustainability of the Rural Land Administration System in the long term. Therefore, the Rural Land Administration legislation will need to be revised to promote the formal registration of land transactions and to discourage the informal land transaction system, or to integrate it into the formal process.

## **LIFT Customer Satisfaction Study: Brief Overview of Major Results**

### **Status of Registering Land Transactions**

The LIFT Customer Satisfaction Survey (2017) was conducted in the SNNP and Tigray regions based on a survey of 210 customers who had registered at least one land transaction following the Second Level Land Certification (SLLC). It also includes the presentation of indicative data from a survey of 90 households that had carried out land transactions but who had not registered them with any land administration authority.

The Customer Satisfaction Survey revealed that 17.3% of all households had been engaged in a land transactions, with the figure much higher in SNNP (20.9%) than in Tigray (13.9%). In terms of formal registration of such land transactions 31.4% of all households who had been engaged in a transaction had formally registered the transaction, with the figure being much higher in SNNP (35.9%) than in Tigray (25%). It indicated that there was no variation across male and female headed households.

In terms of economic status of the households, the study found significant differences between the poor and non-poor households in registering land transaction formally. Accordingly, non-poor (37.1%) and poor (25.8%) households did register their land transactions. The likelihood of being involved in a land transaction did not vary much across poor and non-poor households, however, registration of a transaction was more likely for non-poor than for poor households. One of the factors explaining this difference is that the poor were most often involved in sharecropping among family members and friends which they didn't register formally. On the other hand non-poor households tended to be engaged in formal rental transactions in order to get a legal warranty of their agreements. The study also identified significant differences between the poor and non-poor households even within the same type of land transaction. For example, the number of non-poor households (26.2%) renting in land was significantly higher than those poor households (11.7%) who rent in land. However, the reverse works for renting out where the number of poor households (13.9%) was greater than non-poor households (10.2%).

The survey also tried to assess whether there are differences in renting practices across households based on the gender of the household head. Accordingly, it found out that female headed households (23.2%) were more likely to rent out their land than male headed households (14.7%). However, when it comes to renting in land, it is the male headed households (25.5%) who were more likely to rent in land than female headed households (9.7%). The other comparison with regard to the gender of the household head was sharecropping; the number of female headed households (56.1%) who sharecropped out land was significantly higher than for the male headed households (18.2%).

## **Factors Affecting Formal Transactions**

### **Supply-Side Factors**

As LIFT Customer Satisfaction Survey (2017) showed, the need for frequent visits to the land authority offices and going through a long bureaucratic process were pointed out as factors affecting formal registration of land transactions. For instance, 25.1% of respondents in Tigray had to go four or more times to the land authority office to successfully start the process for a formal land transaction.

The survey also assessed whether all types of transactions are done at Kebele level. Accordingly, the majority of respondents in Tigray (60.7%) who undertook land transactions reported that they had to go to the Woreda land office to register their transactions. However, in SNNP access to register a land transaction at Kebele level was far better as only 6.3% of those who were involved in a land transaction went to the Woreda land office for that.

Besides, the study identified different sources of information on the need to register formal land transactions. These include the Kebele Land Administration Committee (KLAC), social events, neighbours, family members, and other Kebele officials. Woreda officials and the media were rarely mentioned by respondents as a source of such kinds of information.

According to the study, most of the formal land transactions were processed through the replacement of land certificates, except for share cropping and renting which can be carried out through some agreed forms. The

issuance of such certificates from the concerned land authorities was reported to be too low as only 28.6% of certificates were issued for those who applied.

### **Demand Side Factors**

The LIFT Customer Satisfaction Survey (2017) also assessed whether respondents were aware of the need for formally registering land transactions. Accordingly, it identified that the large majority of respondents (85.2%) learned about the benefits of registering transaction mainly during the Second Level Land Certification (SLLC) process. Disaggregated data in terms of regions showed that 95.2% and 78.6% of respondents in Tigray and SNNP respectively, reported that they had been made aware of the benefits of formal land transactions.

The study also noted that one-third of the land transactions had been registered for renting in order to reduce risk and uncertainty of the rental agreement and avoid possible betrayal by the parties. Transactions among family members like sharecropping, but not inheritance, were not usually registered due to the fact that family members perceived that doing so is less risky.

The study also looked into the factors motivating respondents to be engaged in formal land transactions. Accordingly, the need for legal requirements, the need for formalizing land holding rights and to avoid the possibility of losing land holding rights were mentioned as the main factors. However, this list of factors was not comprehensive enough to understand all the factors encouraging or discouraging formal land transaction both from the demand and supply side of land administration. On the other hand, respondents were also asked reasons for conducting informal transactions. The most frequently mentioned reason was the fact that a land transaction among family members needed no registration and legal warranty. The lack of information on how to formally register land transactions was also an equally important factor mentioned by the respondents.

### **Implications and the Need for Further Study**

According to the Customer Satisfaction Survey conducted by LIFT in 2017, the constraints around the formal registration of a land transaction do not appear to be overwhelming, suggesting that accurate information, clear instructions and efficient processing would improve the situation significantly. Interventions are needed at institutional and policy levels if the percentage of formal registration of land transactions is to increase, in view of reducing the gradual but consistent erosion of the land register.

Although the LIFT study came out with important statistical descriptions on the size and trends of formal land transaction in both Tigray and SNNP regions, it failed to provide an explanation on the factors behind the dynamics of the transactions. This qualitative study, therefore, attempts to provide a deeper analysis of these factors through consultations with participants who are involved in land transactions.

## **Study Methods and Techniques**

### **The Study Woredas**

The fieldwork was conducted over about 18 days between June 25th and July 13th, 2018. The study was conducted in the four regions where LIFT is operating, and supporting the registration of formal land transactions. These are Amhara, Tigray, Oromia and SNNP regional states. From each region, two Woredas were selected by LIFT as the study sites. Two Woredas found in East Gojjam Zone of the Amhara regional State, namely Enebse Sar Midir and Huletej Enese were selected. In Tigray, the study was conducted in Alamata and Emba-Alaje Woredas. These Woredas are found in the Southern Zone of the region. In Oromia, the study involved two Woredas of the Arsi zone, namely Dodota and Heteossa Woredas whereas the study in SNNP includes Sodo and Mesekan Woredas.

### **Sample Selection and Size**

#### **Selection of Study Sites and Data Collection Methods**

Two kebeles from each study Woredas were selected purposely.

In Tigray and SNNP one Kebele was selected by LIFT in each Woreda. These are Selam-Bekalisi in Alamata and Kelima in Emba-Alaje Woredas in Tigray. The other two Kebeles in these Woredas were selected in consultation with the Woreda land administration offices. These are Kulugize lemmem in Alamata and Sesat in Emba-Alaje. Similarly, in SNNP LIFT had already identified Bambo in Mesakan and Negassa in Sodo Woredas. The other two Kebeles which were selected in consultation with the Woreda land administration office were Agamssa Kebele from Sodo and Wita Kebele from Mesekan.

All other Kebeles in Amhara and Oromia were selected in consultation with the Woreda land offices. Accordingly, Weria Meskel and Guna Guna Kebeles from Enebse Sar Midir Woreda and Ayen Birhan and Abyotu Selam from Hulet Ejun Enesie Woreda were selected. Similarly, in Oromia region, Hate Handode and Guchi Habe Badossa Kebeles in Hetosa Woreda and Dodota Alem and Tedecha Guracha Kebeles in Dodota Woreda were selected. All the study Kebeles were, therefore, selected by taking into consideration a high prevalence of land transaction.

In order to gather the relevant information for the study, the research mainly employed qualitative techniques with the aim of generating first-hand information from study participants. In terms of specific methods, the study employs the following three tools and techniques for gathering the required data. These tools were Focus Group Discussion (FGDs), Key Informant Interviews (KIIs) and scoring and ranking methods which were used as an integral part of the KIIs and FGDs. A qualitative research approach helps researchers in building positive relationships as the researchers are involved in the study in person. It is useful in generating theories from observation as well. Thus, a qualitative approach was opted for in order to obtain in-depth information related with registration of land holding right transactions in the study areas. The qualitative research approach is also helpful in developing patterns, hypothesis and theories related to subject of enquiry. Moreover, through these tools there was also an effort to furnish quantitative data on the extent, trend and magnitude of land transaction in the study Woredas.

### ***Selection of Key Informant Interviewees***

The key informant interviewees included people from both the demand and supply side of land transactions and administration. From the demand side farmers who undertook formal land transaction were selected as well as farmers who conducted informal land transactions and farmers from vulnerable groups such as people with disabilities, the elderly and women headed households. These participants were selected in consultation with the Kebele land administration officials. The number and composition of these interviewees from the demand side in each selected Kebele was as follows:

- Two farmers from vulnerable groups. One engaged in formal and the other in informal land transaction (either written or oral agreement).
- Three farmers who take part in formal/registered land transactions
- Three other farmers who take part in informal land transactions

From the supply side of land administration, the key informant interviewees came from the Kebele Land Administration Committee (KLAC) and the Woreda Land Administration Office (WLAO). These participants were selected due to the fact that they are knowledgeable in how and why land transactions are undertaken among the farmers in their respective Woredas and Kebeles. Accordingly, the chairman of the KLAC and Woreda level land administration officials/experts who were mainly involved in registering land holding right transactions were interviewed.

### ***Selection of FGD Participants***

Similarly, three Focus Group Discussions were conducted in each of the sample Kebeles. The composition of each of the Focus Groups mirrors the groups of key informants discussed above. That means, there were three different Focus Group Discussions, including the different categories of farmers who were involved in land transaction. These were groups of vulnerable families; groups of farmer who have been involved in land formal transactions and a third group who have been involved in informal land transactions. Each of the Focus Groups consisted of 8 to 10 persons who were selected from the respective communities with the support of the KLAC. The following Table 2 shows the total number of Key Informant Interviews and FGDs conducted in the study Woredas in the four regions.



**Table 2: Sample size and types in the study Woredas**

Study Areas			Sample Composition and Size			
Region	Woreda	Kebeles	FGDs	KIIs/Farmers	KIIs/KLAC	KIIs/WLAO
Tigray	Alamata	Selam Bikalis	3	9	1	1
		Kulu-gizie Lemlem	3	9	1	
	Emba-Alaje	Sesat	3	9	1	1
		Kelma	3	9	1	
Amhara	Enebse Sar Midir	Weria Meskel	3	9	1	1
		Guna Guna	3	9	1	
	Huletej Ejun Enesie	Ayen Birhan	3	9	1	1
		Abyotu Selam	3	9	1	
Oromia	Heteossa	Guchi Habe	3	9	1	1
		Hate Handode	3	9	1	
	Dodota	Dodota Alem	3	9	1	1
		Tedecha Guracha	3	9	1	
SNNP	Meseke	Bambo	3	9	1	1
		Wita	3	9	1	
	Sodo	Negassa	3	9	1	1
		Agamssa	3	9	1	
<b>Total</b>	<b>8</b>	<b>16</b>	<b>48</b>	<b>144</b>	<b>16</b>	<b>8</b>

## Data Sources and Data Collection Instruments

### Primary Data

Key Informant Interviewees (KII) and Focus Group Discussions (FGD) were conducted using semi-structured questionnaires to collect data related to land transactions. Interview and discussion guides were developed in such a way that they would furnish information and insights that would help to capture the web of causes for transactions to go on formal and informal basis, as well as to estimate the size of each transaction. Accordingly, the experience and perception of actors from the demand and supply side of land administration were obtained and put into thematically organized categories.

The KIIs were also intended to learn the understanding, knowledge, experience and perception of the respondents on land transactions. In this regard, checklists and questions were formulated in a way to understand the contextual nature of that experience or perception, to uncover what is usually hidden for the external observer or from any ordinary view. These questions served as a guide during the actual interviews and the interviewers gave informants liberty to formulate their own detailed observations and perspectives regarding their perception/opinion about the land transactions.

Similarly, FGD guides with mainly open-ended questions were developed in order to conduct the discussions with the selected participants and generate information, opinions and insights on farmers' experiences of their engagement in land holding right transactions (both informal and formal). Participant's knowledge on changes and trends on land holding rights transactions, behaviour, preferences and characteristics of actual and potential participants and institutions and regulations that guide and affect land transactions were among the major topics of the FGDs.

The FGDs also helped to understand the underlying complex web of causes for land holding rights transactions and on the potential strategies and actions that will enhance and reinvigorate the formal registration of the land transactions, together with the conditions and settings required to build the confidence of potential participants as well as the sustainable operation of the land holding rights transactions. The FGDs were organized separately in terms of the three categories as identified above. These are representatives of vulnerable families involved in any type of transaction, farmers involved in formal transaction and another group of farmers involved in informal transaction. In each case, the discussion lasted from one to one and half hours.



## Secondary Data

In addition to the primary data collected through the above techniques, relevant secondary data was also gathered from land administration offices both at Kebele and Woreda levels. Data on the size and trend of formal transactions was available in both Woredas for the last two years (2016/7 and 2017/8). Alternatively such data was also available from LIFT's iWORLAIS database. As a background for the current study, secondary data was also collected through reviewing related documents such as the Land Administration and Use Proclamation from each region and the Federal Land Administration and Use Proclamation. The report on the Customer Satisfaction Survey, conducted by DAI/LIFT, was also reviewed. This report mainly looked into the practices, trends and size of formal land transaction in Tigray and SNNP regional states.

## Scoring and Ranking Method (SRM)

Participatory scoring and ranking activities were undertaken to identify priorities and preferences. These were applied during FGD sessions and in some cases during KIIs and were important tools to assess opinions and perceptions on the registration of different land transaction types and to prioritise strategies and actions that should be considered to improve registration practices from both demand and supply sides.

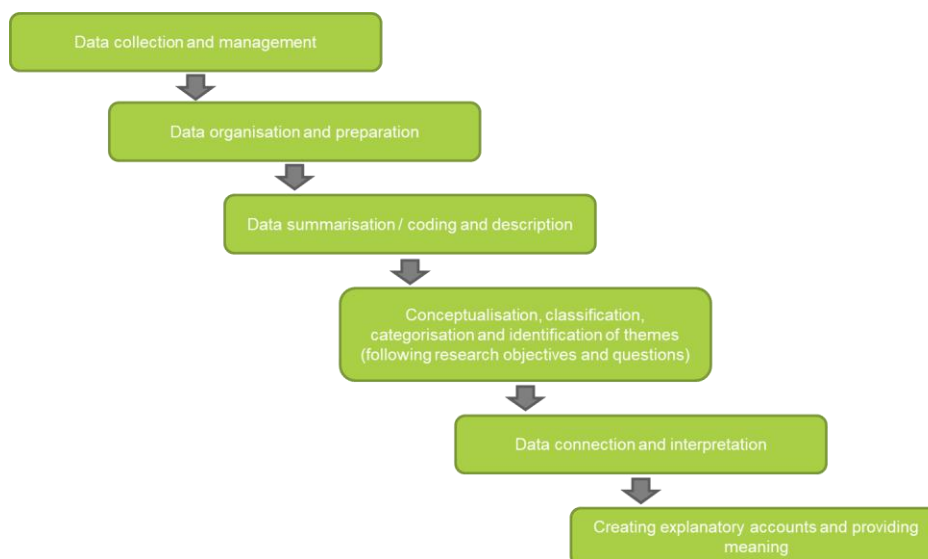
Accordingly, opinion, for instance, was measured in terms of the following opinion-scales: strongly agree, somewhat agree, somewhat disagree, strongly disagree, no opinion. Similarly, justifications or logic behind a given opinion or lack of opinion was also identified and ranked in terms of their significance vis-à-vis the opinion/scale-of-opinion. In the same way, respondents were encouraged to share their view on future likely scenarios and trends (in terms of optimistic, pessimistic or neither of the two) for alternative trends or projections concerning land transactions. They were also asked to rank alternative options that will enhance their participation in formal land transactions – via enhancing their incentives to register their land transactions or minimize the reasons that hold them back from visiting a KLAC/WLAO.

Similarly, farmers were also asked to rank the potential disparity in participation in formal land transactions among different community groups (socio-economic groups e.g. rich versus poor, vulnerable versus non-vulnerable, friends/acquaintances versus strangers etc.) or types of land transactions (e.g. fixed-land rental, donation/gift, inheritance, exchange, consolidation) or size of farm land (transaction involving small farmlands, average farm size or large farmlands) as well as the duration of contracts in case of rental transactions.

## Data Organisation and Analysis

The qualitative data collected through KIIs and FGDs was first thematically organised. Then, the analysis mainly focused on context specific meanings and explanations for reported practices and perceptions of participants on land transactions. More specifically, analysis on the trends, size and contexts of formal and informal transactions was done by looking into the insights of the study participants. While dealing with prevalence of land transactions and attributing factors for various types of land transactions, a ranking and scoring technique was applied by summarizing the perceptions of interviewees as reported by the majority. Accordingly, trends, patterns, harmonious and contradictory explanations have been identified to generate coherent meanings, themes and issues at different levels of inference by using cross-case thematic analysis. The general data organization and analysis process broadly followed the steps indicated in Figure-2 below.

**Figure 2: Data Organisation and Analysis Process**



### Limitations of the Study

The main limitation of the study is related to appropriateness of the adopted research method in addressing one of the objectives of the study – estimating the extent, magnitude and type of formal and informal land transactions. The research approach is basically a qualitative method using FGDs and KIIs. The quantitative data on the extent and magnitude of land transactions generated using these techniques is based on a mere estimation made by respondents. As a result, the quantitative data will not enable us to make statistically valid generalization for the entire Woreda. The sampled population cannot be considered as representative samples selected using probability sampling techniques. The samples in these qualitative techniques were rather selected based on purposive sampling.

While diversity of the samples was one key criterion, the study tried to select and discuss with farmers and others who have good knowledge of land transactions in their study areas. This, together with the use of data from previous studies as well as the LIFT's iWORLAIS's land transactions data collection and management system, helped to minimize the gap associated with the qualitative nature of the study, though this will not offset the need for quantitative household survey following probability random sampling methods. In addition, the fieldwork was also conducted during the rainy season which is a critical time for farmers engaged in farming activities. As a result, it was challenging to organize focus group discussions and key informant interviews on time.

## Findings and Discussions of the Study

### Extent and Magnitude of Land Transactions

Rural land transactions can broadly be classified into two groups, formal versus informal land transactions which indicate the difference in the legal status of the transactions as the former is registered at the land registry, while the latter is conducted at village level without being registered at the land registry. This, has important implication for the land administration system as informal transactions are the cause of erosion of the Land Register's data originated as a result of land certification programmes.

Similarly, land transactions can be classified based on impact on the land holding right as transactions with transfer of the holding right to another land holder and transactions that limit/restrict the land holding right. Transactions with transfer of rights are permanent transactions as the land holding right of the holder is transferred to the new holder, while transactions that limit/restrict the land holding right are temporary transactions where the holder of the land will not lose his/her holding right during the period when the land is used by another party, as the case is in fixed land rental and share-cropping arrangements and/or in the case of 'mortgaging' land in relation to credit. In Ethiopia, however, the land law prohibits any mortgage-related transactions. Farmers in the sample Woredas are allowed to get credit largely for agricultural purposes from local Micro-Finance Institutions (but not from private persons or formal financial institutions like Banks).

Unlike the temporary type of transactions, permanent land transactions are largely triggered by social factors and include transactions related to inheritance/bequeath, gift/donation, divorce and others like

exchange/consolidation which will have strong economic implications as such transactions may lead to consolidation of fragmented farms and/or reduce the time farmers need for travel to plots located at distance.

### Formal Land Transactions: Data from iWORLAIS System

No one knows the total number of land transactions conducted in the study areas. Official statistics generated by the respective Woredas Land Administration Offices (WLAOs) show only the number of transactions brought to them and approved by the land registry. This study, however, tried to estimate the proportion of land transactions conducted informally by farmers in the sample study areas. For this purpose, farmers who served as key informants and participants of the focus group discussions were asked to estimate the proportion of the informal as well as the formal transactions as percent of total land transactions conducted in their Kebeles/Woredas. The estimations of the proportion of formal and informal transactions will help to estimate or guess the total land transactions at least indirectly just by combining such data with data from land registry as recorded in the iWORLAIS<sup>3</sup> database.

**Table 3: Total Formal Land Transactions registered at the land registry of the sample Woredas<sup>4</sup>.**

Woreda	Registered Formal Transactions per Reporting Period		Estimated Transactions computed from Official Data	
	Number	Reporting Period	Av. transactions/month	Av. Transactions/annum
Sodo	427	7/1/2016 - 4/30/2018	20	240
Mesekan	679	7/1/2016 - 4/30/2018	31	372
Heteossa	344	6/20/2017 -12/31/2017	57	684
Dodota	110	8/1/2016 - 4/30/2018	6	72
Alamata	296	8/1/2016 - 4/30/2018	14	168
Emba-Alaje	313	8/1/2016 - 4/30/2018	15	180
EnabseSar Medir	745	8/1/2016 - 1/31/2018	42	504
Huletej Enese	3,739	8/1/2016 - 1/31/2018	208	2,496
<b>Total</b>	<b>6,653</b>		<b>393</b>	<b>4716</b>

Source: Computed based on LIFT's iWORLAIS Database; data for the two Woredas from the Amhara region come from manually computed database of the respective WLA offices as iWORLAIS system ceased to exist there after July 2017 due to lack of skilled manpower.

According to the iWORLAIS database, about 6,653 land transactions were formally registered at the land registry of the sample Woredas for the total of the reporting periods. The highest number of land transaction was registered in Huletej Enese Woreda of the Amhara region, to be followed at a distance by EnabseSar Medir of the same region and Mesekan Woreda of the SNNP region. The least formal land transactions occurred in Dodota Woreda where only 110 transactions were registered in the 21 months period between 8/1/2016 and 4/30/2018.

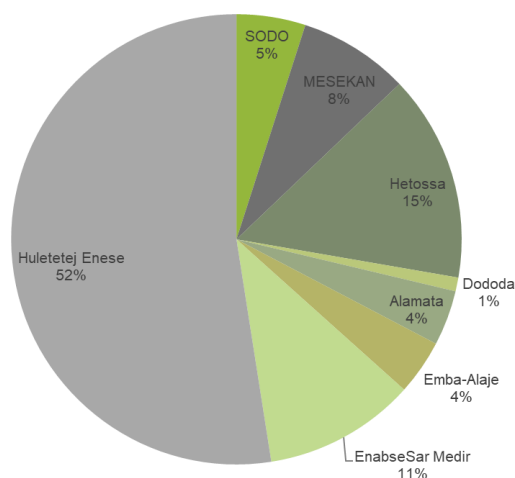
As the data refers to different reporting periods which widely differ from 6 months in the case of Heteossa Woreda to 22 months in the cases of Sodo and Mesekan Woredas, it is important to annualize these data to understand the number and regularity of formally registered land transactions in the sample Woredas. This is shown in the last two columns of Table 3 above.

<sup>3</sup> iWORLAIS is the Intermediate Woreda Land Administration Information System developed by the LIFT Programme to manage the Woreda's Land Register, till the National rural Land Administration Information System (NRLAIS) is operational in the Woredas

<sup>4</sup> The number of land transactions refers to the number of officially approved transactions. Applications presented to the respective land registry which are either rejected or pending the approval are not included.

**Figure 3: Percentage Share of Formally Registered Land Transactions by Woredas**

**Percent of registered land transactions over the reporting period (N=4,716)**



Source: Computed based on LIFT's iWORLAIS Database

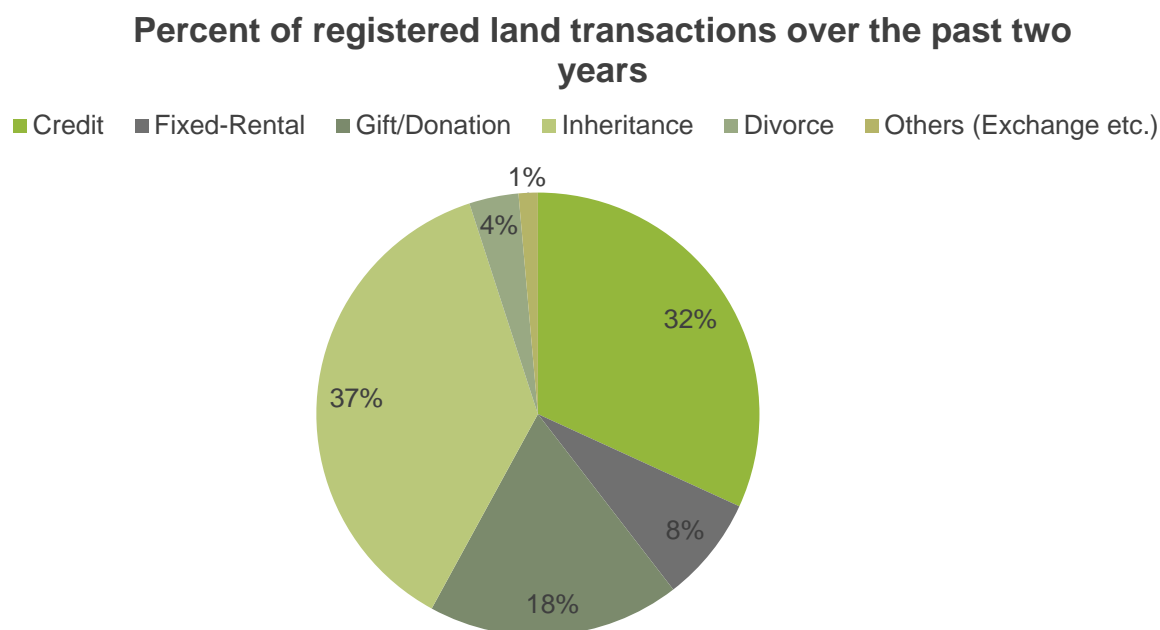
The annualized data shows that on average about 4,716 land transactions could be formally registered in the land registry offices (WLAOs) of the study Woredas. Out of these estimated annual land transactions, Huletetj Enese accounted for 52%, to be followed by Heteossa Woreda of the Oromia region as it accounted for 15% of the total estimated transactions. The share of the other Woredas varies from 1% in the case of Dodota from the Oromia region to 11% in Enabse Sar Medir from the Amhara region (Fig 3).

The data in general shows significantly large differences in terms of the registration of formal land transactions. There are a range of reasons for such a large disparity in formal land registrations among the different sample Woredas. These reasons can be broadly classified into two: differences in the number of land transactions and non-registration of the land transactions. The first reason is due to variations of sample Woredas in terms of geographical or community level factors like the degree of commercialisation, access to/demand for farmlands or experience with land (or land-holding rights) transactions. Differences at farm/household levels in terms of economic or non-economic social factors contribute to the wide disparity in registration of formal land transactions. On the other hand, differences in operational efficiency and trust in the land registry offices at Woreda and Kebele levels (WLOAs and KLACs) explain part of the reported differences in magnitude and extent of land transactions registered at the land registry offices of the respective Woredas.

### Formal Transactions by Types

In terms of land transaction types, the most common type of registered transactions are inheritance and credit related transactions. Inheritance accounted for 37% of the total registered land transactions; while 32% is accounted by credit-related 'transactions'. Gift/donation and fixed-rental are the third and fourth most commonly registered transactions with 18% and 8% share in the total formally registered transactions (see Fig 4).

**Figure 4: Percentage Share of registered land transactions by their types (N=6,656)**



5

Source: Computed based on LIFT's iWORLAIS Database

Most of the registered land transactions at Woreda level are dominated by one or two types of transactions. As shown in Fig. 5 below, credit-related land transaction constitute 74%, 63%, 59% and 43% of the total formally registered land transactions in Sodo, Heteossa, Meseke, and Enabse Sar Medir Woredas, respectively. On the other hand, inheritance accounted for 86%, 75%, 51% and 40% of formal transactions in Alamata, Emba-Alaje, Dodota and Huletej Ense Woredas, respectively. Similarly, gift/donation accounted for a little over a third and a fifth of formal land transactions in Dodota and the two Woredas of the Amhara region.

The skewed distribution of formally registered land transactions has important implications in designing future interventions as they reveal differences in popularity/demand for registration of different types of land transactions. Discussions with key informants and with focus group participants reveal that its role in easing cash problems of farmers (for purchase of farm inputs) makes credit-related transactions popular (and formalized as the MFI requests formal registration of the land to provide credit), while farmers' interest to minimize potential litigation among possible claimants of the land in question is the main factor for the high registration of land transactions. On the contrary, the low level of inheritance and gift-related transactions in some of the Woredas needs careful attention from the land registry offices of the respective Woredas and Regions.

<sup>5</sup> Gifts/donations are largely associated with marriage when young members of farming household get part of their family's land when he (she) married and start a new life.

**Figure 5: Percent of respective land transaction types from the total of formal transaction registered in the respective Woredas**



Source: Computed based on iWORALIAS data

### Formal Land Transactions related to Transfer of Land Holding Rights

As land is owned by the public and administered by the government, farmers have only use or holding rights on it. However, they can transfer the use of their land with or without their holding rights. In temporary transactions like fixed-rental or credit-related 'transactions' farmers permit someone else to (contractually) use the land and as such their holding right is restricted/limited by this transaction whereas in cases of inheritance, gift or divorce related transactions farmers transfer their land with their holding rights. Transactions with transfer rights are important in terms of their effect on the reliability of the land registry database for use by specific customer's groups, as the particulars of the right holder as well as the characteristics of the land to be transferred will be changed permanently.



About 60% of the formally registered land transactions involve transactions with transfer of rights. The other 40% of transactions registered at the land registry of the sample Woredas are temporary transactions as holders rights associated with the land remain with the use-right holder of the land in the question (see Table 4).

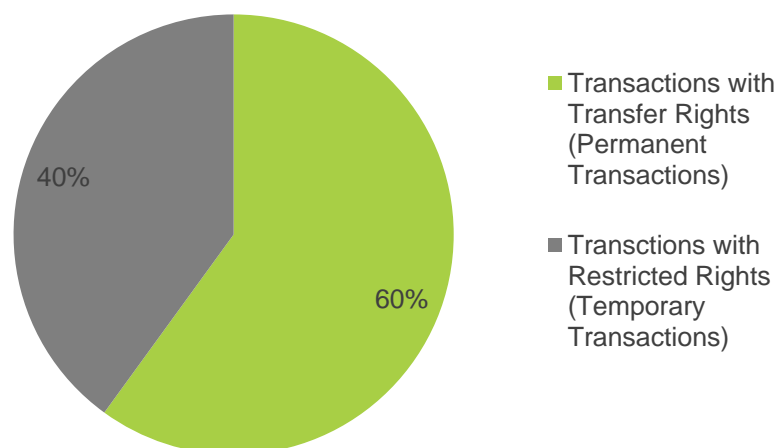
**Table 4: Formal Land Transactions by type of Transfer Rights**

Woredas	Transaction with Transfer of Rights (Permanent Transactions)	Transactions with Restriction on Rights (Temporary Transactions)
Sodo	14%	96%
Mesekan	36%	74%
Heteossa	37%	63%
Dodota	90%	10%
Alamata	100%	0%
Emba-Alaje	100%	0%
EnabseSar Medir	55%	45%
Huletej Ense	66%	34%
<b>Total in %</b>	<b>60%</b>	<b>40%</b>
<b>Total in number of land transaction</b>	<b>4,015</b>	<b>2,638</b>

Source: Computed based on iWORALIAS data

The share of land transactions with a transfer of rights and with restrictions of rights widely differ among the different sample Woredas. In the two Woredas of the Tigray region, Alamata and Emba-Alaje, all of the formally registered transactions are permanent transactions; whereas close to 100% of the formal transactions in Sodo Woreda are temporary transactions. Similarly, in Mesekan Woreda of the SNNP region three out of every four transactions are temporary transactions. On the other hand, in Dodota Woreda 90% of reported formal transactions are permanent transactions. In the other four Woredas there is some disparity as in Heteossa where 63% are temporary (credit) transactions, and 66% and 55% transactions in Huletej Ense and EnabseSar Medir are permanent transactions, respectively.

**Figure 6: Formal Land Transactions and Transfer of Holding Rights**



Source: Computed based on iWORALIAS data

### Size of the Land Transacted

The size of the farm lands that farmers transact is in general small. Data from key informants from the study Woredas, however, shows slight disparities in the size of the land transacted. In the two Woredas of the SNNP region, 50% to 60% of the key informants indicated that the transferred farm land is less than a quarter of a hectare (two timads). This is in addition to close to 40% whose experience revealed transactions of plots that vary between 0.25 and 0.50 ha. In Heteossa and Dodota, farmers are engaged in transaction of relatively large farm land. In general, about 50% of all the transactions involve farm land less than half a hectare, while the remaining balance involve farm land that vary between 1 and 1.5 ha in Heteossa, and farm land greater than 0.75 ha (but less than a hectare) in Dodota Woreda. In Tigray a little over a third of the farm land transferred was less than a quarter of a hectare. The trend in Amhara is not much different from the case in Tigray (See Table 5).

**Table 5 - Average Farm Land Size Per Transaction (Experience of Key-Informants)**

	Sodo	Meskan	Heteossa	Dodota	Alamata	Emba-Alaje	Enabse Sar Medir	Huletej Enese
0.25 ha & less	50%	60%			22%	33%	44%	44%
0.50 ha & less	90%	80%	50%	31%	77%	77%	69%	88%
0.75 ha & less	100%	100%			89%	94%	86%	94%
1 ha & less				68%	100%	100%	100%	100%
1 ha - 1.5 ha			100%	100%				
<b>N</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>

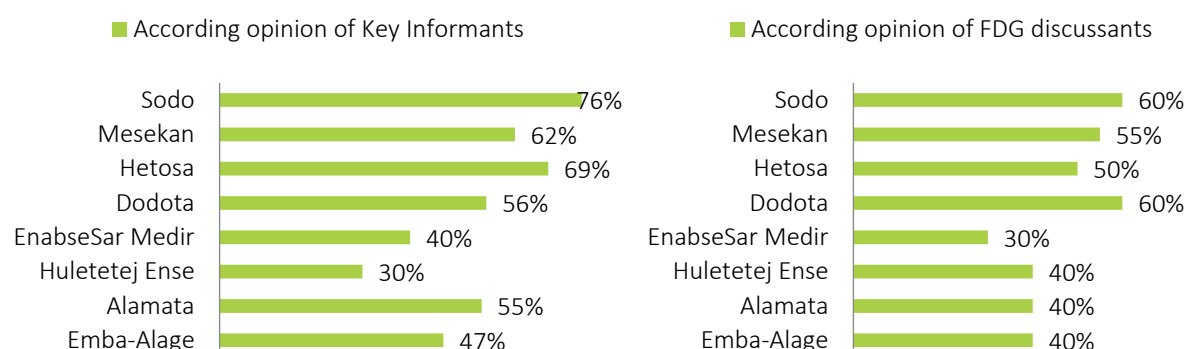
Source: Computed based on info from KII interviews

Note: As the question didn't disaggregate the situation for formal and informal transactions, rather key informants were asked to inform the size of land they transferred per transaction.

### Formal and Informal Land Transaction: Community Members View

The discussion in the previous section was largely made based on land transaction data generated from the iWORLAIS system. However, information on the total amount of informal land transactions in the study areas is not available. Farmers who live and work with participants of land transactions could give relatively better estimates of the size of non-registered/informal land transactions from the total number of transactions they think are transacted in their respective areas. The study, therefore, asked key informants and FGDs participants to give their best estimate on the size of informal land transactions (vis-à-vis the total size of land transactions) and this is presented in Figure 7.<sup>6</sup>

**Figure 7: Extent of Informal Land Transactions by Woredas (as percent of total estimated land transactions).**



Source: Computed based on Field data.

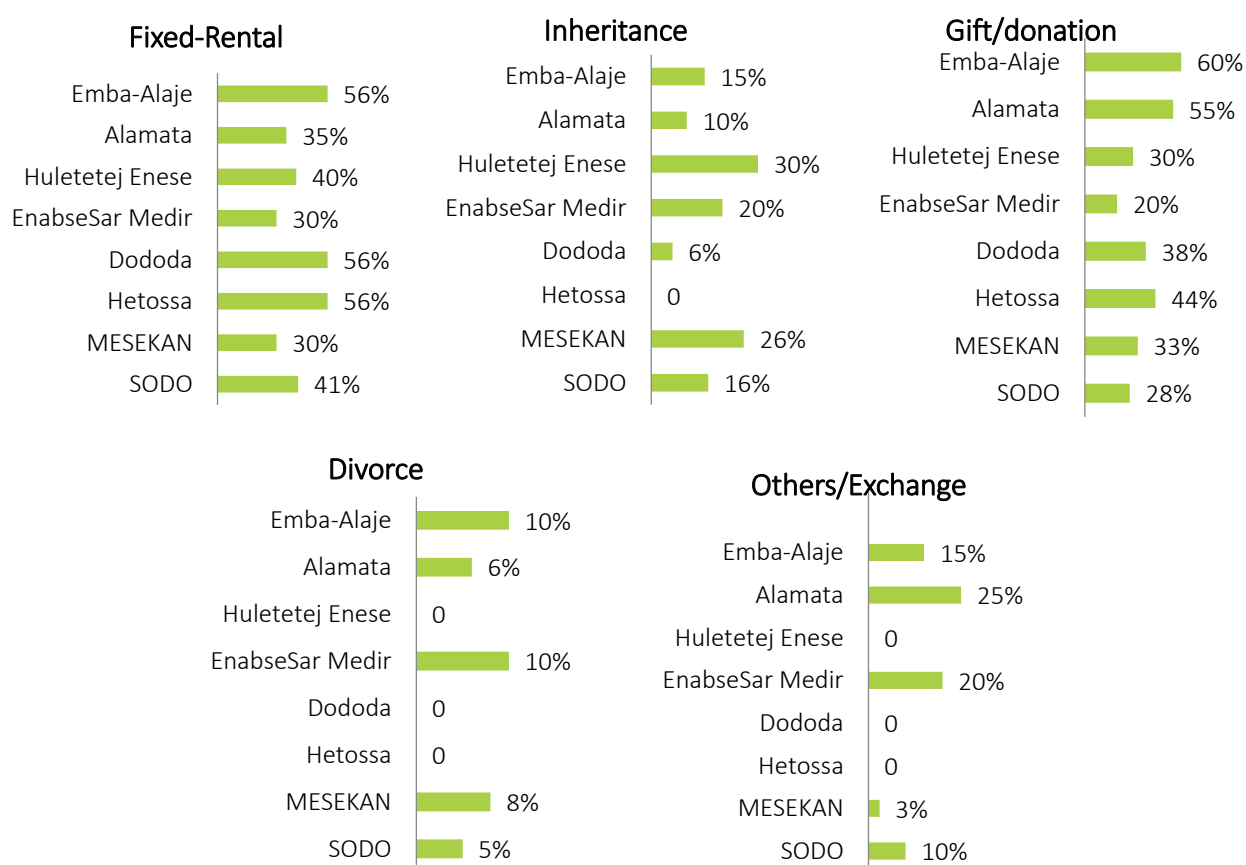
While there is a slight difference between the estimates of the key informants and participants of the FGDs, the findings indicate a relative large size of informal/undocumented land transactions in the study areas. Information generated from key informants indicates that the size of informal land transactions vary between 30% in Huletej Ense Woreda to over 60% in Heteossa and the two Woredas (Sodo and Mesekan) of the SNNP region. On the other hand, information from focus group discussions indicates that informal transactions vary between 30% and 40% in the Amhara and Tigray regions, and between 50% and 70% in the four Woredas of the SNNP and Oromia regions. This large share of informal land transactions vis-à-vis the relatively large participation of farmers in land transactions (which is estimated by the LIFT study to be about 17% for some Woredas in SNNP and Tigray) also emphasizes the need to redirect the informal land transactions to the formal mechanism.

<sup>6</sup> It is important to note the problem associated with small sample size, as well as the qualitative nature of the study which have serious implications on the reported estimations. However, the study team believes that the reported figures are important as they are derived from a quantitative study with large sample size. The actual question was presented as: "from 10 farmers engaged in land transactions, in your best estimates how many went to/failed to travel to the land registry to register their transactions?"

By any standard, these estimated figures on informal land transactions are not low and they explain the extent of the corresponding degree of erosion of the land databases established during the FLLC and SLLC land certification programmes.

Key informants were also asked to estimate the size of informal land transactions by type of land transaction as indicated in Fig 8 below. The highest degree of non-registration was reported for fixed-rental and land transaction in the form of gifts. In terms of fixed rental, key-informants estimated that up to 60% (in three of the eight Woredas) of the transaction was conducted at village level without the involvement of the land registry. Apart from its role in terms of protecting the legal right of the weaker party in potential contract violation, such fixed rental didn't have much impact on the land documentation as they are usually one-year contracts where the holding right remains with the right holder; however, this is important information for potential renters and MFIs. However, the high degree of non-registered gift/donation related land transactions, demands close attention as it impacts seriously on the reliability of the land database. The same is true in the case of inheritance, though at lower level.

**Figure 8: Extent of Informal Land Transactions by transaction types (as percentage of total estimated type of land transactions; opinion of Key-informants)**



Source: Computed from estimations made by Sample farmers in the respective study areas

### Trends and Future Prospects of Formal Land Transactions

In addition to the assessment of the size and magnitude of land transactions and their registration, the study also tried to assess both the trend (compared to the past few years especially since the SLLC) and the future prospect of formal land transactions. The second level of land certification was conducted in 2015/16 in most of the study sites. So the number of years since the SLLC is limited in terms of establishing the trend pattern of formal land transaction, certainly from a long-term perspective. But, this shortcoming can partly be compensated for by looking at the opinion of farmers which was shared with the study team.

Formal land transactions increased by over 40% in one year between 2016/17 and 2017/18 (see Table 6). In addition this positive development makes more sense if we put such numbers together with other related figures such as the proportion of registered land transactions vis-à-vis the total number of land transactions. In other words, this trend on formal transactions makes real sense only if one knows the trend of total land transactions.

**Table 6: Types of Land Transactions are More Frequently Registered? Opinion from FGDs<sup>7</sup>**

Woreda	Fixed Rental	Gift/donation	Inheritance	Exchange/Consolidation)	Others (mainly divorce)
Sodo	20%	30%	50%	--	--
Mesekan	10%	30%	60%	--	10%
Hetossa	25%	20%	45%	--	10%
Dodota	10%	30%	50%	--	10%
Alamata	29%	9%	40%	12%	10%
Emba-Alaje	27%	8%	50%	15%	--
EnabseSar Medir	5%	28%	55%	10%	6%
Huletej Enese	17%	22%	55%	6%	--

Source: Computed based on Field Data.

In terms of the type of transactions, exchange, credit-related and inheritance-related transactions are the three most important types of land transactions in terms of registration. Though it is negligible in terms of its share of the total transactions, land exchange which helps land consolidation or reduces farmers travel time to plots located at distant places increased by 144%.

The two most common formal transactions – inheritance and credit – which constitute close to 70% of the formal land transactions also grew significantly. Registration of credit-related transactions was increased by 74% and inheritance by 56%. The implication is that these transactions will continue to hold their dominance in formal land transactions in the future too. But they might change their position as credit-related transaction might be the most common transaction soon if the trend continues and micro-credit services expand to other Woredas where the service is not yet started.

**Table 7: Changes in Formal Land Transactions over the Past two Years**

Transaction	2016/17	2017/18	Percentage Change
Inheritance	1008	1574	56.2
Fixed Rental	658	667	1.4
Exchange	39	95	143.6
Divorce	55	58	5.5
Gift/donation	653	749	14.7
'Credit'	712	1242	74.4
<b>Total</b>	<b>3125</b>	<b>4385</b>	<b>40.3</b>

Source: Computed based on data supplied by WLAOs of sample Woredas. Data for the two Woredas from Oromia is not included.

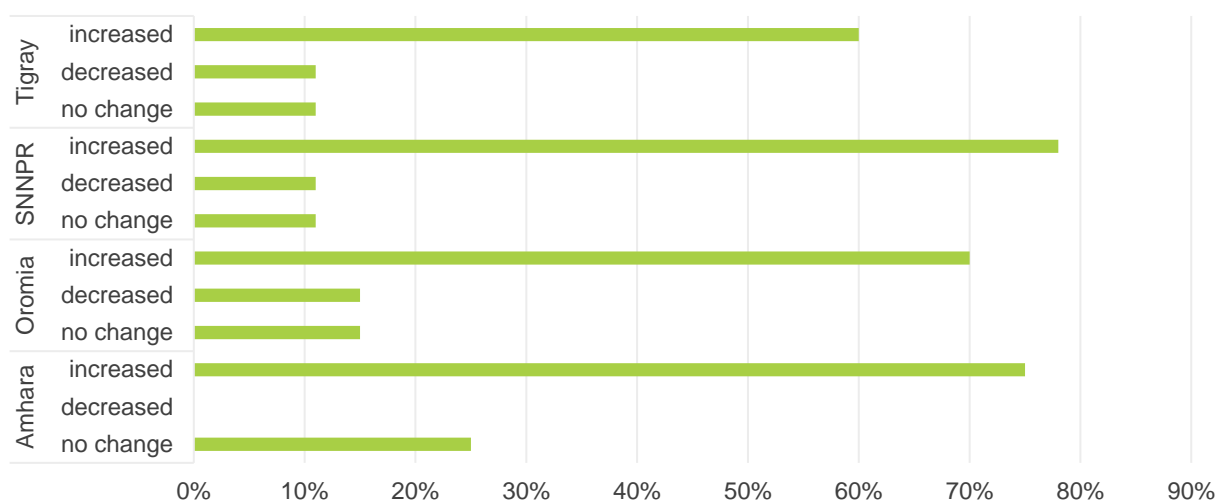
<sup>7</sup> Note: Credit is excluded in this ranking as it is not common in all Woredas as well there was some non-response in some Woredas where it was conducted.

Green – most frequently registered transaction/1<sup>st</sup> ranked

Light green- second most frequently registered transaction/2<sup>nd</sup> ranked)

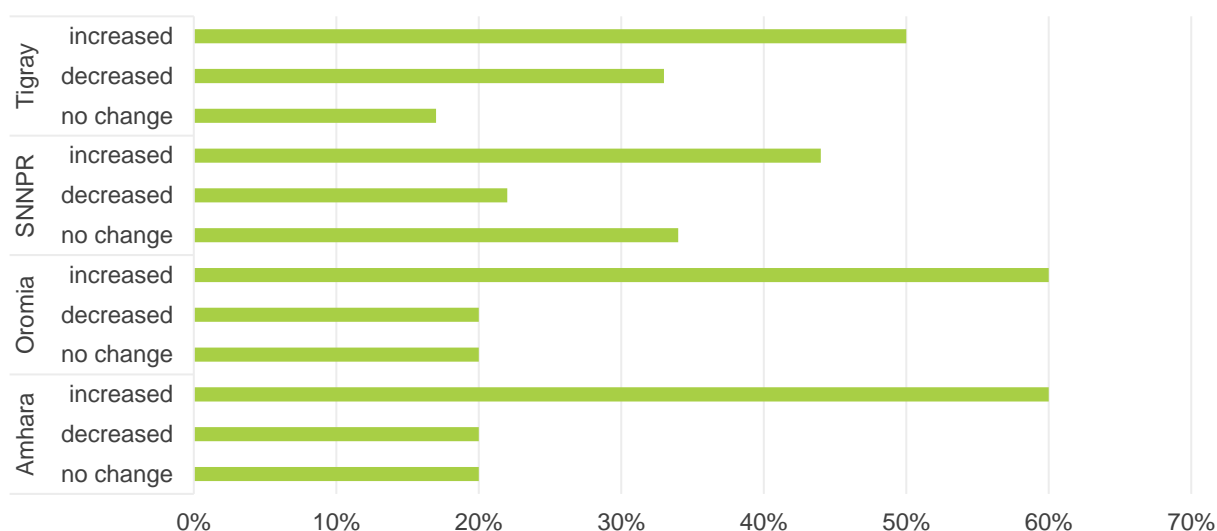
Grey – third most frequently registered transaction/3<sup>rd</sup> ranked

**Figure 9: Trends in Formal Registration of Land Transactions (Opinions of Key Informants)**



Source: Computed based on data from sample farmers

**Figure 10: Trends in Formal Registration (Opinions of FGDs)**



Source: Computed based on data from sample farmer

Discussion with key informants as well as focus group groups indicates that formal land transactions have increased in recent years, especially since the issuance of the Second Level Land Certificates. On average about 70% of the key informants believe that formal land transactions have increased (see Fig. 9 and 10 above). Data from focus groups discussions are also optimistic but at a relatively lower level. On average about 50% to 60% believe that formal registration of land transactions has increased over time.

Opinion of key informants on the future of formal land registration also reveals their positive outlook for the future of formal transactions. There are, however, some regional differences as a significant proportion of farmers in Dodota, Sodo, Heteossa and Mesekan Woredas believe that the status-quo will continue in the future (see Table 8).

**Table 8: Opinion of Key Informants on the Future of Formal Land Transactions**

Woreda	In the future do you think formal/registered land transactions will increase (compared to its current level)?					N
	Much More Likely	Somehow likely	No more or No less likely / status-quo	Somehow less likely	Much Less likely	
Sodo	50%	10%	40%	-	-	18
Mesekan	40%	30%	30%	-	-	18
Heteossa	20%	40%	40%	-	-	18
Dodota	50%	0%	50%	-	-	18
Alamata	61%	27%	12%	-	-	18
Emba-Alaje	50%	39%	11%	-	-	18
EnabseSar Medir	72%	28%	--	-	-	18
Huletej Enese	77%	23%	--	-	-	18

Source: Computed from data from Field Survey

### Factors Affecting Farmers' Preferences

Informants' responses indicated that most informal/unregistered land transactions in the study areas are based on village-based written<sup>8</sup> and to some extent verbal agreements. The choice of either option depends on several factors. A study by Mamo (2007), for instance, indicates that the social relationship between the parties engaged in a land transaction, influences the level of confidence and trust between them; the size of the land and the amount of cash involved, are other major factors. According to this study, the written agreements at Kebele level are not considered as formal since they are not registered in the Woreda land use and administration office. Even some 'written land transactions were deliberately left vague and employed ambiguous statements or even recorded substantively different stories from the ones agreed upon between the parties involved' (Mamo 2007).

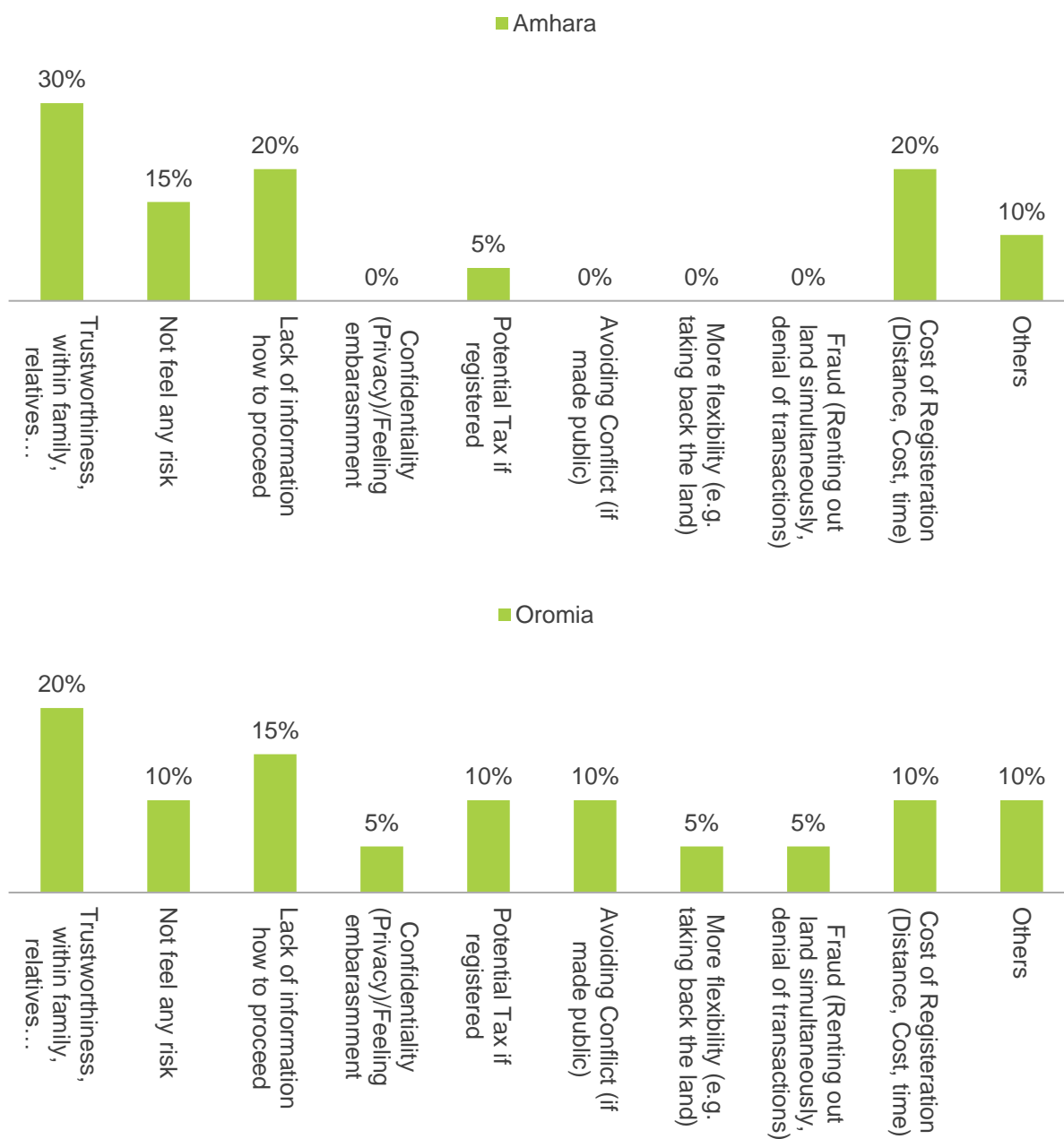
As indicated in Figure 11 below, the main reasons for choosing informal land transactions (according to information gathered from FGDs and KIs) include established reputation and trustworthiness of the parties (as indicated by 40% of the informants in SNNP, 30% in Amhara and Tigray and 20% in Oromia). The cost of registration that includes time and money required during the registration process, especially the court process farmers need to go through during inheritance and gift-related transactions is also another deterrent for formal registration. This is a major reason according to the key informants in Tigray (40%) and 20% in Amhara and SNNP.

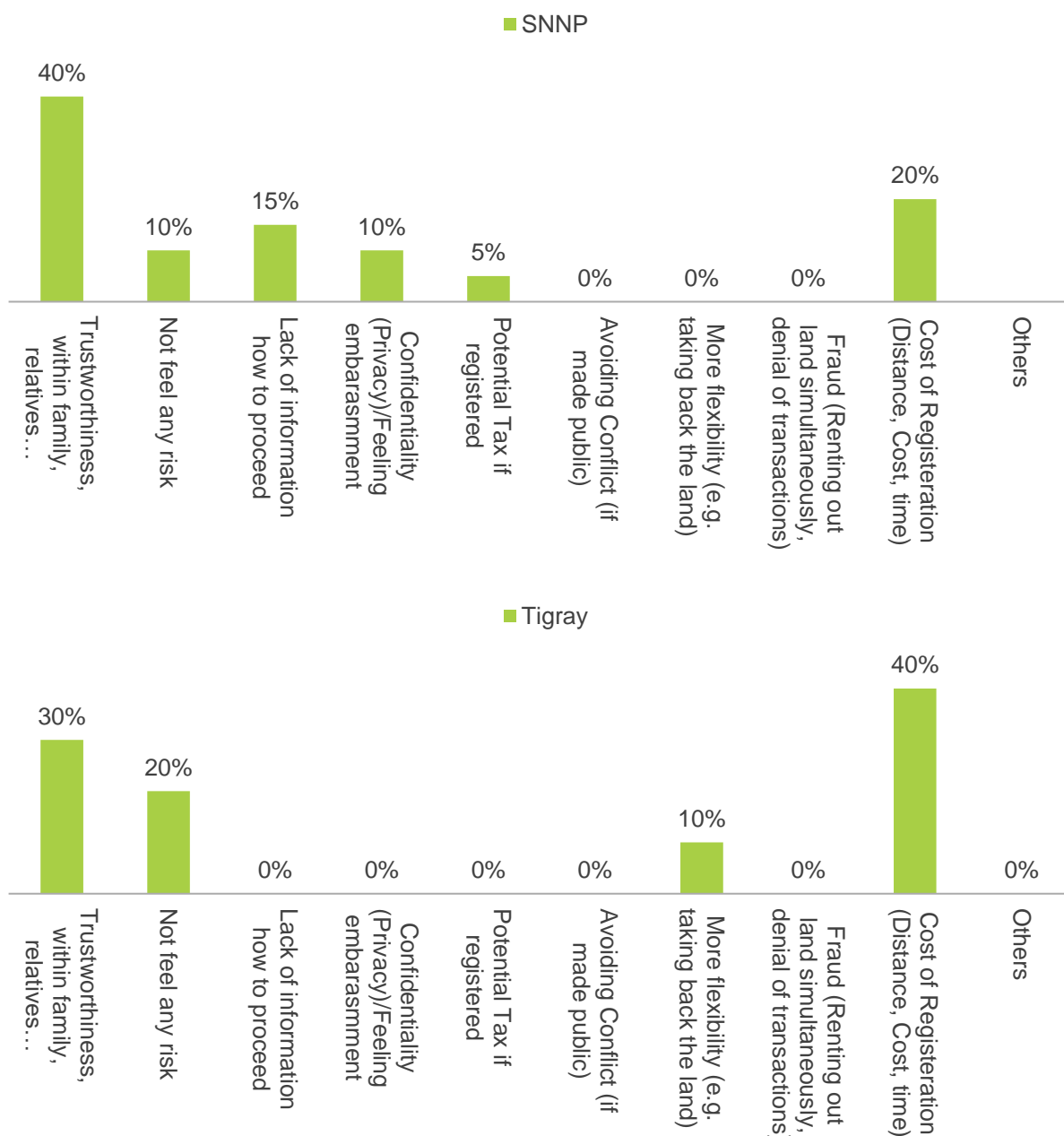
Other factors include the fear of a potential tax levy if registered, being unable to access information on the registration process, and to hide the rent out land from household members, especially wife, increasing household size, denial of the formal transaction, fraud/renting out over the same land to two different rentees simultaneously, lack of confidence on landholding certificate, to test whether those who received the land are properly using the land or not, to use the donated land as guarantee, and to avoid conflict among children. These factors that trigger farmers to engage more in informal transactions indicate the need to broaden potential intervention strategies to enhance the formal transactions. The lack of trustworthiness of the formal system, for instance, could be address by providing incentives and/or making the formal land transaction easy, fast and accessible.

<sup>8</sup> Written agreements over informal land transactions take two forms in the study areas. These are: written documents confirmed in the presence of witnesses in the village and agreements at Kebele administration that are not registered in the rural land use and administration office of the Kebele.



**Figure 9 : Major Reasons for Opting for Informal Land Transactions: Ranking of Opinion of Community Members**





Source: Computed from info generated from Key informants.

Similarly, information collected from sample farmers indicates that increased awareness together with increased access to land registration is a key factor for enhanced formal land registration in the respective study areas. Over 50% of the key informants and participants of the FGDs attribute the recent improvement of formal land transactions in their areas to improved awareness and access to land registry services. Similarly, improved confidence in the land registry system as well as increased demand for land due to enhanced commercialisation and expansion of the credit system based on land-holding right certificates, are the other reasons for increased formal land transactions. Table 9 lists the main reasons for increasing formal land registration.

**Table 9: Reasons for Increasing Formal Land Transactions**

	Regions			
	Oromia	Amhara	SNNP	Tigray
Better Awareness/Knowledge of the benefits of registration, improved access	50%	50%	70%	60%
Increased Confidence on the System	15%	25%	10%	20%
Increased demand due to enhanced commercialization, credit system, productivity, competition	20%	25%	20%	10%
Others	15%	0%	0%	10%
	30	28	32	36

Source: Computed from information generated from Key informants and FGDs.

Note: This information refers to all types of land transactions, though the factors could vary by types of transaction.

### **Factors Affecting Farmers' Preferences to Transact Formally or Informally**

Farmers' engage in land transactions for a number of reasons that include economic, social, and natural factors. Land transactions related to social reasons include gift related transactions conducted following the marriage of sons/daughters of the parents/donors, and gift from parents to children while parents are still alive (as a form of pre-inheritance). Inheritance following the death of land holders and land transactions following divorce of married couples could be considered as transactions following natural factors or forced transactions. On the other hand, transactions in the case of land rent, credit and land exchange have largely economic backgrounds.

Once farmers decide to transact their land or land holding rights, they have the option to conduct the transaction formally with the recognition of the relevant land registry or informally based on village-based written or verbal agreements. Farmers' decisions to perform their land transactions formally or informally is in turn affected by a range of factors that either affect the cost/perceived cost or benefits/perceived benefits they expect to maximize or minimize, associated with the form of transactions they opted for - formal or informal transactions. Studying such recurring factors is important as it helps to understand how to enhance the volume of formal land transactions, which in turn and especially in the long-term contributes to better outcomes for the land titling and land registration programmes.

During Focus Group Discussions (FGDs) and Key Informants Interviews (KIIs), participants were asked to identify and rank the reasons why farmers opt for either formal or informal land transaction, per land transaction. Accordingly, from the total of 168 interviews (144 farmers, 16 kebele officials, and 8 woreda officials) and 48 FGDs, the reasons (and their ranking) per land transaction type is are reported in Tables 10 and 11 and discussed hereafter.

## Reasons for Informal Land Transactions

**Table 10: Reasons for Informal Transactions with Ranks (Transfer of Rights)**

Reasons		Amhara				Tigray				SNNP				Oromia			
		Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce
Distance/Access (both from WLAO/ KLC)		1 <sup>st</sup>	4 <sup>th</sup>			1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>		2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>		1 <sup>st</sup>
Lack of Information/knowledge on importance of formal/attitudinal behavior/perceptions		2 <sup>nd</sup>	2 <sup>nd</sup>							6 <sup>th</sup>	6 <sup>th</sup>		4 <sup>th</sup>	6 <sup>th</sup>			
Bureaucratic Institutional Process/Lengthy Registration Procedure and Poor-Quality Service		3 <sup>rd</sup>	3 <sup>rd</sup>			2 <sup>nd</sup>	3 <sup>rd</sup>		3 <sup>rd</sup>		3 <sup>rd</sup>		3 <sup>rd</sup>				
Level of trust/distrust between parties			1 <sup>st</sup>			3 <sup>rd</sup>		1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	4 <sup>th</sup>	1 <sup>st</sup>		2 <sup>nd</sup>	5 <sup>th</sup>	3 <sup>rd</sup>	
Didn't feel any risk informal transaction/No need to register														4 <sup>th</sup>	6 <sup>th</sup>		
Legal restrictions/ Appropriateness of Land Policy	Land size Restrictions						2 <sup>nd</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	1 <sup>st</sup>		3 <sup>rd</sup>	5 <sup>th</sup>	1 <sup>st</sup>		3 <sup>rd</sup>
	Legal claimant/Restriction to limit within family										5 <sup>th</sup>						
	Land attributes, quality			1 <sup>st</sup>								2 <sup>nd</sup>				1 <sup>st</sup>	
	Age limit of the receiver for inheritance (Tigray)					5 <sup>th</sup>											
	Interest to make Gift/Exchange for limited period/not-indefinitely-for reasons like considering balancing adult son and coming/future child						5 <sup>th</sup>	4 <sup>th</sup>							3 <sup>rd</sup>		
Culture and /Informal Institutions like <i>Iddir</i> , <i>Elders</i> <sup>9</sup>										5 <sup>th</sup>	5 <sup>th</sup>						
Cost of registration (implicit costs)										3 <sup>rd</sup>	2 <sup>nd</sup>						
Lack of SLLC/Wrong SLLC						4 <sup>th</sup>	4 <sup>th</sup>			6 <sup>th</sup>	6 <sup>th</sup>					2 <sup>nd</sup>	2 <sup>nd</sup>
Evading possible Land Tax			5 <sup>th</sup>												4 <sup>th</sup>		

<sup>9</sup> The role of informal institutions in affecting the formal transactions is largely associated with their interference in the informal transactions in a way that minimize the perceived costs of such transactions like costs associated with potential disputes.

**Table 11: Reasons for Informal Transactions with Ranks (Restrictions on Rights)**

Reasons		Amhara		Tigray		SNNP		Oromia	
		Rent	Credit	Rent	Credit	Rent	Credit	Rent	Credit
Distance/Access (both from WLAO and KLC)		3 <sup>rd</sup>				3 <sup>rd</sup>			
Lack of Information/knowledge on importance of formal/attitudinal behavior		2 <sup>nd</sup>		2 <sup>nd</sup>		4 <sup>th</sup>		4 <sup>th</sup>	2 <sup>nd</sup>
Bureaucratic Institutional Process/Lengthy Registration Procedure and Poor Quality Service/Corruption problems				4 <sup>th</sup>					
Level of trust/distrust between parties (trust for reasons including transactions with relatives etc./Distrust for being relatively stranger)		1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>	
Didn't feel any risk informal transaction/No need to register						2 <sup>nd</sup>			
Legal restrictions Appropriateness of Land Policy/	Land size Restrictions							3 <sup>rd</sup>	
	Legal claimant/Restriction to limit within family /residence rest.								
	Land attributes, quality								
	Age limit of the receiver for inheritance (Tigray)								
	Interest to make Gift for limited period/not-indefinitely-Tigray								
Culture in the form of practices, perceptions including don't be considered lazy in rental, being confidential								5 <sup>th</sup>	3 <sup>rd</sup>
Cost of registration (largely implicit costs)									
Lack of SLLC/Wrong SLLC				3 <sup>rd</sup>				2 <sup>nd</sup>	1 <sup>st</sup>

### **Distance to the Land Registry and Service Delivery Capacity**

Distance or access to land registry services was found important in affecting farmers' ability to switch their customary practices of informal land transaction to formally registered land transaction. Its importance was indicated across many of the study areas and also for a range of land transaction types.

Distance to WLAOs and KLC is the first ranked factor to conduct their inheritance related transactions in Amhara. Tigray and Oromia, and second most important reason in SNNP region. Similarly, distance comes as the third important factor for farmers in SNNP region and as the fourth important in gift related transaction (in Amhara) and land exchanges (in Tigray).

Access to land registry services also comes as the most important factor for divorce related transactions in Oromia and 2nd most important among farmers in the sample Woredas of Tigray and SNNP regions. As a patriarchal society, a woman who separated from her husband usually faces the burden of finalizing the land division following the divorce, indicating a relatively high impact of distance for women.

Distance to the land registry services also acts as the third important reason for land rental transactions to go informally, especially in Amhara and SNNP regions.

The impact of distance or access to the land registry services however, is not uniform across the different segments of farmers in the study areas. As distance has cost implications (e.g. transportation costs) especially during the lengthy court procedures during inheritance and gift related transactions in particular, the relatively poor, disabled and women farmers are relatively more affected by the negative impact of distance. This is also the reason for the relatively low number of formal land transactions among these segments of society (e.g. farmers from remote Kebeles largely fail to conduct formally registered inheritance as compared to those close to the registry services). On the contrary, farmers relatively capable of affording the lengthy and sometimes costly procedures of formal land transactions are also found to be in a better position to minimize the negative impact of distance to the services, provided that these farmers have good knowledge of the importance of formal transactions.

### **Awareness/Knowledge**

Lack of information about the benefits of formal transaction is important too in terms of affecting farmers' attitudinal behaviour and traditional practices on one hand and their trust on the formal system on the other hand. This will affect farmers' decisions about whether to switch their customary practice of transacting informally. Most farmers who participated in the FGDs and KIIs indicated that despite continuous awareness creation and experience sharing sessions, some farmers still have a misunderstanding about the benefits of formally registering their land transactions.

Lack of awareness, which includes having a lack of information on the procedures and the steps required for formal registration of their land transactions, comes second in terms of reasons leading farmers in Amhara region to conduct their land rental, inheritance and gift related land transactions informally. Similarly it is the second important reason for informal land rental transaction in Tigray and it is the fourth most important factor for farmers in SNNP. For farmers in SNNP, lack of knowledge and information is far less important (only ranked as 6th most important reason) in the case of informal land transactions related to gift and inheritance.

### **Service Quality of Land Registry Services**

Bureaucratic institutional procedures expose farmers to lengthy processes and to corruption and other implicit costs in terms of time and money that is required for subsistence and transport, for themselves and for their witnesses during the long period of registering their land transactions.

The study indicates that efficiency of the land registry office and complementary institutions like courts is the second important reason in terms of pushing inheritance transactions to go informally in Tigray region, 3rd important reason in Amhara (in case of inheritance) and SNNP and Tigray in gift-related land transactions. The quality of the service of the system is found as 3rd important in divorce and 4th in rental transactions in Tigray. It is also reported as 3rd in importance to lead divorce related transactions informally in SNNP region.

As for other factors, the relative impact of poor service quality of the land registry and courts is higher among poor farmers having health problems and female farmers.

### **Level of Trust/Distrust Between Parties**

The level of trust/distrust among the two parties that engage in land transactions is very important for the farmers' decision to go formally or informally as it closely affects farmers' perceived risks attached to formal or informal transactions vis-à-vis the other party with whom they transact.

Compared to the reasons mentioned above the level of trust/distrust between the parties is the most frequently mentioned important reason in many of the land transactions considered in the study. It is found to be the primary factor in land rental transactions in all regions – Tigray, Amhara, Oromia and SNNP. It is also reported as the 1st reason for gift (in Amhara), exchange (in Tigray and SNNP), inheritance (in SNNP) and divorce (in Tigray).

Another factor closely related either to awareness or high level of trust is that some farmers do not see the need to formally register their land transactions as they don't see any risk in transacting informally. This factor is found important in Oromia and Tigray, especially for inheritance and gift related transactions. In terms of rental transactions, farmers' attitude of no need for registration (as they feel no risk related to informal transaction) is reported as the second most important reason for informal land rental transaction in the SNNP region.

### **Legal Restrictions**

The existing regional land administration regulations include a range of legal conditions if farmers want to engage in formal land transactions. This includes in particular, minimum eligible land sizes for land transactions. This restriction might have a valid justification for authorities including ending or minimizing further land fragmentation of the already small size farm lands in Ethiopia.

Another important reason related to the existing land registration laws is that the law states that any gift related land transactions and land exchanges can only be conducted on a permanent basis. But many farmers have valid reasons to make such land transfers on a temporary base. This is important, for example, for farming households who want to transfer (gift) their land temporarily to their unemployed child(ren) but want also to share part of such land with their younger child(ren) once they reach working age.

Another reason for making such transactions on a temporary basis is to take more time to see the effectiveness of their child(ren) in using the land they get as a gift, and to be able to take it away if they find



anything that fails their expectations. Similarly, elderly farmers want to transfer their land to a caretaker under the condition that the caretaker supports them during their old age or problems associated with their health and they want the right to make the transaction invalid if the caretaker violates their terms.

Similarly the legal restriction on allowing land exchange to take place only between two equal sizes of lands ignores farmers' interest to trade off land size for quality/fertility of land, is also important. Another legal restriction that hinders formal land transactions in Tigray is the age limit for a potential beneficiary of land by inheritance, is to be above 18 years old.

### **Other Reasons**

Other reasons that encourage farmers to conduct their land transaction informally includes the lack of a Second Level Land Certificate (SLLC) or having a wrong SLLC with errors in the name of the holder or other particulars related either to the holder or to key features of the land. This is important in all surveyed Woredas but was found relatively less important compared to the other reasons mentioned above. Similarly, farmers interest to evade possible land tax and where they donate part of their land to their child(ren) encourages some farmers to keep their land transactions in the informal sector.

### **Reasons for Formal Land Transactions**

The study also identified a number of reasons that trigger farmers to formally register their land transactions. The reasons vary from better awareness which improves farmers' capacity to assess the potential risk of informal transactions or potential benefits of formal transactions to changing level of trust in the study communities. Another important reason for farmers to opt for formal registration of land transactions is to ensure their holding rights during possible land expropriation or sudden death of the land holder, to facilitate the legal process of the potential heirs.

As indicated in Tables 12 and 13, enhancing land tenure security and holding rights of the farmers is the most important reasons for inheritance and gift related formal land transactions in Amhara and Oromia regions and second most important for farmers in Tigray and SNNP. It is also the second and the third most important reasons for rental transactions to go through the formal system in Oromia and Tigray regions, respectively.

Another reason among a minority of farmers is in areas where there is land encroachment either from communal land or other farmers is their assumption of enhancing their tenure security not only for their own land but also for part that comes from their encroachment activity when or if they succeed to register their rental transactions for the whole land.

Another very important reason that contributes to increased formal land transactions is the declining trust level in the studied communities. Declining trust is found the most important factor for formal registration of inheritance, gift, rent and exchange related transactions in Tigray region. It comes as the second most important in Amhara (inheritance and gift) and the third most important in Oromia region (in inheritance and gift transactions in both regions). Similarly, it is the 4th important reason for formal transactions for farmers in the in the study areas of the SNNP region.

**Table 12: Reasons for Formal Transactions with Ranks (Transfer of Rights)**

Reasons	Amhara				Tigray				SNNP				Oromia			
	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce
Ensuring possessory rights in order to get compensation during land expropriation, sudden death of land use rights holder	1 <sup>st</sup>	1 <sup>st</sup>			2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>		2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>		1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>
Better Awareness/Changed attitudinal behavior				1 <sup>st</sup>				3 <sup>rd</sup>				1 <sup>st</sup>	4 <sup>th</sup>	2 <sup>nd</sup>		
Decline of Trust among communities	2 <sup>nd</sup>	2 <sup>nd</sup>		2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	4 <sup>th</sup>	4 <sup>th</sup>			3 <sup>rd</sup>	3 <sup>rd</sup>		3 <sup>rd</sup>
Legal requirement*									1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>			2 <sup>nd</sup>
Presence of Service in nearby (WLAO/KLC/Facilitators)									3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>		4 <sup>th</sup>		
Good Quality Certificates/SLLC /					4 <sup>th</sup>				4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>					
Improved/More Confidence on the Formal System/Wider Recognition of the System/Better Legal Support and Service					3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>								

**Table 13: Reasons for Formal Transactions with Ranks (Restrictions on Rights)**

Reasons	Amhara		Tigray		SNNP		Oromia	
	Rent	Credit	Rent	Credit	Rent	Credit	Rent	Credit
Ensuring possessory rights in order to get compensation during land expropriation, sudden death of land use rights holder			3 <sup>rd</sup>				2 <sup>nd</sup>	2 <sup>nd</sup>
Better Awareness/Changed attitudinal behavior	1 <sup>st</sup>				1 <sup>st</sup>		4 <sup>th</sup>	
Decline of Trust among communities	2 <sup>nd</sup>		1 <sup>st</sup>		2 <sup>nd</sup>		1 <sup>st</sup>	
Legal requirement*								
Expansion of Formal/MFI Credit System		1 <sup>st</sup>				1 <sup>st</sup>		1 <sup>st</sup>
Presence of Service in nearby (WLAO/KLC/Facilitators)			2 <sup>nd</sup>				3 <sup>rd</sup>	
Good Quality Certificates/SLLC /								
Improved/More Confidence on the Formal System/Wider Recognition of the System/Better Legal Support and Service			2 <sup>nd</sup>		3 <sup>rd</sup>			
Increased value of farmlands (associated with expansion of irrigated vegetables production)					2 <sup>nd</sup>			

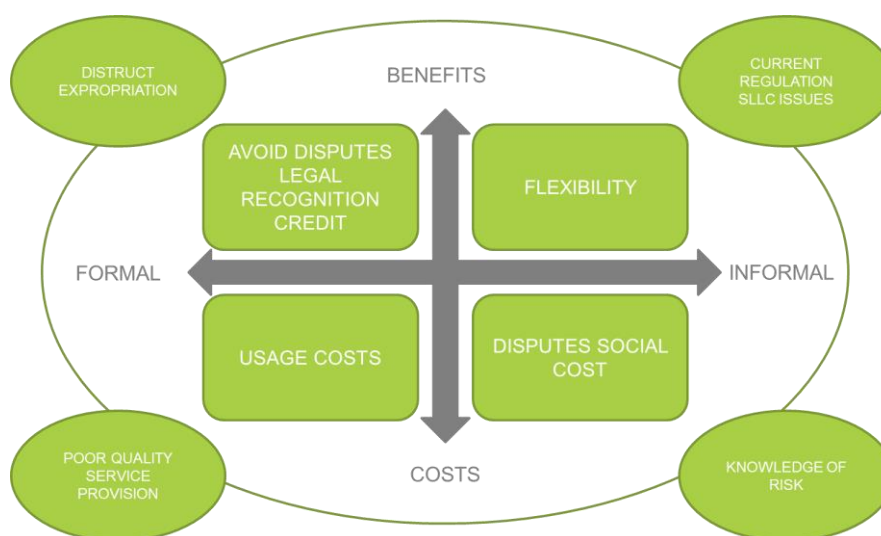
### Benefits and Costs of Formal and Informal Land Transactions

Farmers' decisions to go formally or informally is expected to pass certain stages where actual or perceived benefits and costs of a formal transaction are compared to another set of actual or perceived benefits and costs associated with the alternative - informal transaction. In other words, the study assumes that the farmers' decision passes through a process that assesses (vis-à-vis their level of awareness, capacity to use public services and their access to services) trade-offs for informal versus formal land transaction.

Benefits are described here in terms of the outcomes farmers want, expect or desire by their engagement in the choice of transacting through the informal or formal process. Similarly, costs could be functional costs experienced by farmers before, during or after trying to transact their land formally or informally and/or other factors that simply prevent or slow down their land transactions depending on their choice of land transaction mode. In this regard, lack of time or affordability to follow the lengthy procedures at court and land registry offices, in case of formal land transactions, play an important role. Costs also describe risks (that is potential bad outcomes) related to getting a transaction badly done or not done at all.

The best strategy to enhance the volume of formal transactions in the study areas should be to design incentives that increase the expected benefits of formal land transactions while increasing (or letting farmers to know more about) the perceived costs of informal land transactions. Figure 12 below gives a structured presentation of the major expected benefits and costs of formal and informal land transactions,

**Figure 10: Structured presentation of major expected benefits and costs of formal and informal land transactions**



### ***Benefits of Informal Land Transactions***

Farmers believe that there are many benefits that they expect from conducting their land transactions informally. The most important benefits reported is the time or money that they save by not travelling to the land registry in their respective Woreda and Kebeles and by bypassing the lengthy associated processes which also could expose them to other implicit costs including money for bribery. This is either the first or the second most important benefit stated for not registering formally for all land transaction types and all regions.

Another very important benefit associated with informal land transactions is its flexibility to suit farmers' wishes and expectations that could change during or after the transaction. In this regard, informal land transactions allow them to donate their land to a number of their children without worrying about the legal restriction on minimum land size to transact. Another desired benefit farmers expect to acquire by engaging in informal transactions is its function to allow them to choose the person they want to donate to, which allows them to consider the services that the potential beneficiary can give to them during their retirement or poor health period. This benefit creates an opportunity for them to use their land as insurance for bad periods. Another similar example of the flexibility of an informal land transaction is the ability to cancel the transaction (especially in case of inheritance and gift related transactions) at any time and get their land back easily.

During land exchange, the existing law expects farmers to exchange land of equal size. This curtails their expected benefits when they engage to trade-off land quality/fertility for size. Similarly, an informal land transaction helps farmers to bypass legal restrictions that curtail their expected benefit that could arise when they transfer their land to people less than 18 years old (especially in Tigray region).

Any formal land transaction requires farmers to have error-free SLLC. However, the informal channel allows farmers with no SLLC or with wrong SLLC (i.e. certificates with some kind of wrong information) to engage for instance in land rental transactions.

The importance of these required or expected benefits from informal land transactions, and their relative importance across the different types of land transactions and sample study areas is shown in Tables 14 and 15 below

**Table 14: Benefits of Informal Transactions with their Ranks (Transfer of Rights)**

Benefits	Amhara				Tigray				SNNP				Oromia			
	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce
Saving Time and Money by not travelling to Woreda and Kebeles & the lengthy processes there, and other implicit costs including money for corruption	1 <sup>st</sup>	3 <sup>rd</sup>			1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>		2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	
Allows to distribute available lands to all children without worrying minimum land size (Allows to bypass legal restriction on minimum land size, and maximum size to transact)	2 <sup>nd</sup>	1 <sup>st</sup>				3 <sup>rd</sup>			1 <sup>st</sup>	1 <sup>st</sup>			1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
The land holders can have the right to choose persons according to their service to them whenever they want.		2 <sup>nd</sup>											3 <sup>rd</sup>			
Allows farmers to exchange lands based on farmers interest/will that allow them to consider land quality in addition to size							3 <sup>rd</sup>				2 <sup>nd</sup>				3 <sup>rd</sup>	
Allows to bypass the tax system		4 <sup>th</sup>														
Higher Flexibility including the ability to stop the transaction anytime and get the land back			1 <sup>st</sup>		3 <sup>rd</sup>		2 <sup>nd</sup>							3 <sup>rd</sup>		
No need SLLC													4 <sup>th</sup>	4 <sup>th</sup>		
Creates possibility to transfer land to people less than 18 yrs old (which isn't possible in the Formal Transactions)					2 <sup>nd</sup>	2 <sup>nd</sup>										

**Table 15: Benefits of Informal Transactions with their Ranks (Restrictions on Rights)**

Benefits	Amhara		Tigray		SNNP		Oromia	
	Rent	Credit	Rent	Credit	Rent	Credit	Rent	Credit
They want others in the community to know that they trust other people as suggesting formal registration is regarded as being distrustful of others.	1 <sup>st</sup>							
Saving Time and Money by not travelling to Woreda and Kebeles & the lengthy processes there	2 <sup>nd</sup>		1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>	
Allows to bypass legal restriction on minimum land size, and maximum size to transact)							2 <sup>nd</sup>	
No need for SLLC					3 <sup>rd</sup>			
Better in terms of privacy/ confidentiality					2 <sup>nd</sup>		3 <sup>rd</sup>	

### **Benefits of Formal Land Transactions**

Formal land transactions are also expected to provide some tangible or required benefits that will not be realized if they engage in the alternative, informal transactions. In this case, engaging in formal land transactions helps farmers to minimize or avoid potential disputes and the associated litigation costs that could arise if they engage in informal transactions.

Another frequently mentioned important required benefit of formal transaction is the legal recognition before the law that lead them to get some required benefits like better access to formal credit through micro-finance institutions or their right to claim compensation in potential expropriation of their land for some public or private investments (see Tables 16 and 17 for details).



**Table 16: Benefits of Formal Transactions with their Ranks (Transfer of Rights)**

Benefits	Amhara				Tigray				SNNP				Oromia			
	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce
Possibility of Dispute Minimized	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>		2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	
Offers other Legal Recognition before the law including access to formal credit, and compensation in potential expropriation	2 <sup>nd</sup>	2 <sup>nd</sup>		2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>		1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	
Make possible to access formal credit system and other benefits	2 <sup>nd</sup>	2 <sup>nd</sup>							3 <sup>rd</sup>	3 <sup>rd</sup>			3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	

**Table 17: Benefits of Formal Transactions with their Ranks (Restrictions on Rights)**

Benefits	Amhara		Tigray		SNNP		Oromia	
	Rent	Credit	Rent	Credit	Rent	Credit	Rent	Credit
Possibility of Dispute Minimized	1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>		2 <sup>nd</sup>	
Offers other Legal Recognition before the law	2 <sup>nd</sup>		2 <sup>nd</sup>		2 <sup>nd</sup>		1 <sup>st</sup>	
In the new scheme the farmers are responsible individually. This also avoids disputes between farmers which was common in the earlier system.		1 <sup>st</sup>						

### ***Costs of Informal Transactions***

Most of potential costs related to informal land transactions could be functional costs that could come from failed transactions. In this regard, the advantages mentioned above as benefits of formal land transactions could be considered as costs if an informal transaction fails. Other negative side effects are social or economic costs associated with failed land informal transactions. Indeed, diminished social ties following a failed transaction could be considered as social costs and court related costs that come from failed informal transactions that could end up in court proceedings could be considered as economic costs.

In general, the present cost of informal land transactions is low in the study areas as transactions are largely confided between family members, relatives and other people with high trust. But there is high potential in the future as the level of trust within the communities declines because of increased demand for land due to high population pressure, increased commercialization and increased possibilities to engage transactions with relatively strange people (Tables 18 and 19 present details on farmers opinion on the frequency and significance of potential costs associated with informal transactions).

**Table 18: Costs of Informal Transactions with their Ranks (Transfer of Rights)**

Costs	Amhara				Tigray				SNNP				Oromia			
	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce
Possibility of dispute is higher between claimants/expose to potential fraud	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>		
No legal recognition before the law including access to formal credit, and compensation in potential expropriation	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>		2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>		2 <sup>nd</sup>	2 <sup>nd</sup>			2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Unnecessary court related costs for cases	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>		3 <sup>rd</sup>	3 <sup>rd</sup>								3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Potentially disadvantage for women in marriage (during divorce)				3 <sup>rd</sup>								3 <sup>rd</sup>				3 <sup>rd</sup>
Diminishing social ties after disputes	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>													

**Table 19: Costs of Informal Transactions with their Ranks (Restrictions on Rights)**

Costs	Amhara		Tigray		SNNP		Oromia	
	Rent	Credit	Rent	Credit	Rent	Credit	Rent	Credit
Possibility of dispute is higher between claimants/less fraud	1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>	
No legal recognition before the law including access to formal credit, and compensation in potential expropriation	2 <sup>nd</sup>						2 <sup>nd</sup>	
Unnecessary court related costs for cases	3 <sup>rd</sup>		2 <sup>nd</sup>				2 <sup>nd</sup>	
Diminishing social ties after disputes	4 <sup>th</sup>		3 <sup>rd</sup>		2 <sup>nd</sup>			
Make difficult to engage in formal credit system and other benefits				1 <sup>st</sup>		1 <sup>st</sup>		1 <sup>st</sup>

### ***Costs of Formal Transactions***

Farmers identified the following three potential costs if a farmer opts for a formal land transaction.

Opinion gathered during the FGDs and KIIs indicate the declined or potentially forgone rights of parents to distribute their land to their children (inheritance), without worrying about the minimum land size they want to transfer by inheritance, as well as their potentially curtailed right to choose persons they want to donate to - as the important potential costs for farmers if they opt to perform their inheritance or gift related transactions following formal land registration procedures. There are no direct costs of a formal land transaction but more it is lacking in benefits; if these lacking benefits are important the farmer will choose an informal land transaction.

The potential functional costs especially for the poor, unhealthy and female farmers are the costs related to the use of the formal land services; these costs are related to access and getting through the formal procedures (largely implicit costs) or time related problems. Some farmers also indicated lack of privacy or the potential eroding of conducting their transactions confidentially as a cost for a formal transaction. This however, is not common.

Costs of formal land transactions are summarized in Tables 20 and 21 below.

**Table 20: Costs of Formal Transactions with their Ranks (Transfer of Rights)**

Costs	Amhara				Tigray				SNNP				Oromia			
	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce	Inheritance	Gift	Exchange	Divorce
Limits/restricts the choice of parents to distribute the land to their children without worrying about minimum land size as well as to choose persons according to their service to them/Lost flexibility	1 <sup>st</sup>	1 <sup>st</sup>			1 <sup>st</sup>				1 <sup>st</sup>	1 <sup>st</sup>			1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Difficulty to get through the formal procedure and increased costs	2 <sup>nd</sup>	2 <sup>nd</sup>			2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>						2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
No privacy/Eroding confidentiality													4 <sup>th</sup>			

**Table 21: Costs of Formal Transactions with their Ranks (Restrictions on Rights)**

Costs	Amhara		Tigray		SNNP		Oromia	
	Rent	Credit	Rent	Credit	Rent	Credit	Rent	Credit
Choosing the formal transaction makes one perceived as distrustful of others instead as careful.	1 <sup>st</sup>							
Increased costs/difficult to get through formal transactions	2 <sup>nd</sup>						3 <sup>rd</sup>	
Restricts the will/choice of land holders on minimum land size, and maximum size to transact)							1 <sup>st</sup>	
Diminishing social ties after disputes							2 <sup>nd</sup>	

## Recommendations to Increase Formal Transactions

A significant portion of land transactions in the study areas are still conducted informally without registration in/recognition from the land registry system. This has a huge implication for the reliability of the data in the land register and therefore a critical negative implication for the longterm sustainability of the rural land administration system.

Based on the findings of the study and its' objective to recommend ways to increase the share of formally executed land transactions, three strategies have been identified.

**Figure 11: Strategies to increase the share of formally registered land transactions**

Main reasons for Informal Approach	Strategy	Section
Perceived usage costs related to formal transactions are too high. Some segments cannot afford the services because of the costs involved.	Reduce usage costs by improving service provision at Kebele - and Woreda level	Section 5.1.
Unawareness and subsequently lack of understanding of the benefits to register formally	Increase awareness of benefits of formal transactions but also the awareness of the costs/risks related to informal transactions	Section 5.2.
Flexibility of informal transactions not offered by formal transactions	Introduce benefits of the informal system in the formal system.	Section 5.3.

### Strategy 1 - Reduce Usage Costs: Improve service provision at Kebele and Woreda level

A major reason for not registering a formal transaction are the costs related to using the formal system. The costs are seen as high.

In addition to distance, many key informants and farmers, who participated in the FGDs indicated that poor service quality and lengthy registration procedures of the formal system (land registry office and for a number of transaction types also courts) are important factors, deterring farmers to use the services of the formal land registration system. These factors and the associated implicit costs show a similar impact across different types of land transactions with the exception of transactions related to inheritance and gift that are even more greatly affected.

The costs especially affect the use of the services by vulnerable and poor people and farmers who live in remote villages. Besides this, farmers in remote Kebeles still have misconceptions and negative attitudes towards the system because of the inadequate service provision.

The costs, as experienced by farmers before, during and after a formal transaction, need to be reduced. Key positive actions will that will need to be overcome include distance and the need to develop measures to reduce repeated visits of farmers to service points at the Woreda and Kebele level and assure farmers of the availability of the stated services at opening times as well as competent handling of applications.

Therefore, the following next steps are recommended:

- An improved service concept which tackles the perceived costs should be developed and tested, preferably in the new Model Woredas. In order to meet the needs and the requirements of the farmers some (yet to be defined) service levels need to be achieved. This needs to be considered in combination with the specific characteristics of the different Woredas/Kebeles could lead to different implementations. For instance: the costs of distance can be reduced in different ways, e.g. by introducing land experts at Kebele level, engaging existing structures in the formal land registration process or introducing mobile land registration services.
- In general, the study shows that the capacity of the service provision at both at Kebele and Woreda level should be improved in order to enhance formal registration of land transactions<sup>10</sup>.

<sup>10</sup> The number of people who work in the land administration offices and their capacity to travel to the field where farmers transact their land are found to be very small compared to the number of clients they provide service to. This has resulted in some clients not coming or discontinuing the formal transaction procedure. The work load on the existing few staff is also creating displeasure. It is important to tackle the high staff turnover. As frequently raised during discussions



## Strategy 2 - Increase the (Perceived) Costs of Informal Land Transactions

The costs of informal land transactions are related to disputes, social costs and foregone revenues. The perception of costs of informal transactions can be increased through making people aware of the potential costs and through enforcement measures in the regulations.

### 1. Increasing the awareness of the potential costs of informal transactions

The costs could come from disputes, deteriorated social ties and court litigations that have financial and time implications for either or both parties. Another potential cost of informal land transactions could come into the picture if the land that underwent informal transaction is expropriated for public use. These perceived costs could be considered as forgone benefits of formal transactions if informal transactions experienced such risks (e.g. expropriation of land under informal registration or court litigation for failed informal transactions).

The strategy to increase awareness of the costs of informal transactions should be a part of the “to be designed” communication strategy (section 5.4.)

### 2. Regulation stipulating people to register with enforcement measures

Another related way to increase the costs of informal transactions could be to include an enforcement mechanism in existing laws. Though regional land administration regulations demand farmers to register their land transactions (especially for inheritance, gift and land exchanges), control of the system is not high since there are no regulations requiring the owner to personally register such transfers. Lack of guidelines for implementation of such loosely implemented laws creates problems for their implementation by Kebele officials.

The real issue, however, is not only the implementation of the enforcement as the benefit of such an action should be compared to its potential negative consequences - currently the situation is encouraging farmers not to formally register their land transactions.

## Strategy 3 - Increasing the Benefits of Formal Transactions

The benefits of formal transactions are again largely perceived benefits such as avoidance of potential disputes related to informal transactions and the costs related to their litigation process and low risk related to compensation in any potential land expropriation. Both benefits are related to increased or improved tenure security of formal transactions. The other direct benefit is related to farmer's access to formal credit from MFIs, which creates additional benefits and introduces an incentive to farmers to switch in the case of inheritance or gift transactions, from informal to the formal.

The benefits of formal land transactions could be enhanced through:

- The introduction of incentives
- The introduction of the benefits of the informal system into the formal system
- Introduction of new services linked to formal land transactions.

---

with the experts and farmers (for instance, in Amhara region) turnover of staff is higher in remote kebeles as compared to more accessible kebeles. Coupled with very low level of commitment and negative attitude this has led to irregularities and poor service delivery. Because of such problems, some key informants in some study areas reported that they are forced to produce the same document again because of gaps when transferring information and activities to new staff members.

The technical competences of experts include competences necessary for their regular duties as well as for considering customers cultural and social norms while serving them (which are found important in some study areas).

This can be done by providing the officials relevant technical training regularly and arranging experience sharing events in order to update their skills. Moreover, those who work for free at community level, members of KLAC, should get some incentives such as per diems or monthly salaries so that they will be more committed to their regular duties, increase their coverage as well as implementing some of the recommendations made above.

It has also been reported that the experts at the Woreda office of land administration faced technical difficulties in manipulating the computer-based registration system. This was also among the factors contributing for the delay in issuing of land certificates and registered transactions.

### **Introduction of Incentives**

Incentives could be tangible, like better access to formal credit or intangible like recognition/promotion for preferring formal land transactions.

Farmers in some of the study Woredas where credit from micro-finance institutions/MFIs started, indicate that their interest for transferring their land through the formal system has significantly increased. Others expressed their interest even to bring their informally held farmlands to the land registry to formally register them, since this would increase their ability to access the credit system.

Another incentive, that could be considered, is to provide some kind of recognition/promotion for farmers who were engaged in formal land transactions. This could take different forms ranging from issuing some recognition certificates to promoting people through acknowledging them in public for their engagement in formal transactions.

### **Introduction of Benefits of the Informal System in the Formal System**

The system should investigate opportunities to further align the registration to farmers' wishes, interest and objectives. This alignment could be implemented through changes of requirements in the current regulation or through introduction of new modalities within the current transaction types.

- Changes of requirements in current regulation

While a significant portion of farmers in the study areas were aware of the benefits of the formal transactions, existing regulations are rigid vis-à-vis their 'other' interests and objectives (e.g. in relation to the minimum size of the land to be transferred or to the flexibility of reclaiming/modifying the transaction at a later stage). If the regional land regulation would accommodate such 'other' interests, it would increase the benefits the farmers could obtain from formal transactions. The land administration system should investigate which legal restrictions as discussed in section 4.2 could be changed.

- New modalities within the current transaction types.

### **For Gift and Rental transactions**

In many study areas farmers avoid formal gift related transactions because it is not aligned with their interest. Some farmers want to donate to their children but also want to retain some of the rights associated with land they donate. They may want to retain their power to reclaim their land if the recipient fails to respect some of the conditions they would like to attach to their gift.

In Amhara region, a transaction type called 'Will' allows farmers to transfer their land under certain conditions. The condition can be that the gift is only valid as long as the recipient supports the donor while he/she is alive. If he/she fails to do so, the donor will have the capacity to negotiate with another potential beneficiary who could fulfil the conditions the giver attaches to the transfer.

There are also some rental like transactions which are currently not supported by the formal system, such as mortgage related land transfer (only allowed in Amhara) and other transactions including share-cropping (e.g. Megazo: share-cropping like transactions practiced in the Amhara region).

### **For young children**

The land administration regulation in Tigray does not allow to transfer land to children under 18 either by gift while alive or after death (inheritance). There could be some justification for regional authorities in making such regulations, but the study believes there could be a win-win intermediate solution that could meet the concerns of the authorities and the interests of farmers/children.

### **Introduction of New Services Linked to Formal Land Transactions.**

Services such as credit and the recently introduced land rental facilitation in the study Woredas of SNNP and Amhara create benefits for the farmer which are linked to formal land transactions. It is recommended to investigate more value adding services which could increase the benefits of going formal.

### **Strengthening Awareness (communication strategy)**

It is important to increase farmers' awareness and knowledge of the benefits of a formal land transaction and its' modalities and the potential costs of an alternative informal transaction. Farmers must be made aware of their rights and obligations and of the mechanisms to enforce those rights. Besides this, it is important that farmers are provided with adequate information about the formal land registration procedures.

Participants of KIIs and FGDs across many of the study areas also commonly agree that the Woreda rural land administration and use offices as well as Kebele administrations have to intensify their effort to improve the level of awareness and knowledge of the benefits of formal land registration and the potential costs/risks of not doing so. This is especially important for farmers living in remote areas who still do not have adequate awareness about formal transactions.

The recommendations in the previous sections should be included in the “to be designed” communication strategy. Attention should be paid to:

- Awareness creation or messages should be made smart enough in terms of disaggregating their content for the target audience. Content wise, messages could be tailor made for different types of land transactions or target specific audience groups like members of vulnerable groups and disadvantaged peoples like wives in polygamous households, elderly or sick people, as well as young persons.
- Messages should be clear (to the level of understanding of people at village levels with emphasis on pictures and pictograms)
- Communication channels should include community radios, community-based organizations and structures like Iddir and the formal 1 to 5 networks (which are strong government induced structures in some regions like Tigray). Strategically, the awareness creation activities should go beyond such channels and also incorporate public gatherings such as churches and mosques. There are some people such as the elderly and people with disabilities who cannot attend such formal meetings regularly and hence not accessing such information; therefore, alternative communication channels should be specially developed to inform them.
- Incorporate powerful messages from real farmers’ experience on the negative consequences/costs of informal transactions as a way to educate the farmers.

### Other Recommendations

Most of the recommendations made above are related on how to enhance the effectiveness of the formal land transaction system. But there is a related and equally important issue. This is to attract the attention of responsible people especially from senior policy makers and institutions.

The study recommends periodically monitoring the development of formal transactions and informal transactions within a woreda per transaction type. This information gives direction to further efforts to increase formal transactions<sup>11</sup>.

Finally, the results of this research point out the need for further research on a range of issues including identifying the level and speed of erosion of public database, sustainability of land registration systems and on feasible conditions and systems for implementation of key strategies and actions recommended in the study. It is also important to create a forum of stakeholders to discuss and brainstorm on the results of such studies.

### Implementation of the Recommendations

From a practical point it is advised to work first on recommendations that can be addressed within the existing institutional setup and conditions. In this regard, priority should be given to recommendations at community and household levels— awareness and better/improved support to the KLAC.

Concurrently, recommendations that enhance the efficiency, effectiveness and capacity of the service delivery (and its structure), involved in formalisation of land transactions with emphasis on the WLAOs

Policy related issues that involve changes in existing land regulations could have a huge impact on formal land transactions. However, because of the complexity to enact the required legal adjustments, these measures may be less feasible from a short-term perspective.

Feasibility and prioritization of implementation of the recommended strategies as well as details of the implementation process will have to be derived in an additional study.

<sup>11</sup> It is also important to note that this information or recommendations is just from members of the study team, and not generated from any of the key informants or FGDs discussants.

## Conclusions

As agriculture remains the dominant source of livelihood for the majority of the Ethiopian population the use of agricultural land in a productive and sustainable manner is of paramount importance. A well-functioning and efficient market for land transactions enhances productivity and ensures tenure security for long term investments and sustainable use of farm land. While the Ethiopian government has accorded time-unlimited holding-rights of agricultural land, farmers on their part are engaged in land rental/share-cropping arrangements as well as in other types of transactions where they transfer their land along with their use rights permanently in the form of inheritance, gift or divorce. To facilitate land transactions and ensure their legality Ethiopia has launched land certification programmes.

In spite of the efforts of the government, a large number of land transactions still went unregistered and consequently this led to a massive erosion of the rural land records. Large volumes of land rights transfers are undertaken on an informal basis when compared with formal transfers. Even after the introduction of the Second Level Land Certification (SLLC) programme to address some of the deficiencies of First Level Land Certification (FLLC), the volume of formal land transactions still remains low and continues to threaten the gradual erosion of the public Land Register. Nevertheless, there is very little evidence of the magnitude of the formal and informal land transactions. Besides, there could be several institutional, individual and community level factors that either hinder or promote formal land transactions. It is, therefore, useful to identify these complex factors, for which this study is initiated.

This study attempted to address three interrelated objectives. The first and second objectives were to assess the extent and type of formal and informal rural land transactions in the study woredas and then to identify the major factors that affect farmer's preference to conduct their transactions using the formal or informal channels. The third objective was to suggest evidence based strategies and actions the will help to enhance the volume of formal land transactions.

In order to address the above stated objectives, the study has mainly used a qualitative methodology where key informants were selected from eight woredas from the four major regions of the country. In addition several focus group discussions were also organized in the selected woredas to generate information, opinions and insights on farmers' experiences on land holding right transactions (both informal and formal). Moreover, relevant secondary data were also collected from land administration offices both at Kebele and Woreda levels as well as from the LIFT's iWORLAIS database. The Customer Satisfaction survey conducted by LIFT in Tigray and SNNP regional states was also reviewed. The major findings of the study are highlighted below.

The results of the study clearly show that the transformation of land holding certificates from the previous holding based books/FLLCs to the second level certification/SLLC has indeed contributed to, and encouraged formal land transactions among the farmers. There are, however, further steps needed to fully harvest the investment made in the SLLC.

Once farmers decide to transact their land or land holding rights, they have the option to conduct the transaction either formally with the recognition of the relevant land registry system or informally, based on village-based written or verbal agreements. The study has found that there is a large volume of informal land transaction in the study woredas due to both demand and supply side factors. Inheritance, gifts/donations, divorce/marriage, credit related transactions, and fixed rental transactions have been found to be among the most common forms of transaction in the study areas. The study also shows significantly large differences in terms of the level of registration of formal land transactions within the study areas.

The study shows that different types of legal requirements and legal provisions exist at the federal level and in all the regional states covered in this study that motivate/restrict landholders to transfer their land through the formal land registration system. The study has also observed that there are differences in the procedures and conditions involved when processing different landholding rights transactions in the different regions.

Nevertheless, there are a number of legal caveats that would potentially impede landholders to transfer land rights on a formal basis. Therefore, the Rural Land Administration legislation will need to be revised to promote the formal registration of land transactions and to discourage the informal land transaction system, or to integrate it into the formal process.

The study has also attempted to identify a range of factors that have triggered farmers to be engaged in informal/unregistered land transactions in the study areas. According to information gathered from FGDs and KIs some of the main reasons for choosing informal land transactions include established reputation and trustworthiness of the parties, the costs of registration that includes time and money required during the registration process (especially the court process farmers need to go through during inheritance and gift-

related transactions is also another deterrent for formal registration) and the fear of a potential tax levy if registered. Other factors include, being unable to access information on the registration process, to hide the rent out land from household members, increasing household size, denial of the formal transaction, fraud in renting out the same land to two different rentees simultaneously, etc. There are many benefits and costs that farmers expect from conducting their land transactions informally or formally.

The results of the study clearly indicate the need to broaden potential intervention strategies to enhance the formal transactions. A major reason for not registering a formal transaction are the costs related to using the formal system. Hence, reducing the costs by improving the capacity of the service provision at Kebele and Woreda level would be important. Providing incentives and/or making the formal land transaction easy, fast and accessible is a key factor for enhanced formal land registration in the respective study areas.

It is also important to work more on increasing the perceived costs of informal land transactions through increased awareness together with increased access to land registration and also find ways to increase the benefits of formal land transactions. The forgone benefits of the formal system should normally exceed the potential cost farmers will to incur by their engagement in the informal system.

All in all, the land registry system should improve its flexibility and institutional capacity to work on a dynamic bases vis-à-vis the reasons for farmers' preferences for the informal channel. Otherwise, the landholding rights data, built through the SLLC and registered in the Land Register, will gradually become unreliable and finally lose their relevance, leading to a non-sustainable Rural Land Administration System in the long term. Political willingness/readiness is equally as important as interventions recommended for lower level stakeholders.



## References

- Bekele Shiferaw and S.T. Holden (1998), 'Resource Degradation and Adoption of Land Conservation Technologies in the Ethiopian Highlands', *Agricultural Economics*, Vol. 18, pp. 233–47.
- Berhanu Gebre-Medhin (1998), 'The Economics of Soil Conservation Investments in the Tigray Region of Ethiopia', PhD Thesis, Michigan State University, Michigan.
- CSA. (2006). Land Use Survey Reports of 2005/2006. Addis Ababa, Ethiopia.
- CSA. (2016). Land Use Survey Reports of 2015/2016. Addis Ababa, Ethiopia.
- Charisse Griffith-Charles (2004). The Impact of Land Titling on Land Transaction Activity and Registration System Sustainability: A Case-study of St.Lucia. Abstract of Dissertation Presented to the Graduate School of the University of Florida in Partial Fulfilment of the Requirements for the Degree of Doctor of Philosophy
- Daniel Weldegebriel. (2011). Land Rights in Ethiopia: Ownership, Equity, and Liberty in Land Use Rights. FIG Working Week 2012 Knowing to manage the territory, protect the environment, evaluate the cultural heritage Rome, Italy, 6-10 May 2012
- Deininger, K., Zevenbergen, J. Ali, D. A. (2006). Assessing the certification process of Ethiopia's rural lands. Paper presented in Colloque international —Les frontières de la question foncière – At the frontier of land issuesII, Montpellier, 2006.
- Deininger, K., Ali, D. A., Holden, S., and Zevenbergen, J. (2007). Rural land certification in Ethiopia: Process, initial impact, and implications for other African countries. World Bank Policy Research Working Paper 4218. The World Bank, Washington, D.C.
- Dessalegn Rahmato and Meheret Ayenew (2017). Land, Landlessness and Poverty in Amhara, Oromia, SNNP and Tigray – A Policy Brief. In: Bahir Dar University (2017). Conference Proceedings: Second Ethiopian Annual Land Conference. Bahir Dar. Ababa, Ethiopia.
- Dessalegn Rahmato (1992). The land Question and Reform Policy: Issues for Debate. Dialogue , Addis Ababa University Printing Press.
- EEA/EEPRI. (2002). Land tenure and agricultural development in Ethiopia. Research report. Ethiopian Economic Association/ Ethiopian Economic Policy Research Institute.
- FDRE. (1995). Constitution of the Federal Democratic Republic of Ethiopia, Proclamation No. 1/1995, Federal Gazeta 1/1, Addis Ababa.
- \_\_\_\_\_. (2005). Federal Rural Land Administration and Use Proclamation No.456/2005
- \_\_\_\_\_. (1997a). Rural land administration proclamation, No. 89/1997. Addis Ababa.
- FDRE (1995). The National Constitution of the Federal Democratic Republic of Ethiopia, Addis Ababa, Ethiopia
- FDRE (2005). The Federal Land Administration and Use Proclamation No. 456/2005. Addis Ababa, Ethiopia
- Fitsum Hagos (2012). Land Registration and Land Investment: The Case of Tigray Region, Northern Ethiopia. *Ethiopian Journal of Economics*, Volume XXI, No 1, April 2012.
- F.Schaefer and C.Schaefer (2014). An Innovative Approach to Land Registration in the Developing World. Using Technology to Bypass the Bureaucracy. CATO Institute.
- Girma Kassa. (2011). Issues of Expropriation: The Law and the Practice in Oromia. A Master's Thesis Submitted to School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements of Masters of Law (LL.M). Addis Ababa. Ethiopia.
- Hussein Ahmed Tura. (2014). A Woman's Right to and Control over Rural Land in Ethiopia: The Law and the Practice. *International Journal of Gender and Women's Studies* June 2014, Vol. 2, No. 2, pp. 137-165.
- Hayes, J., M. Roth and L. Zepeda (1997), 'Tenure Security, Investment, and Productivity in Gambian Agriculture: A Generalized Probit Analysis', *American Journal of Agricultural Economics*, Vol. 79.
- Joireman, S. F. (2001). Property rights and the role of the state: Evidence from the Horn of Africa. *Journal of Development Studies*, 38(1), 1-28.
- Land Investment for Transformation (LIFT) Programme (2017). RLAS MANUAL Version 2. Addis Ababa, Ethiopia.



Land Investment for Transformation (LIFT) Programme (2017). Internal Technical Service Provider Customer Satisfaction Survey Report, prepared by the LIFT Programme M&E Team of DAI for DFID/Ethiopia, Addis Ababa, Ethiopia.

Legesse Tigabu . 2017. Restrictions on Rural Land Transaction in Ethiopia: the Case of the Regional States of Amhara, Oromia, and Southern Nations, Nationalities and Peoples. Mekelle University Law Journal. Vol. 5(1), 2017.

Lowry, S.W. and D.M. Steinberger. (1991). 'Tenure and Alley Farming in the Humid Zone of West Africa: Final Report of Research in Cameroon, Nigeria and Togo', LTC research paper 105, University of Wisconsin-Madison, Madison, WI.

Lyons, K. and S. Chandra (2001). Undertaking land administration projects: sustainability, Affordability, Operational Efficiency and good practice Guidelines Common Wealth of Australia.

Mamo Hebo.2006. Land, Local Custom and State Policies: Land Tenure, Land Disputes and Disputes Settlement among the Arsii Oromo of Southern Ethiopia. Kyoto: Shoukadoh Book Sellers.

Mamo Hebo (2007). Disguised Land Sale Practices among the Arsii Oromo of Kokossa District, Southern Ethiopia Asian and African Area Studies, 6 (2): 352-372, 2007.

Oromia National Regional State. (2007). Proclamation to amend the proclamation No. 56/2002, 70/2003 and 103/2005 of Oromia rural land use and administration. Proclamation No. 130/2007. Megeleta Oromia. Addis Ababa, Ethiopia.

Oromia National Regional State. (2012). Rural Land Administration and Use Regulation, No.151/2012. Place, F. and P. Hazell (1993), 'Productivity Effects of Indigenous Land Tenure Systems in Sub-Saharan Africa', American Journal of Agricultural Economics, Vol. 75, No. 1.

Place, F. and P. Hazell (1993), 'Productivity Effects of Indigenous Land Tenure Systems in Sub-Saharan Africa', American Journal of Agricultural Economics, Vol. 75, No. 1.

SNNP (The Southern Nations, Nationalities and Peoples Regional State) (2007). Rural Land Administration and Utilization Proclamation No . 110/200 7. Awassa, Ethiopia.

Tekie Alemu (2001), 'Insecure Land Tenure and Soil Conservation', paper presented at a Symposium for Reviewing Ethiopia's Socioeconomic Performance 1991–1999, 26–29 April 2001, Addis Ababa, Ethiopia.

Tesfaye Teklu. (2003). Rural lands and evolving tenure arrangements in Ethiopia: Issues, evidence and policies. FSS discussion paper No. 10. Forum for Social Studies. Addis Ababa.

Tesfay Teklu. (2004). Rural Land, Emerging Rental Land Markets and Public Policy in Ethiopia. African Development Bank, Published by Blackwell Publishing Ltd 2004, 9600 Garsington Road, Oxford, OX4 2DQ, UK and 350 Main Street, Malden, MA 02148, USA.

Tigray Region Land Administration and Use Proclamation No.136/2000

Tolera, A. 1997. Spontaneous Migration, Ethnic Interaction and the Problem of Land Resources Use in Rural Ethiopia: The Case of Indigenous Oromo and Amhara Settlers in Wellega. In K. Fukui et al. eds., Ethiopian in Broader Perspective: Papers of the 13th International Conference of Ethiopian Studies, Vol. II. Kyoto: Shoukadoh Book Sellers, pp. 634-645.

Zemenu Demeke. (2012). Land Tenure Security and Certification in Northern Ethiopia: The Case of Amhara Region. Thesis Report Submitted to Wageningen University.

Zemen Haddis.2013. Towards Improved Transactions of land Use Rights in Ethiopia.. Paper prepared for presentation at the Annual World Bank Conference on Land and Poverty. The World Bank - Washington DC, April 8-11, 2013.

Zevenbergen, J. 2005. Tenure Security and Certification in Rural Ethiopia, Implementing new land legislation in Africa, Report for the World Bank