



# Policies and praxis of land acquisition, use, and development in Ethiopia

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## ABSTRACT

Ethiopia is one of the few African countries that have implemented a revolutionary land reform program that still retains the relics of the socialist ideology, specifically, the state ownership of land. Since 1975, the country has undergone a major transformation in implementing land reform policies and other major economic programs that have contributed to the development of an unsustainable land use structure that has become a burden on the national economy. The purpose of this research is to examine the current land use system in the context of the various policies and programs of the government. The analysis reveals that the land use system in Ethiopia is riddled with a host of problems including insecurity of tenure, fragmentation and diminution of farm sizes, corruption associated with land stocking by individuals and corporations with strong political ties, the displacement of farmers and poor urban residents, and the issue of expropriation and unfair compensation for land taken from land owners. The study recommends major reform programs related to right of ownership, land confiscation and compensation, institutional capacity building, protection of prime agricultural land and local environment, and addressing problems of land grabbing and land banking.

## 1. Introduction

Ethiopia is one of the few African countries that have implemented a revolutionary land reform program that still retains the relics of the socialist ideology, specifically, the state ownership of land. In the last four decades, the country has undergone a major transformation in implementing land reform policies and other major economic programs. In 1975, Ethiopia adopted a political system that was bent on developing a politico-economic structure based on socialist principles, and in 1991, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), the current ruling government, took power and started to implement major land reform programs that parallel many of the policies of the socialist government that preceded it, namely the *Derg*. The EPRDF maintains that Ethiopia is a 'developmental state', and the government is pursuing a policy of transforming the current economic system with the objective of catapulting the country to a middle-income country status by 2030. It has set some lofty economic goals including achieving a sustainable economic growth, enhancing the role of agriculture in the economic sector, expanding the provision of quality infrastructure and fulfilling the Millennium Development Goals (MDG) by the end of the plan period (FDRE, 2010). While these lofty aspirations are welcome, the government's inflexible land policies and its reluctance to modify the existing land holding system are creating a

major burden on the national economy. The various land policies and programs of the government have contributed to insecurity of tenure, ambiguities in ownership of land, shortage of land to accommodate young families, fragmentation and diminution of farm sizes, displacement of poor farmers to give land to corporate farms and urban expansion, and dislocation of poor urban residents to give way to investors.

Land ownership rights in Ethiopia are defined in the 1995 Constitution, which states that land is owned by the Peoples of Ethiopia (defined as Nations and Nationalities of Ethiopia) and individuals have the right to free usage of land, protection from eviction, and the right to be compensated in case of expropriation (FDRE, 1995).<sup>1</sup> However, by not granting free holding of land with the rights of exclusivity and transferability, the land ownership system still retains the vestiges of the socialist system of the *Derg* era. The policies and practices of land management including state ownership of land, the lease system, expropriation and compensation practices parallel the land use and management systems of China.

Although the constitution has defined the basic rights to use land, the landholding system in Ethiopia has become so complex that there is a growing feeling of uncertainty among landowners and investors. This problem is related to ambiguities in land use legislations and the system's failure to guarantee the core property rights associated with land

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<sup>1</sup> Citations for the federal legislation including the constitution referenced in this study are included under Federal Democratic Republic of Ethiopia (FDRE). Regional legislation are indicated at the end of the reference section.

ownership – the right to own and transfer land, the right to mortgage, and the right to exclude others. More importantly, there is no clear provision for land markets nor are there institutions to provide the legal security for land markets to function. A related problem is the issue of land redistribution. Although the Federal legislation ([Proclamation 456 of 2005](#)) rules out land redistribution, state legislations have enacted conflicting laws on conditions for redistribution. For instance, the Oromo legislation allows redistribution of irrigable land; Amhara and Southern regions allow redistribution depending on the wish of the community. Thus, the present landholding system has created an ambiguous environment that discourages farmers from investing, and by not guaranteeing the core property rights associated with land ownership, the system has imposed an unsustainable land use structure that has affected both the security and efficiency of land use ([Rahmato, 2009](#); [Nega et al., 2003](#), [Crewett et al., 2008](#)).

The purpose of this research is to examine the current land use system in Ethiopia in the context of the various policies and programs implemented by the government. It is also to assess how the landholding system is impacting land acquisition, use, and development including the major problems that have undermined the security of land ownership and contributed to loss of confidence by farmers as well as investors. The study will also examine issues of restrictions on use rights, the ensuing corruption associated with land stocking by individuals and corporations with strong political ties and the unprecedented profit that they are making from sale of land, the displacement of farmers and poor urban residents, and the issue of expropriation and unfair compensation for land taken from poor farmers.

The paper is organized into eight sections. Section 1 presents the purpose of the paper while Sections 2 outlines the framework and sections 3 and 4 examine the legal basis of land ownership and the debate on whether to privatize land respectively. Section 5 analyzes the different land use types and the legislative guide for development and acquisition, and section 6 examines land transaction and problems of corruption in land development. Section 7 focuses on land expropriation and compensation while Section 8 presents the conclusion and recommendations for change.

## 2. Dynamics of state intervention and land ownership rights: a framework

Analyzing the dynamics of state intervention and the role of state agencies in land development is important in understanding how land use changes occur under different social and political structures. There is a wide range of literature examining land development in both socialist and non-socialist countries and how the role of the state and its agencies can impact land development ([Lin, 2009, 2004](#); [Marcuse 1996](#); [North 1991](#); [Bertaud and Renaud, 1994](#)). In general, based on mainstream economic arguments, land in many western countries is closely tied with individual decision-making behavior where the individual is treated as a rational actor interested in maximizing benefits by rationally responding to market situations ([Healey and Bennett 1990](#); [Dale, 1997](#)). The state, in return for political and material support, develops rules and regulations on how groups or individuals can use land to reap maximum benefits ([Evans 1997](#)). These rules and regulations are expected to create the necessary environment for undertaking development initiatives and securing land rights. By contrast, in socialist countries, the role of the state occupies a primary position in regulating land development programs ([Lin, 2009](#); [Dale 1997](#)). Land in socialist countries is treated as a means of production rather than as a commodity for transaction; and the state, that often has an intimate relationship with land development process, continues to enact regulations and legislations, to meet socialist objectives ([Lin, 2009](#); [Marcuse, 1996](#)).

This general framework that prevailed in many socialist countries began to make a dramatic shift, as a result of the wave of political

change that took place among East European countries (after the fall of the Soviet Union) and the globalization phenomenon that impacted many developing countries including China. This wave of change, among other institutional and economic reform programs, required states to undertake what [Lin and Ho \(2004\)](#) referred to as “institutional fixes” to liberalize their land holding system, specifically the institutions and laws governing the relationship between land and its users. As part of their reform programs, the states decided to commoditize land to attract local and foreign investments. Commoditization of land also meant taking specific measures to legitimize the right of ownership to land, providing security to property owners and investors, and responding to emerging land markets for development. They also had to deal with the problem of shortage of housing and deteriorating infrastructure in their cities, and inefficient use of land in their rural areas after many years of socialist experiment. Given such developmental challenges, the states had to clarify property rights and usage of land by modifying the legal basis for the rights of ownership of land.

This wave of change that swept through many socialist countries did not spare the land holding system in Ethiopia that existed under the *Derg*. Following the 1975 land reform, land under the *Derg* was owned by the state with no clear guidelines on the transactional values of land ([Proclamation 31/1975](#); [Rahmato, 1994](#)). The EPRDF that took power from the *Derg* in 1991 instituted several land reform programs that had wide range implications throughout the country. The decentralization of local power and the creation of *killils* (ethnic-based administrative regions) with the power to enact their own laws and regulations governing land further complicated the relationship between landowners and users. Land rights became convoluted and ambiguous as one must deal with conflicting federal and local legislations as illustrated in the sections below. At the same time, the government purporting to manage a ‘developmental state’ continues to play a leading role in land development ([Clapham, 2006](#); [Abbink, 2011](#); [Fourie, 2011](#)). Also, the market driven property development industry has provided a powerful incentive to local governments for land development resulting in the displacement of thousands of poor farmers and urban residents ([Alemu, 2012](#); [USAID, 2004](#); [Teklu 2003](#); [Mulatu, 2015](#)). The outcome of these changes is to create an unsustainable land development system with a major impact on the national economy. In the succeeding sections, we will examine the land development system under the current government and how the new rules and regulations have impacted land use and ownership rights.

## 3. The legal basis of land ownership in Ethiopia

The statutory framework for current land ownership system in Ethiopia starts with the 1995 Constitution ([FDRE, 1995](#)). In defining ownership rights versus use rights, Article 40 (3) of the Constitution states that “land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange.” Article 40 (7) also states that “every Ethiopian shall have the full right to the immovable property he/she builds and the permanent improvements ... on the land ... including the right to alienate, to bequeath ...or claim compensation for it.” It also acknowledges, in Section 8, that “the government may expropriate private property for public purpose subject to payment ... of compensation to the value of the property.” Thus, Article 40 and its various sub-sections make it clear that land in Ethiopia is owned by the State; individuals have only use right to a parcel of land but no right to sell or mortgage land directly; the government has the right of eminent domain, and individuals are entitled to claim compensation for property taken by the government. By contrast, there is no reference to some of the important principles of land ownership system, specifically the principles of security of land rights, equitable access to land, protection of fragile land resources, and management and administration of land.

In general, one can identify three major types of land holding systems based on geographic areas – rural, urban and peri-urban areas.

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