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## INFORMAL INSTITUTIONS IN ETHIOPIA

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## ABSTRACT

*It has been argued that institutions and institutional mechanisms (governance structures) contribute a lot for development and explain differences in growth rates and development paths in developing countries. Using secondary data such as literature, International Food Policy Research Institute-Ethiopian Rural Household Survey (IFPRI-ERHS) data and the data from the Nile Basin Development Challenge (NBDC) farmer focus group discussion taken place in Diga, Jeldu and Fogera, the study presented some qualitative and statistical evidence on existing informal institutions/governance structures in Ethiopia. The study also examines the economic benefits of these institutions and how to map these institutions for sustainable economic development or social capital. The study obtained the possible informal governance structures in rural Ethiopia such as Iddir, Mahber, Eqqub, Elder's Group, Gadaa/Cheffe Kore, Debo/Wobera/Wonfel/Oxen sharing (labor sharing) and Women's Association. These informal institutions or governance structures engaged in different economic and social activities. The major benefits include risk coping, provision of credit, common property regulation, manpower and traction force, conflict resolution and information.*

## KEYWORDS

Collective action, Informal institutions, role of institutions.

## BACKGROUND INFORMATION

The theoretical foundation for bringing institutions to economics may be tracked back to the writings of Coase (1937), with the theory of the firm. Assuming perfect markets, neoclassical economists argued that price mechanism plays a role in exchange while ignoring the fundamental importance of institutions. Later on, New Institutional Economics emerge to work on further by modifying the neoclassical orthodoxy. The fundamental argument of the NIE is that: "institutions matter and are susceptible to analysis" (Williamson, 2000). It was at this time that Coase (1937) in his title: "theory of the firm" becomes a base for the new institutional economics. Coase argued that, in the world of imperfect information, enforcement problem and uncertainties, the firm represents an alternative governance structure to the market by providing an environment in which the price mechanism replaced by the power and authority of an entrepreneur. He justified that the existence of the firm implies that there are costs to market transactions.

Transaction costs ( information costs, risk costs, waiting costs, costs of retailing, negotiating costs, contracts and enforcement costs)( Hira and Hira, 2000), determine the economic performance of a certain country. In turn, institutions and the effectiveness of enforcement determine the cost of transactions. Institutions are formed to reduce uncertainty in human exchange (relations), reduce transaction and production costs per exchange by internalizing them and by setting up standard rules of action. Hence, institutions (formal or informal) are efficient solutions to problems of organization in a competitive market (North, 1991) by providing rules, constraints and incentives that are instrumental to the governance of exchanges.

Formal institutions (explicit incentives, contractual terms and firm boundaries) are rules and procedures that are created, communicated, and enforced through channels widely accepted as official and government organizations (Helmke and Levitsky, 2004; Williamson, 1996; North, 1990), are observable through written documents or rules that are determined and executed through formal position, such as authority or ownership. However, the quality of formal institutions is affected by social trust (Bjornskov et al., 2009). Informal institutions are defined as socially shared and usually unwritten rules that are created, communicated and not enforced or necessarily sanctioned through formal position. These institutions include social norms, routines, and political processes that govern the behavior of the groups (Helmke and Levitsky, 2004). Together with this, Bratton ( 2007) argued that, Africa is the best starting point for exploring the role of informal institutions and that these derive from a social logic he calls "the economy of affection." As examples of informal institutions, he includes charisma (an authority relationship based on personal trust), clientelism (the expression of political loyalty to providers of patronage), pooling (horizontal exchanges within small groups) and collective self-defense (for example, the development of shared norms of sovereignty and noninterference). For this paper, the focus is on the governance system of the informal institutions. The definition of informal institutions, therefore, follows from the definition of Watson: "institutions that have emerged in a particular situation or that are practiced or constituted by people who have had a degree of continuity of living in and using the resources of an area. They are neither unchanged, nor unaffected by influences from other places or people, they are characterized by collection or group power which are run by or composed of local people" (Watson, 2003)

Different actors have different views about informal institutions in understanding the progress and its contribution to development outcomes. Due to their limited analytical and methodological tools that will be used, the NIEs theorists poorly recognized it. Others, for instance, policy actors perceived informal institutions negatively or considering them irrelevant for development(High & Pelling, 2005). In one hand, it is shown that informal institutions contribute a lot towards economic growth through collective action. Informal institutions have social reality in changing the history of human beings (e.g., the abolishment of slave trade). On the other hand, there is lack of analytical framework that helps to link informal institutions to development outcomes (Jütting, 2003). Especially in developing countries, a variety of informal institutions that enable transactions and are particular to the poor can be observed (Banerjee & Duflo, 2011). Informal institutions are argued to be adaptive, flexible and negotiable which help most to the vulnerable in the society. These institutions are seen as a ready-made set of power structures that enable a group of people to organize themselves, to take decisions, to enforce regulations and to resolve conflicts indigenously. Development projects also described informal institutions as: " a universe of experience that could provide many valuable lessons for mobilizing and sustaining collective action for self-help and self management in the modern world "(Watson, 2003) and through the formation of social networks, informal institutions reduce the incidence of opportunistic behavior and thus favoring non-hierarchical forms of governance.

Ethiopia is one of these developing countries endowed with informal institutions. Informal institutions through their self-help and being part of one of the development pillar, they get attention by the society. As a signal of their role, significant number of the people of Ethiopia is members of the informal institutions. Some of these institutions played a significant role in various activities mainly in natural resource management as a means to address the needs of people and the environment in a way that is also participatory (Degefa, 2010), in credit and saving (e.g., Eqqub), informal burial institutions (e.g., Iddir) and others which have greater contribution in development agenda. Moreover, these institutions help the poor in addressing the destructive effects of shocks and insuring them to cope with the high cost of funerals and health related issues (Mariam, 2003).

However, there is little understanding of what the potential existing informal institutions the community needed and what their economic benefits are. The informal institutions are not sufficiently investigated if so only from their functional point of view. There is little discussion about their goals, their ability to facilitate transactions and their arrangements (Pankhurst & Mariam, 2000). This study provides, hence, the descriptive assessment of the existing informal institutions in Ethiopia and their role played by collective action through informal net works.

## STATEMENT OF THE PROBLEM

Poor households in developing countries face a variety of shocks that negatively affect their welfare. These shocks can be covariant (result from flood, draught) or idiosyncratic shocks that significantly influence the livelihood of the poor households. To cope with these shocks, household use different mechanisms (villagers grow a variety of crops, engaged in off-farm activities and share cropping). In addition households may also save own money, borrow money or obtain remittances to smooth consumption and accomplish their activities (Hoddinott *et al.*, 2005). Collective action of the community and net works is another important mechanism by which rural households smooth the adverse impacts of shocks. Informal institutions have been involved in several natural resources conservations including exclusion for community forest management, land and grazing areas (Pacheco *et al.*, 2008), enhance efficiency through operating procedures that ease decision making and coordination within bureaucracies (Helmke & Levitsky, 2004). When formal institutions are ineffective and/or failed to provide good governance, conflict resolution and effective property rights, informal institutions are commonly used solutions by the local society. So understanding the importance of informal institutions helps to develop effective social protection policy and will avoid in advance policy changes that will have adverse consequences on the functioning of these informal institutions that possibly damage the capacity of the poor society to cope with and mitigate the adverse shocks and to wisely use their resources and other common benefits.

Ethiopia is one of the African countries that depend on unreliable rain feed agriculture. The country is affected by adverse shocks from shortage of water for agriculture, flood and draught which causes majority of the people to get food starvation. Lack of peace and coordination of the available labor for common benefit is another problem of the country. So the development of informal institutions is an important strategy that the government of Ethiopia takes in to consideration in alleviating poverty and part of the development agenda. Rural Ethiopian communities have indigenous knowledge that has been shown to generate strong relational bondage. This bond results from culture, trust, norms while people are free to join or withdraw which allows them to share information and cooperate among themselves. This ultimately helps them to do collective actions and helping each other in critical times (adverse shocks) and enable them to spring back quickly into their previous condition (Tessera, 2006). Indigenous institutions such as Mahiber, Iddir, Iqqub, Debo and Elders' councils are flexible, dynamic and complex organizations providing socio religious, economic and quasi legal services" in rural Ethiopia (Adal, 2000, as cited by Tessera, 2006). There are different occasions the people meet for example in religious ceremonies like Tabot, Senbete, Mahber, Tsiwa, Tsebel, in social and financial such as Debo, Iddir and Equb. These institutions play a role in bringing the people together and create social cohesion and support among the people in the community.

International Water Management Institute (IWMI) is a nonprofit organization working in over 10 countries across Asia and Africa. Research is the core activity of IWMI. In conducting researches, however, IWMI does not study about the informal institutions existing in Ethiopia that contribute much for managing natural resources, e.g., water, land and environment through collective action. Though rural farmers are rich in informal institutions, they are not seen well recognized by formal institutions and they do not get attention from the government body as well. This needs further research to address and how to overcome the existing bottlenecks that constrain these institutions to work well (Woolcock, 1998). Furthermore, in Ethiopia, there are no researches conducted regarding these issues. Some researchers like (Pankhurst, 2003; Angassa & Beyene, 2003; Dercon *et al.*, 2005; Dessalegn and Aklilu, 1999), study only on some specific and very limited informal institutions. The aim of this paper is, therefore, to fill this knowledge gap and to have analytical frame work that can map informal institutions for sustainable economic development. In addition, it will help researchers to build in these informal institutions in future research.

## OBJECTIVES OF THE STUDY

The general objective of this study is to investigate informal institutions. Based on this, the study tries to address two specific research questions: 1) what are the existing informal institutions in Ethiopia? 2) What are their roles and economic purposes?

## REVIEW OF RELATED LITERATURE

### WHY DOES SOCIAL CAPITAL MATTER?

Social capital refers to features of social organization such as trust, norms, and networks that lubricate cooperative action among both citizens and institutions. These stocks of social capital tend to be self-reinforcing and cumulative and voluntary cooperation is easier in a community that has inherited a substantial stock of social capital in the form of norms of reciprocity and networks of civic engagement (Putnam, 1995). Here, in Putnam's definition, social capital is a very influential thing in community development. According to Cooke (2007) social capital is "the application or exercise of social norms of reciprocity, trust and exchange for political or economic purposes", which is valuable for the development of the society ranging from ethnic communities to professional association. Social capital becomes a concern for many countries because of its contribution in alleviating poverty and rapid economic growth. Informal institutions are effective because social capital "permit us to carry on our daily lives with flexibility, a minimum of repetition and costly negotiation". By creating trust and norms of reciprocity, it facilitates cooperation in working together and hence reduces transaction cost (Williamson, 1989), build confidence on people to invest in collective activities and forced them not to be free-riders. Furthermore, (Pretty & Smith, 2004) identify three characteristics of social capital which make it important in economic growth: 1. relation of trust- helps people to be cooperative and thereby reduce transaction costs and frees resources and 2) reciprocity and exchange –continuous exchange of goods and knowledge of equal value contributes to the development of long term obligations between people and 3) common rules, norms and sanctions which exist in social capital give individuals the confidence to invest in collective good.

On top of that, social capital helps the society to lower crime rates, get better health, improved longevity, get better educational achievement, greater levels of income equality, improved child welfare and lower rates of child abuse, get less corrupted and more effective government and enhanced economic achievement (Ashebir, 2005) and acts to buffer the effects of social stress.

As having positive impacts on economic growth and productivity enhancement, social capital has also negative impacts since "strong relationships among small groups can lead to exclusionary tendencies, higher entry barriers for outsiders and rent seeking by insiders". In such cases, the gains for a small group can be at the cost of many others and can even lead to inefficiencies for the economy as a whole" (Stavern and Knorrninga, 2005). In addition, Pretty & Smith (2004) suggest that societies may be well organized and have strong institutions that add reciprocal mechanisms not based on trust but fear and differences in power. Not only this, informal rules and norms might possibly encourage people to the harmful way of treating others which results in conformity, perpetuate adversity and inequality and allow certain individuals to get others to act in ways that suit only themselves.

Social capital is generated by informal institutions. "the norms, the networks, relationships, attitudes and values in these institutions are the social networks that govern interactions among people and contribute to economic and social development". In informal institutions, the civil societies organize themselves for effective governance and management of themselves (Helmke & Levitsky, 2004), they trust each other and share values and participate in social networks which results in reciprocity norms. In societies with high level of trust, there is cooperation and feeling of reciprocity which makes the members more efficient than the distrustful society.

## MATERIAL AND METHODS

### STUDY AREA DESCRIPTION

Agriculture is the core of the Ethiopian economy contributing approximately 47 percent to Gross Domestic Product (GDP) (Fintrac Inc., 2010). The sector generates 90 percent export earnings and accounts for 85 percent of rural employment. Around 80 percent of the population derives its livelihood from agricultural production (Haile & Assefa, 2005). However, its potential remains unused and less than one fourth of the arable land is cultivated. Ethiopia has an area of 1,127,127 sq km with a population estimated at 88,013,491 in 2010 with an annual growth rate of 3.2 percent. Ethiopia is characterized by diverse climatic conditions ranging from warm and humid in Southeastern region to semi-arid in the low lying regions. Because of the proximity of the equator, the annual range of temperature is relatively small. The country has a wide range of agro-ecological zones which reflect the wide variation in rainfall, temperature, altitude, topography and soils (Bishaw, 2001).



**CHOSEN APPROACH**

The study is based on existing secondary data. It makes use of literature on informal governance structures in Ethiopia, as well as existing data from the International Food Policy Research Institute (IFPRI) - Ethiopian Rural Household Survey (ERHS) and NBDC farmers’ focus group discussion.

**THE IFPRI-ERHS DATASET**

The Ethiopian Rural Household Survey is a longitudinal dataset covering households in a number of villages. Within each village, random sampling was used, stratified by female headed and non-female headed households in all rounds of study villages, via extra sampling from new entrants, splits and newly formed households (IWM, 2009). The data collection started in 1989 and in that year, IFPRI conducted a survey in various peasant associations - Tigray, Amhara, Oromia and Southern Nations and Nationalities peoples regions of the country. Next IFPRI continued its survey in seven rounds (in 1994a and 1994b, in 1995, in 1997, in 1999, in 2004, and in 2009). This dataset describes Ethiopian households, their characteristics, the agricultural practices, food consumption, asset and income data, health and women’s activities and shocks, public works, drought, NGOs activities and migration. This dataset also looks at social networks and capture some of the informal institutions in Ethiopia. For matter of convenience, we worked on the most recent round only (2009) (corresponds to 2002 in Ethiopian calendar). For 2009, 1577 households have been surveyed in 21 Peasant Associations in the four regions of the country; Tigray, Amhara, Oromia and SNNP (Southern nations and nationalities peoples). The numbers of households in each region are 148 (9%) in Tigray, 420 (27%) in Amhara, 591 (37%) in Oromia and 418 (27%) in SNNP.

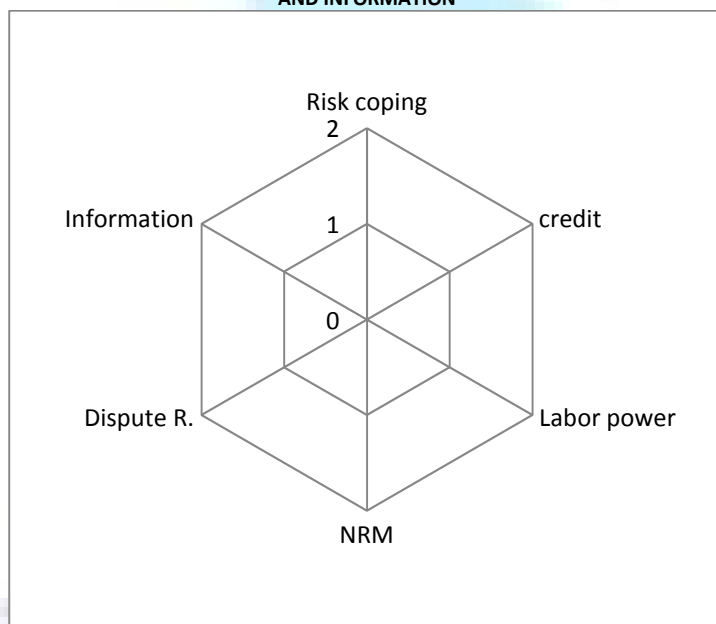
**NBDC FARMER’S FOCUS GROUP DISCUSSION**

In the frame of the Nile Basin Development Challenge program, in 2011, a focus group discussions in three sites: Diga, Jeldu and Fogera were conducted.. The aim of the focus group discussions was three folded: planning, implementation and innovation of rain water management . Discussions were held with two different groups. The first group addressed issues concerning the priorities of farmers, their experience of RWM, farmers’ innovation, and their planning and implementation practices. The second group addressed issues linked to livelihoods of the farmers, sources of food and income, stresses and vulnerabilities, conflicts, markets and opportunities, agricultural practices and other livelihood activities.

**A CONCEPTUAL FRAMEWORK TO IDENTIFY THE ROLE OF INFORMAL INSTITUTIONS**

It is challenging to be poor: one lacks critical piece of information necessary for a rational decision and acquiring that information is costly as one does not have access to modern technologies. One cannot access formal insurance schemes or credit and therefore relies on very expensive alternative which makes transaction costs to be high. New institutional economics is recently developed theory that takes a new view on economics and focuses on transactions rather than on agents that take a decision (Williamson, 1989) . The transaction cost theory suggests that it is institutions other than markets that are most economical to allow transactions with specific characteristics to take place. In the perspective of the poor, there are various kinds of informal institutions all address particular challenges of the poor face in terms of transaction as well as allocation of production inputs.

**FIGURE A: AXES ALONG WHICH INFORMAL INSTITUTIONS CAN PLAY A ROLE; RISK COPING, CREDIT, LABOR POWER, NRM, DISPUTE OR DISPUTE REDUCTION AND INFORMATION**



**RISK COPING**

Being poor does not allow to accumulate sufficient assets to be able to overcome an unexpected shock, such as death of the income earning household member, the death of the oxen or drought. Insurance is therefore one of the most important financial institutions in the development process. Unfortunately, many developing countries experience difficulties providing formal financial protection (Outreville, 1990; Banerjee & Duflo, 2011). This is mainly due to asymmetric information and limited enforcement problem. Asymmetric information occurs when one party has more knowledge about the issue than the other (Akerlof, 1970). *Asymmetric information* is one of the moral hazard (Ray, 1998) that comes from the unobservable nature of the objective functions of the agent. Thus, transactions have to be carried out under the conditions of moral hazard which consequently needs the principal to deal with the hidden information and hidden action of the agent and uncertainty (Slangen et al, 2008). The other factor that causes failure of insurance is *enforcement problem*. To overcome the moral hazard problem, contracts have to be designed to provide appropriate incentives or agreements. But, in developing countries there are no strong institutions such as courts of law to enforce these agreements (Ray, 1998). Hence, to overcome the market failure for insurances, the poor have developed self-insuring schemes that materializes in the form of informal governance structure that enables to cope with certain number of risks.

**CREDIT**

In many developing countries, the poor rely on an informal credit sector that has outrageously high interest rates. This happened due to two critical problems: difficulty to monitor what is being done by the loan and voluntary or strategic default of borrowers. A loan may be taken for consumption purposes, or may be put in to risky investments which both can cause a failure for the repayment of the loan by borrowers. The borrower can also be careless in repaying the loan knowing that there is no legal system that can enforce the repayment. This fear of default at the end causes many lenders to ask collateral which the poor cannot afford (Ray, 1998, Berhane, 2009).

**LABOR POWER**

Human labors as well as oxen traction force are primary production factors in subsistence agricultural system. Often smallholders run short of agricultural labor for ploughing. In a subsistence agriculture setting, the poor often does not have cash in order to hire manpower/traction force (Alwang & Siegel, 1999). An informal institution has emerged in developing countries that allow transactions to happen with this situation.

**NATURAL RESOURCE MANAGEMENT**

Resources such as water, forests, grazing lands and fisheries are public goods and are often overexploited since property rights are ill-defined: a phenomenon referred to as the “tragedy of the commons”. Ostrom (1990) has shown that common ownership of the commons can be the most efficient way to manage the resource. In developed world, the government can generally enforce laws and property rights to own the commons collectively.

**INFORMATION**

The poor very often lack crucial information about many issues (Rogers, 2005) and acquiring that information is costly as one does not have access to modern technologies (Goulding, 2001). Therefore, the poor cannot make decisions confidently. In order to access the right information at the right moment, the poor rely on their informal networks.

**CONFLICT RESOLUTIONS**

Maintenance of peace in a particular country is a key factor that steps up development and economic growth. That is why many developed countries seen to have strong informal institutions for legitimate use of violence, to hold territory and to have a smooth relationship among the society. In developing countries, however, the issue of having strong governance that addresses this particular issue seems nonexistent. This is due to lack of proper army, well committed police and strong and independent formal institutions (Hossain et al., 2007) that enforce contracts and rules. Thus, the development of informal institution by the poor community is an important element to solve the problems they face from different disagreements.

**RESULTS AND DISCUSSIONS**

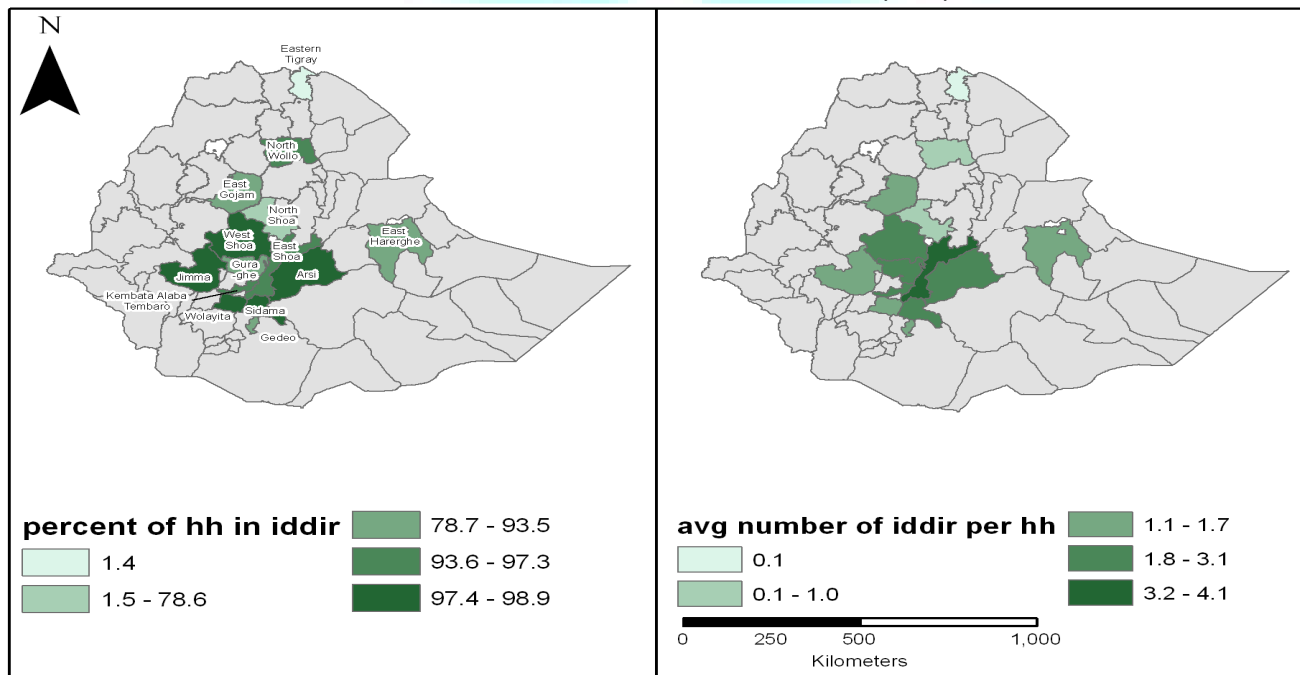
Based on the results from the NBDC farmers’ focus group discussion as well as existing dataset from IFPRI-ERHS, we have identified seven informal institutions in Ethiopia: Iddir, Mahber, Eqqub, Debo/Wenfel/Jigie/oxen sharing/labor sharing, Gadaa system, Elder’s group and Women’s association, each of them are described in following topics.

**IDDIR**

**Iddir**- is one of the local informal institutions in Ethiopia established voluntarily by the community and involved in self-help and other social activities. It is established primarily to provide mutual aid in burial matters but also to address other community concerns (Pankhurst & Mariam, 2000). It is an association with long history most widespread, mostly known with rural and urban Ethiopia such as Addis Ababa, South Wello, Wag Humera, Southern Gonder, Tiray and others, established by a group of persons united by ties in families, friendship, neighborhood, or belonging to the same job (Teshome, 2008). Furthermore, Iddir is a local association with long history, most widespread, commonly known in rural and urban settings of Ethiopia such as: Addis Ababa, South Wello, Wag Hemra, Sothern Gonder, Sothern Tigray, Siltie, and others. It organizes people according to gender, generation, wealth, education, religion, kinship, ethnicity and some other special relations. To mention some: *Iddirs* based on professions (like the teachers’ *Iddirs*), gender (such as women’s *Iddirs*), or on ethnicity or clanship (such as those formed by migrants from specific areas). However, with regard to membership structure, iddirs are the most democratic and egalitarian social organizations which people are free to become a member regardless of their differences in religion, sex, and ethnic affiliation(Pankhurst & Mariam, 2000).

Based on the IFPRI ERHS, 85% of the households in the data set are members of an Iddir and contribute on average 4.8 Birr per month for the iddirs. However, the membership varies greatly across Ethiopia. The left part of Figure 1 shows that in the central part of the country the number of the households who are members of the Iddir is higher. On the contrary, when we go far from the central part of Ethiopia, the membership gets less important. For instance in the East, West, and North Shoa, Arsi and East Gojam more than 93% the people are members of the Iddir. While in East Tigray, North Wello and Godio, the percentage of the people who are members of the Iddir are less than 79%. Interestingly enough those with membership have also involved in greater number of iddirs. In the central part of the country, the number of the Iddirs those members involved in is relatively higher than the far distant part of the country. For instance, in Tigray, North Wello, Eastern Harerghe and others the number of Iddirs the members joined gets smaller. In Tigray (Eastern zone) on average a household is a member in 0.1 Iddir while in North Wello around 1 and in East Harerghe and Jimma around 2. However, in North, East, and West Shoa, Arsi and East Gojam, members have up to 4 Iddirs on average. In general 15% of the households are not members at all, majority of them have 1 and 2 iddirs (35% and 27%) respectively. The next are households members with 3 iddirs which are represented by 10% of the respondents and the rest are households on having 4 up 6 Iddirs on average which count 11% of the respondents. On average an Iddir has 179 members, which show that many people collected in group so that their unity will make a difference. This result was also supported by the focus group discussion that Iddirs (Afosha) have 5-100 individual members that cooperate during different activities. This is confirmed by the Dercon & Bold (2004) in their findings that 80% households in Ethiopia are members of at least one Iddir and join one or more Iddirs. On average, in regular basis they contribute 0.16 Birr per month.

**FIGURE 1: SPATIAL DISTRIBUTION OF HOUSEHOLD PARTICIPATION IN IDDIR: THE PERCENT OF HOUSEHOLD IN AT LEAST ONE IDDIR (LEFT) AND AVERAGE NUMBER OF IDDIRS HOUSEHOLDS ARE CONTRIBUTING TO (RIGHT)**



**RISK COPING**

Iddir helps people in funeral activities. When the death of the members occurs, the members in the Iddir will organize themselves to handle the burial and consolatory activities. Members contribute money on a regular basis to be used in case of emergency and to cover the necessary costs for burial activities

(Desta, 1995). In addition, Iddirs assist the members in case of the adverse shocks such as asset losses (due to theft or fire) or the death of the crucial livestock like oxen, health problems or during weeding of the members and their families (Aredo, 1993), cover medical expenses during illness and when a household member dies, they make a payment to surviving family members, and contribute money during certain ceremonies. The amount of money the Iddirs cover can vary from place to place (Dercon et al., 2007). This explicitly implies that Iddirs serve the local community as an insurance mechanism (Mariam, 2003; Frankenberger et al., 2007; Tessera, 2006). Iddirs insure the poor by helping them during funerals, house construction and agricultural practices such as harvesting, labor helping during lost of livestock, and taking members to hospital if the member gets sick (NBDC focus group discussion, 2012)

**CREDIT**

Iddirs are remarkably working also in banking services. Iddirs play a crucial role in solving the financial problems of the members. For instance, they provide loans without interest to the members when they experience cash constraints. In this case Iddirs serve as a credit institution to raise the fund for different activities (Mariam, 2003; Dercon et al., 2005). Iddirs provide credit to members without interest and around 23% of households make use of this offer and have a credit throughout the iddirs as shown in Figure 3 and Figure 4 (IWMI, 2009, NBDC farmers’ focus group discussions, 2012).

FIGURE 1: PERCENT OF IDDIRS THAT PROVIDE LOAN

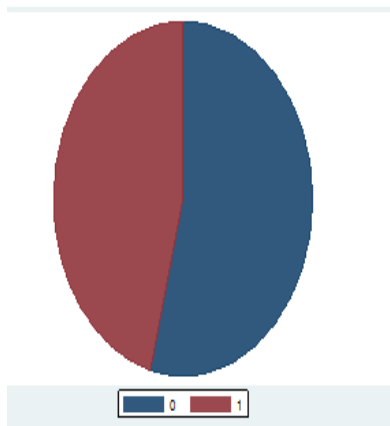
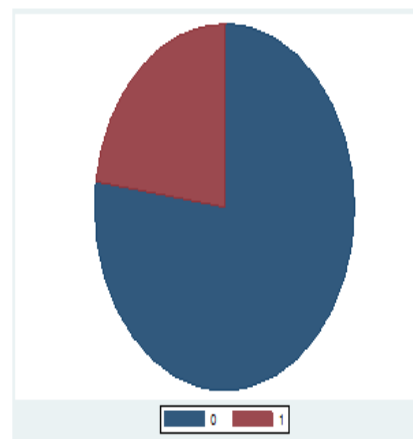


FIGURE 2: PERCENT OF HOUSEHOLDS WHO GET CREDIT



**INFORMATION**

Iddir is an excellent vehicle for transferring information to the community. During the funeral activities, messages are given regarding HIV AIDS, family planning and members are mobilized for various types of collective activities. In this case Iddir is one of the information transferring mechanisms to the society (Pankhurst & Mariam, 2000; Butcher, 2007). On top of that, Iddirs transmit information to members concerning gully rehabilitation, terrace construction, and others in funeral places and in the Iddir collecting areas (The NBDC focus group discussion, 2012)

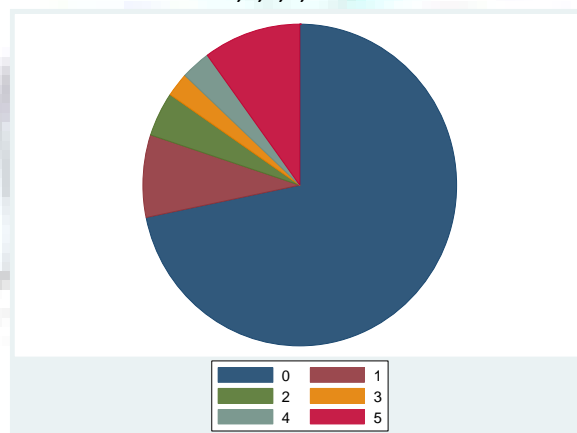
**CONFLICT RESOLUTION**

Last but not least, Iddirs also help the community in handling their work peacefully. It resolves the disputes among or between the individuals (Pankhurst & Mariam, 2000 ; Butcher, 2007; Moges, 2006).

**MAHBER/SENBETE**

Mahbers/senbetes- are voluntary and mutual aid community (religious) associations peculiar to Orthodox religion followers. The members gather together at church or in one of the member’s house so as to pray together to get blessing from God and saint and discuss their problems and further share information. In doing so, the members bring food and drinks to church to feed the poor and themselves and discuss matters of common interest (Moges, 2006). Mahbers are also very crucial informal institutions involved in various community activities such as risk coping, addressing manpower and traction force and conflict resolution. People in the sample were also asked if there are 5 best friends in the same Mahber. Accordingly, the IFPRI ERHS data revealed that, 28% of the households are members of the same Mahber and the rest (72) are not. The number of the members looks smaller. One important reason could be the Mahber members are those who have 5 best friends. The other might be those members are those who are only orthodox religion followers.

FIGURE 5: PERCENTAGE OF HOUSEHOLDS HAVE 0, 1, 2, 3, 4 OR 5 BEST FRIENDS’ MEMBER OF THE SAME MAHBER



**RISK COPING**

Members of the Mahber make a specific amount of money on regular basis that will be paid out to members in cases of the loss of the job, when an accident occurs and or illness or death happens. Thus, the institution guarantees the health insurance for the members by sharing risks among the members (Moges, 2006; Habtom & Ruys, 2007; Muir, 2004). Mahbers are used for religious purposes (to get spiritual relief) to support each other at time of hardship. Mahbers support burial/funeral ceremony and associated expenses, cover medical fees for a needy member and carrying out farming activity/planting for sick members (The NBDC farmers’ focus group discussion, 2012). The numbers of the members in Mahber can be 15-30 individuals.

**CREDIT**

Mahber involved also in provision of financial services to the members to address the shortage of capital. During financial crisis, members are given interest-free loans so that they will be involve in different investment activities to improve their livelihoods (Habtom & Ruys, 2007).

**LABOR POWER**

Members join Mahber with the mentality of expecting benefits with reciprocity. So, when a member is in need of help for agricultural activities like weeding, ploughing, and others, the other members address the shortage of the labor (Frankenberger et al., 2007; Habtom & Ruys, 2007; Getachew, 1998).

**INFORMATION**

In Mahber, people get together and discuss on issues which are common interest of them. They share information, coordinate activities and foster their social ties. Therefore, Mahber is another form of social media for the community. Mahbers are used as good forums to disseminate NRM campaign programs such as tree planning and terracing. Every Sunday, information is disseminated at church and whenever members meet on Mahber, they discuss about common issues (The NBDC farmers’ focus group discussion, 2012).

**CONFLICT RESOLUTION**

Mahbers resolve disputes or conflicts from land, property transfers, divorces, theft and vandalism using local aged people called *Shimagile*. The Mahbers select 5 or more people (*Shimagile*) who will be involved in dealing with murder or other difficult issues. The *Shimagile* bring the disputants face to face to state their problems and after listening each of them, the *Shimagile* make them agreed and solve their problems using *mehala* or other mechanisms (Getachew, 1998).

**EQQUB**

**Eqqub-** is an informal institutions established voluntarily to collect a specific amount of money from the members on a specific date to be paid on round and lottery basis to the members. The members know each other and thus trust each other to make the Eqqub function smoothly (Dessalegn and Aklilu, 1999; Desta, 1995). Interestingly enough, Eqqub also helps members in many aspects such as provision of credit and sharing important information. The IFPRI ERHS shows only 10% of the interviewed households were members of an Eqqub. This could be, the people in the Eqqub are gathered only for pooling of money but do not have well established group like other informal institutions such as Iddir, Mahber, etc and have no another purposes.

**CREDIT**

The primary objective of Eqqub is to pool a certain sum of money from individual members and give to the members on lottery basis. Eqqub solves the financial constraint of the members which are not accessible by formal institutions. Eqqub provides the sum amount of money for the members without interest and without any need of collateral. Hence, Eqqub, without exaggeration is replacing the function of banks (Frankenberger et al., 2007). Eqqub is serving as traditional saving institution for improved income and investment in productive assets (The NBDC focus group discussion, 2012). However, in these districts where the focus group discussion held, only women are involved in Eqqub. This shows that Eqqub covers only small activities.

**INFORMATION**

During the time of money collection, members in the Eqqub discuss different issues about the business and what is going on at hand, and those people from different discipline provide consultation services (Teshome, 2008).

**DEBO/WEBERA /JIGIE/ WONFEL(LABOR SHARING)**

**Debo/Webera /Jigie/Wonfel/oxen or labor sharing-** are arrangement of agricultural work groups in rural Ethiopia that create structures for “pooling the labor of a number of people from an area to assist one or more individuals through promises of future reciprocity (Getachew, 1998; Daniel, 2003). But in Debo or Wobera, a form of festive labor, where a person will provide food and drink for a large work party in order to carry out a time-sensitive agricultural task, there is no reciprocity. These informal institutions contribute a lot to the group like manpower and traction force and mobilizing to the community. The IFPRI ERHS confirmed this and showed that a significant percent of people (above 68%) are working in labor share arrangement.

**LABOR POWER**

In different areas of Ethiopia (South Wello and Oromia region in Weredas Legambo, Dessie Zuria, Jemma, and Bati), individuals gather to assist each other in accomplishing various activities like ploughing, weeding, harvesting and building of houses. Especially during the peak period, the crops become in danger by flood or unexpected rain. An individual whose crops are exposed to this shock request the neighbors to come and provide him group labor (Moges, 2006). This helps the agricultural activities to be carried out at the right time so that the productivity and farmers’ efficiency increases (Frankenberger et al., 2007; Desta, 1995); Getachew, 1998 and Spielman et al., 2008). The IFPRI ERHS also confirms the above result from the literature review. It shows that there are various kinds of labor sharing arrangements such as Wonfel, Debo, Jiggi, Geaze, Webera and Kebbo. 58% of households are members of the labor sharing. In the year 2009, the members were asked if they call for a work party-Wonfel, Debo, Jiggi, Geaze, Webera, Kebbo to work together. It is shown that 44% of the members called for labor power arrangement in the form of group labor or oxen share. Furthermore, these labor shares are working on reciprocity basis. As the statistical result from this data showed, around 63.4% of the members in these labor shares work on reciprocity basis.

**FIGURE 4: PERCENT OF HOUSEHOLDS WHO CALLED MEMBERS FOR WORK PARTY TO GET LABOR POWER**

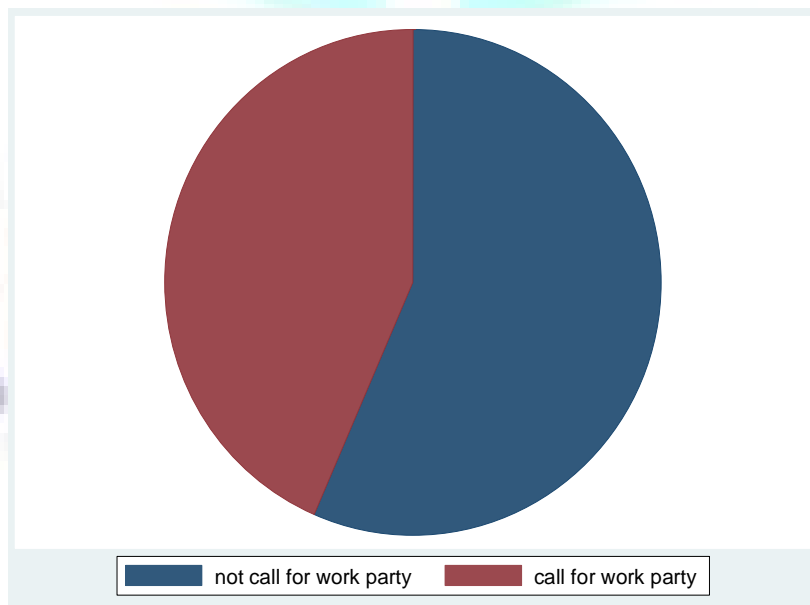
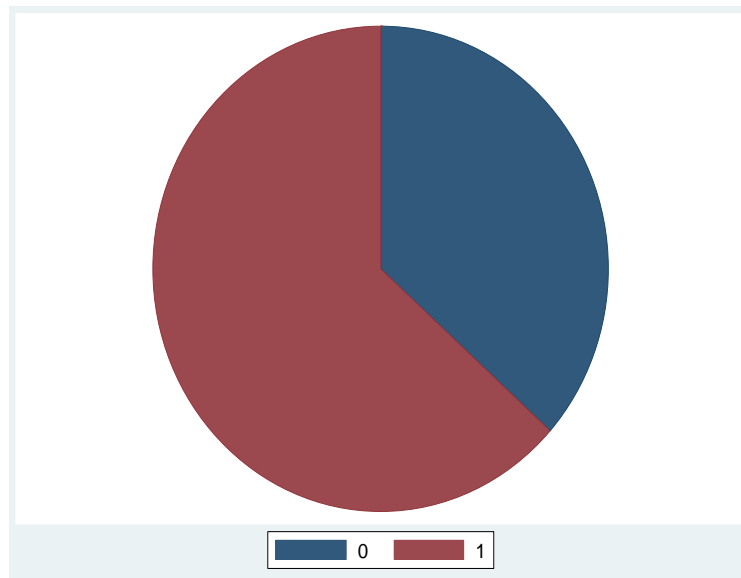


FIGURE 5: PERCENT OF HOUSEHOLDS WHO WORK IN RECIPROcity



Interestingly enough, the NBDC farmers focus group discussion (2012) result revealed that most community members share labor arrangements for weeding, harvesting, threshing, ploughing-labor sharing during peak season or construction of house, Ergamuu (free labor service for sick, disabled and households encountered sudden death or seasonal shortage of labor) on the basis of neighborhood or personal relationship.

#### **INFORMATION**

During their activities, such as ploughing, weeding, and others, members share information concerning their common issues and what is going on outside.

#### **GADAA /CHEFFE KORE/ KEDO ABA**

**Gadaa/Cheffe Kore/Kedo Aba/Seera** - is one form of social organization based on the age-grade classes of males that succeed every 8 years to serve the community in economic, political, military and social issues. The system assigns right and obligations or responsibilities to all males in the society (Edossa et al., 2007).

#### **NATURAL RESOURCE MANAGEMENT**

One economic function of the Gadaa system, which is most popular in Oromia –Borena zone, is involvement in common property regulation such as water, land and forest. The Gadaa sets rules and regulations that people will be governed and based on these rules it distributes resources (like water) to the community in a sustainable and efficient manner. For instance, to manage water the Gadaa ordered individuals to use open water sources and to close wells in wet season, in dry season to shift herds to distant pond and re-open traditional wells to preserve water near to home and hand dug ponds are maintained timely (Edossa et al., 2007). The Cheffee committee involved in managing wetland by preparing drainage ditches and continuous maintenance of it through coordination and facilitating cooperation among men. Farmers are also involved in guarding crops, and drain water (irrigation), and building footpath bridges across wetlands when it happens (Dixon & Wood, 2007). Further Dala Aba institution is involved in rangeland regulation (making grazing land reserve for dry season and settlement patterns) and herd regulation (division of animals into species) (WIBD, 2005). The NBDC farmers' focus group discussion supported this idea. In these districts, people have a Water User Committee (a sub-committee in the Gadaa system which the members of the committee are governed by the Gadaa system). To manage water use from Reb River, for example, the committee first discuss on how to allocate water among the users. Then, WUC set the turn or water use schedule for irrigation users by lottery method. The timing of the water is based on crop type and the potential of water. For example maize growers access more water than vegetable growers. They make the people to coordinate and get maintenance to the canal. They established their own rules and regulation and they take appropriate measures up on wrong doers through their by-law -like those who fail to break the by-law- will pay 250.00 Birr and compensate for the amount lost because of lack of irrigation etc

#### **CONFLICT RESOLUTION**

Since resources are scarce, individuals conflict each other in using them. Conflicts within the community arise when some of them are marginalized, and unable to participate to use and monitor the common resource, when local traditional laws are no more respected if people thought that they are not legitimate and or when external parties tried to pursue their interests while ignoring the local people needs and requirements. The Gadaa sets rules and regulations which are respected by all people. In Borena zone for instance, the Gadaa perceived as the figurehead of the whole community and the people are loyal to the Gadaa. Then, when conflict arises among ethnic groups in using resources like water, land and forest, or community and external parties like government in expanding development projects on grazing lands, the Gadaa will be called and make peace among users (Edossa et al., 2007; Edossa et al., 2005; WIBD, 2005). In addition, on water use and water way related problems such as irrigation water, upper and lower stream users, (because of the less quantity and area coverage of the irrigation water), conflict can arise. WUC is responsible to solve this problem (The NBDC focus group discussion, 2012).

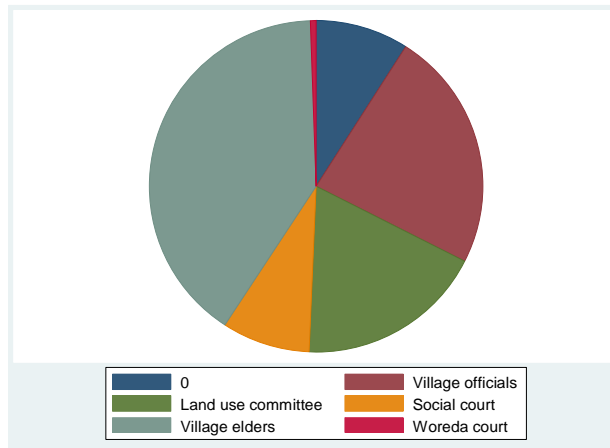
#### **ELDER'S GROUP**

**Elder's group**- commonly called Shimagelay is a traditional association of Elders people who are elected by the local community in order to serve the society in times of disagreements and coordinate them in common resource management like water and forest and disseminate information (Frankenberger et al., 2007; Spielman et al., 2008).

#### **CONFLICT RESOLUTION**

The Elders group are influential institutions in conflict resolution, mediation and negotiation among the neighbors, couples and between or among the community when conflict arises due to common resource use such as water, pasturelands and others (Frankenberger et al., 2007; Muir, 2004). For example in Afar, Borana and Somali in Dubti, Liben, Shinile and south Wello zones the role of Elder's group in solving such a problem is significant (Butcher, 2007; Pankhurst, 2003; IFPRI ERHS ). Though there are different kinds of method of conflict resolution, the Elder's group takes the lion share (around 40%), which result from boundary disputes, divorce and others.

FIGURE 3: PERCENT OF ELDER'S GROUP (VILLAGE ELDERS) INVOLVED IN CONFLICT RESOLUTION



Furthermore, in Diga, Fogera and Jeldu district -Amhara region -a study was made using focus group discussion. In all the three districts, it was observed that any conflict from ethnic differences, families, crossing farm to someone's farm boundaries (land boundary) or any conflict pertinent to natural resource related such as grazing land or encroachment of communal grazing lands for farm expansion, conflict over water (failure to confirm to water use schedules; prohibiting irrigation water ways through their farm), crop damage by livestock, cutting trees from protected community forest areas for making charcoal, stealing cattle (mainly oxen), blocking community main paths/village routes, or failure to adhere to land contractual agreements, the Elder's group (through jarsumma or yegilgil shengo) will solve the conflict. However, some times the conflict cannot be solved using this traditional institution. Especially conflict from land transaction and others, it could even reach to the formal court.

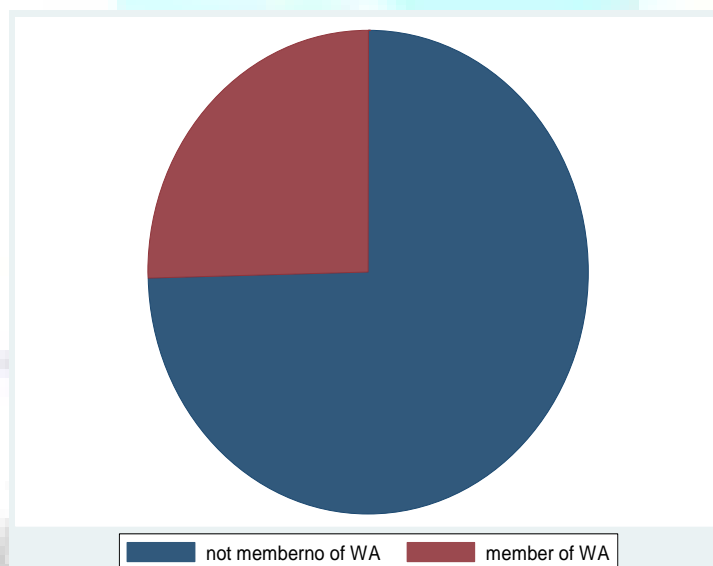
**NATURAL RESOURCE MANAGEMENT**

Elders group is involved in the regulation of scarce natural resources such as in regulating grazing lands and water in various regions of Ethiopia. Villagers contribute cash for guard payment and contribute their labor for regulating the resource. If guard is not used for protection, village members take turns to protect the land or use fences (Gebremedhin et al., 2002; Muir, 2004). But from the focus group discussion result, none of the informal institutions including Elder's group are involved in common property regulation except the water users association.

**WOMEN'S ASSOCIATION**

**Women's Association** - is a voluntary association of women group who have explicit agreement to help each other in a specified way when well-defined events occur. These associations help the members in cash or in kind, in capacity building and by sharing of information (Dercon et al., 2005). As the IFPRI ERHS showed, rural women organized themselves in the women's association to accomplish different objectives. Among the surveyed households, around 25% are members of the Women's Association. The percentages of households who are members of this institution are not significant since the survey includes both women and men. Those women who are members of the Women Association are at the same time members in the Iddir (282 women). This may be one implication that women are involved in the Women's Association in addition to Iddir to fill the gap that Iddir fail. In addition, those who are members of the women's association but not Iddir members are 106 and are relatively smaller in number than those who belong to both institutions.

FIGURE 4: PERCENT OF HOUSEHOLDS WHO ARE MEMBERS OF WOMEN'S ASSOCIATION



**CREDIT**

The poor women households usually are constrained with finance since they could not fulfill the requirements of the formal institutions like collateral and they cannot afford the high interest rate. Hence, they take the loan from women associations that provide credit with zero interest rate to members (women only) who face cash shortages (Frankenberger et al., 2007; Dercon et al., 2005)

**RISK COPING**

The Women's Association helps the members by covering the expenses (for illness or hospitalization, funeral ceremonies, and other shocks) that is not covered by Iddir (Dercon et al., 2005).

**INFORMATION**

The Women's Association has been providing skills trainings and creating awareness in various community focused ceremonies and festivities in different parts of Ethiopia-Southern, Northern and Central zones of Tigray, Oromia and Amhara region (Frankenberger et al., 2007).

**CONCLUSIONS AND RECOMMENDATIONS****CONCLUSIONS**

The study presented some qualitative and statistical evidence using empirical literature on informal institutions in Ethiopia. Also we explore further the existing informal institutions using IFPRI-ERHS data and looked at the data from the NBDC farmer focus group discussion.

A number of the theoretical predictions were supported by our secondary data from the empirical literature, the IFPRI-ERHS data and the NBDC farmer focus group discussion. Accordingly, we obtained the possible informal institutions in rural Ethiopia such as Iddir, Mahber, Eqqub, Elder's Group, Gadaa/Cheffe Kore, Debo/Wobera/Wonfel/Oxen sharing (labor sharing) and Women's Association.

These informal institutions engaged in different economic and social activities. The major benefits these informal institutions provide include risk coping, provision of credit, common property regulation, manpower and traction force, conflict resolution and information.

**RECOMMENDATIONS**

The results of the study provide little evidence that participatory natural resource management is being implemented in all the existing informal institutions in Ethiopia. A paradigm shift in government views on community involvement through informal institutions would be required to give natural resource management such as water, land and environment better chances of success and wisely use. In addition, it is important for other development actors such as NGOs to encourage the informal institutions and to work with them so that the informal institutions' collective action will be efficient enough and contribute to development by generating strong social capital.

**LIMITATIONS OF THE CHOSEN APPROACH**

This study is based on a secondary data review only and therefore has a certain amount of limitations. Firstly, the existing data such as the IFPRI-ERHS data was not primarily conducted with aim of analyzing the informal institutions. Therefore, the information from this data set is limited and might miss out relevant for this study. And second, informal institutions are supposed to change from time to time and location dependent. And IFPRI-ERHS was done for seven rounds. But because of time and convenient purposes, we took only on one year data (2009).

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