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MINISTRY OF AGRICULTURE

# Initial Valuation Concept for Compensation Purpose



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# Initial Valuation Concept for Compensation Purpose

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## **1. Introduction**

Due to the rapidly growing population in Ethiopia, land is becoming scarce resource. This often results in an increased land use conflicts. Rapid urban expansion, large infrastructure projects in urban as well as in rural areas and an increasing demand for farmland often leads to displacement of the local population. Small holders are expropriated, forced to leave their farms and lose their livelihoods.

While in some cases expropriations are made for public purposes in other cases, such as for example when fostering private investment projects, expropriations are lacking a legal basis. However, even when expropriations are legal, compensation measures are often lacking, inadequate or poorly calculated. Thus, current legal regulations governing the means for calculation are often criticized.

Therefore, the current regulations to determine compensations for farmland expropriation should be scrutinized in order to identify a more acceptable valuation approach for farmland. Once identified, such method could also serve as basis for negotiations with farmers in cases were farmland is needed for certain projects that do not serve a public purpose. However, it must be stressed that such negotiations have to be done on a voluntary basis and at eye level.

The following chapter summarizes the legal basis for compensation payments in the circumstance of expropriation. Chapter 3 illustrates the three main international valuation methods used around the world. Chapter 4 shows how the valuation approach could be improved based on internationally used methods. Chapter 5 points out general considerations for a more participatory approach in the course of determining compensations for farmland and related property. Chapter 4 and chapter 5 together serve as initial valuation concept for compensation purposes. Chapter 6 summarizes the main issues and what preconditions have to be met in Ethiopia in the long run in order to facilitate fair and just compensation based on internationally accepted valuation methods.

## **2. Legal Basis**

### **2.1. General**

The legal basis for expropriation, compensation and valuation is found in the Ethiopian Constitution, the civil code, the “Expropriation of Landholdings for Public Purposes and Payment of Compensation Proclamation” (F.P. 455/2005) and the regulation 135/2007 (based on F.P. 455/2005). Furthermore, various other proclamations, such as the Federal Proclamation 456/2005 on Rural Land Administration as well as regional laws and directives contain respective regulation.

According to the Ethiopian constitution (Art. 40(3)) land is common property of the people of Ethiopia and should not be subject to sale. Immovable property built by a landholder and improvements made are considered private property. It can be alienated by the landholder and is subject to compensation payment in the case of expropriation.

Smallholders and farmers use land on the basis of ‘land use-rights’ which are often formalized by land-use certificates. If smallholders have not received a certificate they can prove that they are the rightful user of the land by confirmation of witnesses instead of certificates. Nomads don’t hold certificates or other formal use-rights. However, they have the constitutional right “to free land for grazing and cultivation as well as the right not to be displaced from their own lands” (Art. 40(4)).

The government has the power to expropriate private property for public purposes. According to the constitution compensation payments have to be commensurate to the value of the property and be paid in advance (prior to expropriation) (Art. 40(8)).

In Art. 44 (environmental rights) of the constitution the sub article 2 states that “All persons who have been displaced or whose livelihoods have been adversely affected as a result of state programs have the right to commensurate monetary or alternative means of compensation, including relocation with adequate state assistance”.

Expropriations for public purpose are possible and legal „where it believes that it should be used for a better development project to be carried out by public entities, private investors, cooperative or other organs ...<sup>1</sup>“. This means that the definition of „public purpose “opens a wide range of possibilities. In case of an expropriation a compensation has to be paid if it is not possible to provide the possessor with land capable of serving a similar purpose<sup>2</sup>.

## **2.2. Legal regulations for compensation in the case of expropriation**

The Proclamation 455/2005 distinguishes between expropriation and compensation in urban and in rural areas as well as between compensation for property situated on the land (including improvements made) and displacement compensation.

Rural landholders are entitled for the following compensations:

- Property situated on the land based on replacement costs (Art. 7(1-2)).<sup>3</sup>
- Permanent improvements (Art. 7(1)) equal to the value of capital and labor expended on the land (Art. 7(4)).
- In the case of property relocation: costs of removing, transporting and erecting property (Art. 7(5)).

Additionally, as displacement compensation:

- When no alternative land plot can be provided: 10 times the average annual income generated by the landholder (determined by average of the last 5 years) (Art.8(1) or
- in the case of provisional expropriation: average annual income (per year) generated by the landholder until repossession of land (max. amount as stipulated under Art 8(1)) (Art. 8(2)) or
- In the case that substitute land generating comparable income is provided: one average annual income generated by the landholder (Art. 8 3).

The Regulation No. 135/2007 rules details regarding the implementation of the F.P. 455/2005 and was issued by the Federal Council of Ministers (FCoM) on the basis of No. 455/2005 (Art. 14).

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<sup>1</sup> Proclamation 455/2005, part two, Art. 3

<sup>2</sup> Regulation No. 135/2007, part three, art. 15.

<sup>3</sup> It can be assumed that the term „property on the land“ not only includes buildings and facilities but also annual and perennial crops trees, shrubs and grass/pasture. This also reflects in the regulation 137/2007 where in part 2(no. 5-9) the calculation for such compensation is defined.

Part two of the regulation No. 135/2007 provides details regarding the valuation of property on landholdings<sup>4</sup> (including crops and trees)<sup>5</sup>.

Part three of the regulation deals with replacement compensation. Art. 16 governs that the compensation (referred to as annual income in the proclamation 455/2005) will be determined by the monetary annual average yield obtained from the land. Art. 16 b specifies that for perennial plants the “annual average yield...multiplied by the number of years required to attain the level of growth of the perennial crops” should be compensated. Article 17 of the regulation governs the displacement compensation for protected grass and grazing land. However, for determining the “compensation equivalent to the annual average income obtained from the land” only the monetary yield of grass is considered. Potential monetary yields generated by animal production are not regarded.

The Regulation 135/2007 also claims to be issued “with a purpose of not only paying compensation but also to assist displaced persons to restore their livelihoods”. However, respective articles governing such a support can’t be found in the regulation.

Regulation 135/2007 (part two) determines detailed calculations for property compensation (part two) and for replacement land and displacement compensation:

#### **For property compensation:**

##### ***Compensation for buildings including fences:***

- determined on the basis of the current cost per square meter or unit for constructing a comparable building (fence),
- including facilities attached to the building and the costs for demolishing lifting and reconstructing, installing and connecting utility lines
- a depreciation, based on the age or condition of the building subject to expropriation, is not considered

##### ***Compensation for crops:***

- The annual yield multiplied with the current market price in order to determine the average monetary yield (Art. 1)
- For unripe perennial crops: estimated costs for growing the plants (Art. 6(1))
- For ripe perennial plants: average annual yields multiplied with the local market price and additionally the costs for improvements made on the land (Art. 6(2)) (calculated based on the costs for improvements made (Art. 9)).

##### ***Compensation for Trees:***

- Based on the current local price for wood multiplied with the amount of m<sup>2</sup> or units.

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<sup>4</sup> The compensation for property on the landholding according to the F.P. 455/2005 and regulation 137/2007 is determined by calculating the replacement costs (this method is similar to what is known as Cost Approach or Depreciated Replacement Cost Method, although these methods also consider depreciation, further adjustments and the land value, which are not considered in the regulation mentioned above).

<sup>5</sup> This fulfills the requirements according to Art. 7(6) of the F.P. 455/2005

**Compensation for protected grass:**

- The annual yield multiplied with the current market price in order to determine the average monetary yield (Art. 8(1))

**Compensation for relocated property:**

- Based on the estimated costs (labor, material, transport) for removing, transferring and reinstalling of the property

**For displacement compensation:**

- In the case that substitute land can be provided: 1 x annual yield multiplied with the current market price (Art. 16 (1 a))<sup>6</sup> (average of last five year, or when used less than five years, average yield of the years that the land was used, or where crops have not yet produced yields, the average yield obtained from similar crops in similar area (Art. 16 (3 a-c)).
- When no alternative land plot can be provided: 10 x annual yield multiplied with the current market price (average of last five year, or when used less than five years, average yield of the years that the land was used, or where crops have not yet produced yields, the average yield obtained from similar crops in similar area (Art. 16 (3 a-c)).
- The calculation of displacement compensation for protected grass or grazing land is also based on the annual yield multiplied with the current market price (Art. 17).
- in the case of provisional expropriation (Art. 18): the displacement compensation is calculated orienting on the annual monetary yield (see above) multiplied with the no. of years for which the land can't be used, however up to a maximum as determined in Art. 16 and 17.

### 3. International Valuation Standards

Below internationally known and commonly applied valuation standards are briefly summarized. Based on these standards a valuation concept for farmland in Ethiopia can be build up.

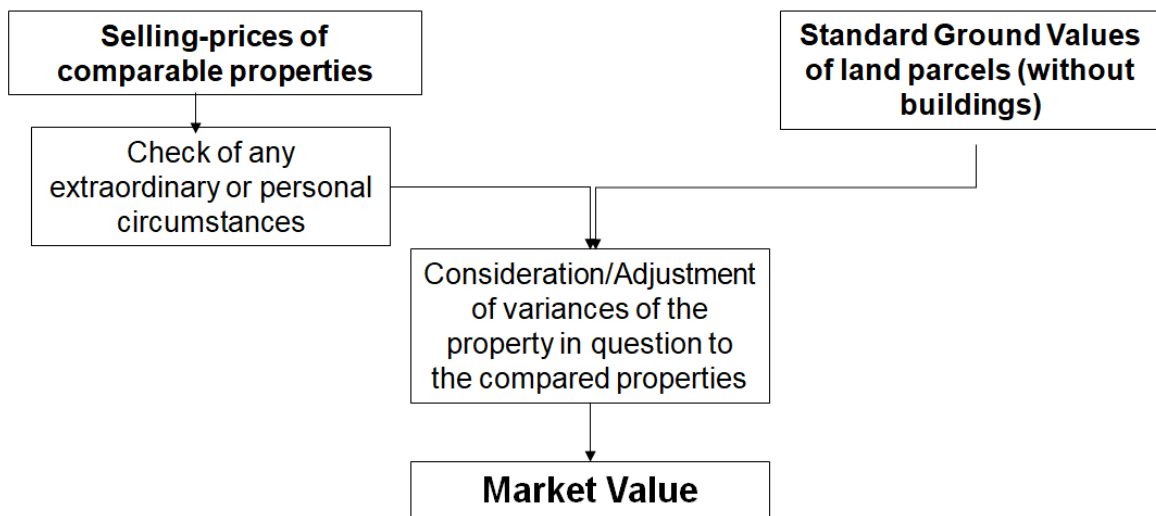
#### 3.1. Comparison approach

This approach is based on the knowledge of prices for known qualities and specific kinds of prices of real estates. For applying this approach, it is necessary to have sufficient data of prices paid for real estates. These prices must be dedicated to certain kinds and qualities of real estates.

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<sup>6</sup> Note: Art. 16 (1b) governs that displacement compensation in the case that substitute land is provided for unripe perennial plants is calculated by multiplying the no. of years required to attain the level of growth of perennial crops. However, there is no legal basis for this calculation (which would result in for example 5 x monetary annual yield, while the proclamation 455/2005 only mentions 1 x annual income for this case)

## Comparison approach



This valuation method is based on purchase price data in the region where the object that should be valued lies. This data has to be checked whether the purchase was made under particular conditions. For example, this could be the case if a purchase price is rather low, as it often happens when the purchase was made by a relative. A purchase price can also be exceptionally high because the purchaser urgently wants to buy this specific object. These unusual purchase prices can't be used for the valuation based on comparison prices and will be not considered by the valuation expert. In case average prices are known for specific types of immobile in a region that can be evaluated as reliable, these average prices can be used for valuation<sup>7</sup>.

Aside of purchase prices of comparable objects further information is needed, for example:

- Purchase date (Purchase prices can increase or decrease during longer time periods)
- Size of the property/ piece of land (purchase prices per ha differ depending on whether the property 7 piece of land is big or small)
- Quality: Regarding agricultural land, an information about the land quality is necessary.

The object in question has to be compared to average prices of comparable properties. After surcharge or deduction, the market value can be determined.

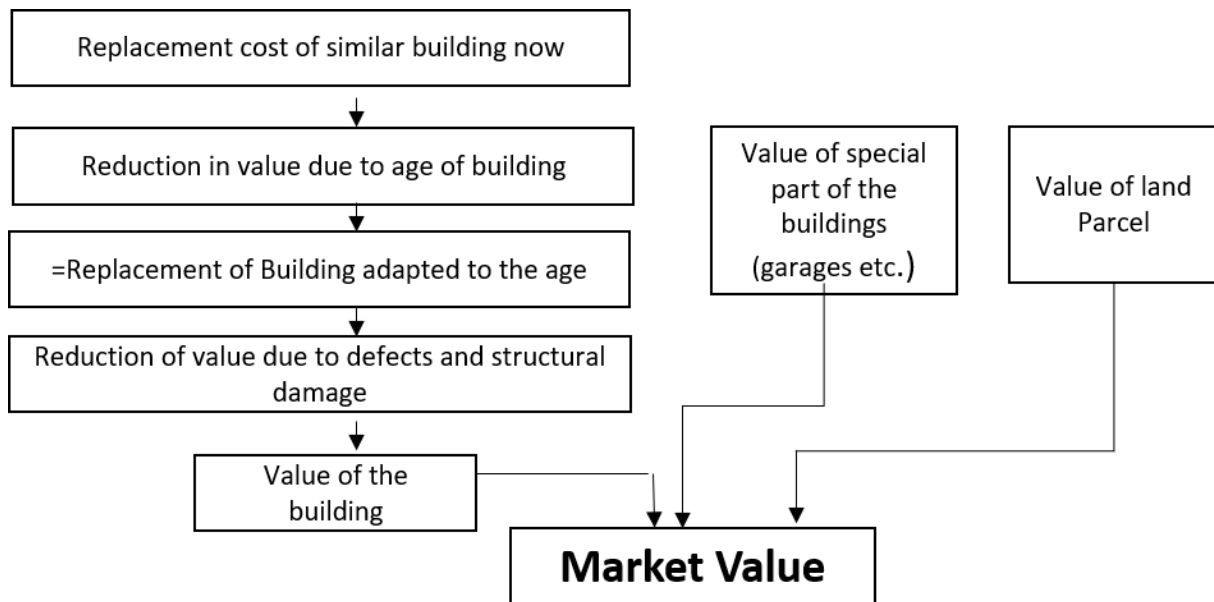
### 3.2. Cost approach

This approach is used for valuating buildings and structures. It is not suitable for valuating farmland. Based on production costs age and condition of real estate's market values can be determined.

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<sup>7</sup> In Germany such prices are published by the so-called valuation boards for each region.

## Cost Approach



Buildings for housing, industry or service / farm buildings are often constructed according to the individual requests of the user /owner. Since these buildings show different characteristics an individual valuation approach is required to determine the market value.

Basis of the cost approach is the determination of the building costs of such a building (reinstatement value). In a second step a deduction is made based on the age and remaining use-period of the building. Additional deductions or surcharges can be made to consider the factual maintenance status of the building (bad or good condition).

Adding the "ground value" of the piece of land the building is placed on and adding the value of additional facilities (e.g. garage), trees the value of the whole property is determined.

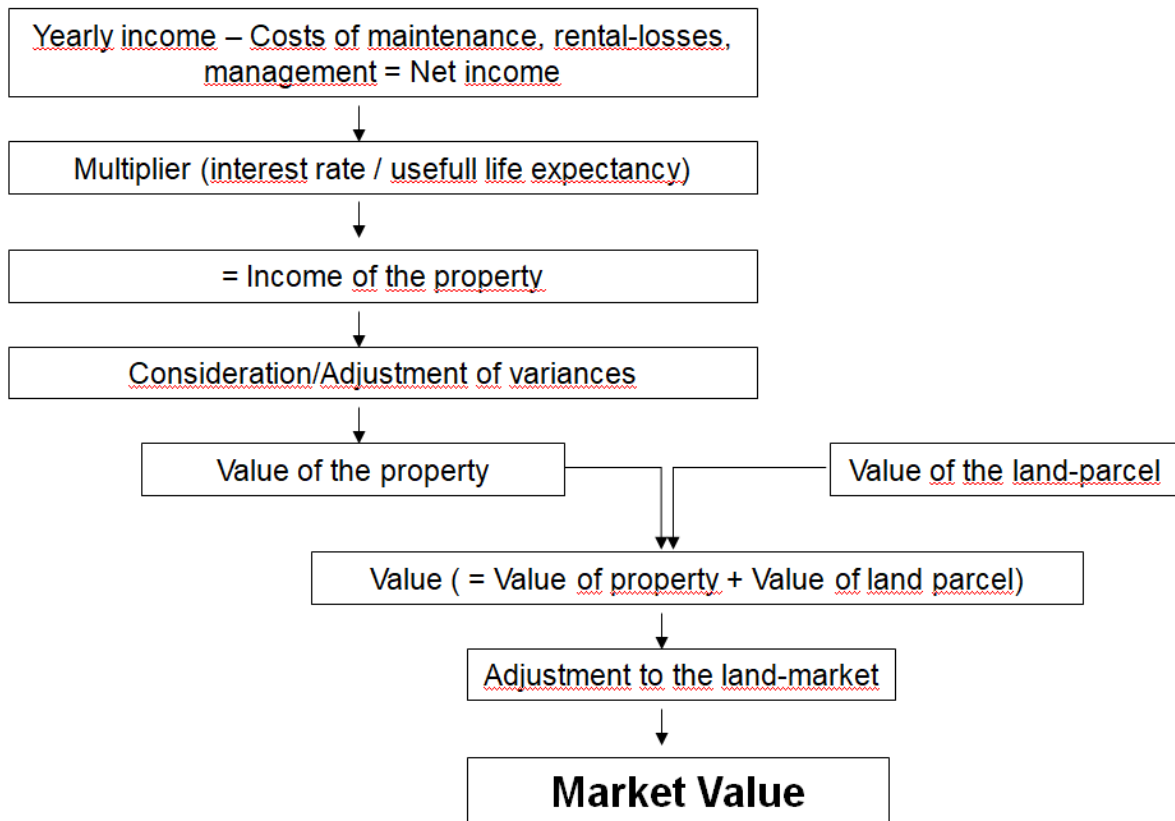
### 3.3. Income approach

This approach is a possibility to identify a market value for real estate that generates earnings. It can be used to value farmland, perennial crops and whole farms as well as apartment buildings and other investments. A derived approach is the so-called discounted cash flow method (DCM) that is suitable for valuing for example perennial crops.

The method can be used to appraise commercial immobile that is used to generate earnings (e.g. apartment buildings). A farm-stead used by a farmer only indirectly generates earnings via the farm land belonging to the farm. Therefore, the income approach is not suitable for the valuation of farmsteads.



# Income Approach



Future revenues minus costs are capitalized (Depreciated Cash Flow Method (DCM)), i.e. converted to a value at a determined point of time.

Generally, this point of time is in the present. (For all valuation methods it is essential to determine the point of time to which the valuation refers to). For capitalization, the chosen interest rate is of special importance. High risks and / or high inflation rates reflect in high interest rates.

Certain immobile can be appraised using the income approach as well as the comparison approach. A typical example for this is farmland. In the case that a sufficient number of comparison values is not available, the market value can be determined by capitalizing future revenues.

In chapter 3.2 an example is shown for valuating perennial crops using DCM. The peculiarity of this example is has yields and costs that lie in the future and in the past are considered and not only future yields.

## 4. Improved valuation approach based on international methods

As mentioned above, according to proclamation 455/2005 a landholder who is expropriated should be compensated by receiving a new piece of land. In this case he is entitled to receive a) additional compensation for his property and permanent improvements made on the original land plot and b) displacement compensation equal to one annual monetary yield. If no substitute land can be provided, the landholder is entitled to receive a) compensation for his property and permanent improvements made on the original land plot and b) displacement compensation equaling ten times the annual monetary yield.

Although some principles of international valuation methods are considered in the current Ethiopian regulations governing compensation issues, the method requires some improvements.

The following subchapters deal with the single elements subject to valuation and illustrate a possible initial valuation concept for compensation purposes.

#### **4.1. Valuation of farm land**

According to the legal regulations in Ethiopia, the amount of compensation for farmland is set arbitrarily and equals the amount of one or respectively ten times the annual income generated from the land. This annual income is calculated as the average annual monetary yield of the land in question.

Following international valuation principles, no matter if substitute land can be provided or not, the course of action is the same: The value of the expropriated land has to be determined. If substitute land will be given in return for the expropriated land, the value of both plots should be equal to avoid a compensation that is too high or too low. If the value of the substitute land is lower, the difference in value compared to the old piece of land should to be compensated.

In case substitute land for compensation is not available, the value of the expropriated plot has to be determined to define the appropriate amount of money that has to be paid as compensation.

#### **4.2. Valuation based on lease rates**

Because farmland in Ethiopia is not a tradable good that can be traded on the land market no market prices are available that could serve as basis to determine a land plot's market value based on the comparison approach (see chapter 3).

However, there is another possibility to get an idea about market prices in a region. The rights to use land can be transferred in return for a payment, in other words, individuals holding a use-right can lease out this land. According to information collected in interviews with stakeholders these lease payments are known. Apparently, they can be freely negotiated between use-right holder (lessor) and the person interested in leasing the land (lessee). Therefore, these payments could be considered as market values and be collected. After an evaluation of the collected data, the figures can serve a useful basis for further steps. Interviews with the people who were involved in the transaction would be necessary in order to get information about further details regarding the land. Important parameters would be current use of the land (arable land or grassland), size and quality of the land, proximity to cities and further information). Once this data is collected a lease price collection can be build up. However, the establishing of such a collection is a long-term project.

It would be important to check which institution could be assigned with such a collection and evaluation of the data. It could be feasible to install such a collection on the woreda-level, however qualified staff would be required for interviews and data evaluation. Once a lease price collection is established and representative figures for the different regions and for different land uses have been determined, these lease prices can be capitalized in order to determine the value of the land.

The capitalization is calculated according to the following formula:

$$\text{Market value / ha} = \frac{\text{lease rate / ha}}{\text{Interest rate}} = \frac{100}{0,05} = 2.000 \text{ Birr/ha}$$

Example:

Lease rate = 100 Birr / ha and year

Interest rate = 5% = 0,05

*Note: this is only a calculation example, there is no indication that lease rates equal 100 birr in Ethiopia. If the lease rate were 1000 ha, the market value would equal 20.000 Birr/ha according to the above shown example.*

For choosing an appropriate interest rate the following aspects should be taken into consideration:

- expected inflation rate
- risks of investment: High risks lead to a high interest rate and inverse. Agriculture sector is usually regarded as a sector with lower risks.

Valuation based on profit

Another possibility to determine the market value of land is the application of the income approach. Based on the income that can be achieved by using a plot for farming, a market value can be calculated. For cropping following scheme could be used:

$$\text{yield (Kuntal/ha)} * \text{product price (Birr/Kuntal)} - (\text{production costs/ha}) = \text{profit (Birr/ha)}$$

By capitalizing the profit/ha with an appropriate interest rate it is possible to calculate a market value

$$\text{Market value / ha} = \frac{\text{profit / ha}}{\text{Interest rate}} = \frac{100}{0,05} = 2.000 \text{ Birr/ ha}$$

*Note: this is only a calculation example, there is no indication that profits /ha equal 100 birr.*

Since yields and production costs in the same region can vary depending on the skills of the farmer, average values for yields, costs and product prices should be determined for different regions and used as basis for the calculation illustrated above. The using of average values is also necessary because usually smallholders do not have a proper bookkeeping. So, the valuation expert – when he wants to apply the calculation mentioned above - is dependent on verbal information about yields and prices provided by the farmer.

### 4.3. Crops, perennial crops, trees, protected grass, livestock

In case of an expropriation it is crucial to separate the valuation of the land from the valuation of the crops / livestock on the land. It is always important to have a close look on the special situation. In case annual crops are grown on the farmland and can be harvested and sold by the landholder before the expropriation takes place, the procedure is quite simple. No further compensation for this specific property (crops) is needed. If it is not possible for the farmer to harvest the crops before an expropriation takes place the invested money (seed, fertilizer etc.) and his work input have to be compensated additionally to the compensation for the land itself.

To calculate a compensation for perennial crops, the situation is more complicated. An example for perennial crops is a mango plantation. In the beginning, an investment has to be done: the soil has to be prepared and the trees have to be planted. During the next years the planting has to be cared for. The productive period usually starts with a low and later increasing and then a decreasing yield.

The invested money and the remaining time the perennial crops can be used have to be considered for the calculation of a compensation. If a crop can be used for example for 4 years before the yield is getting too low for an economic utilization it is necessary to take the age of the crop in consideration.

#### Compensation for perennial crops (mangos, papaya i. e.)

		Investment /profit		factor		Investment / profit multiplied with factor	compen-sation
		chosen interest rate for the calculation:		5%			
1.	Year	2014	-3.000	1,16	3 years	3.480	the perennial crop is planted
2.	Year	2015	-250	1,10	2 years	276	
3.	Year	2016	-250	1,05	1 years	263	
4.	Year	2017	1.800			1.800	11.728 expropriation takes place
5.	Year	2018	3.000	0,95	1 year	2.850	
6.	Year	2019	4.000	0,91	2 years	3.640	
7.	Year	2020	2.000	0,86	3 years	1.720	
8.	Year	2021	1.000	0,82	4 years	820	
9.	Year	2022	-4.000	0,78	5 years	-3.120	regular end of usage of the perennial crop
						<b>11.728</b>	

In the example the expropriation takes place in the fourth year after the establishment of the plantation. The investment has to be compensated by taking the interest rate into consideration. Furthermore, the future profit has to be taken in consideration to calculate the amount of compensation.

In the first three years the farmer has made an investment but has not yet generated any earnings. This investment has to be compensated. In the fourth year, the farmer would have generated first yields. In the shown example the farmer loses his land including the crops before the first harvest. The farmer does not get future yields of the next four years. In the ninth year a clearing of the plantation would become necessary. Since the farmer saves these costs for the clearing, the compensation is lowered by that amount.

In the given example the calculation only relates to the investment of the plantation. In case of depriving the farmer from his property, the loss of land has to be calculated separately and added to the compensation.

Protected grass can be handled as shown in 3.1.1. and 3.1.2.

It can be assumed that landholders can sell their livestock at market prices in case their land holding has been expropriated. Therefore, no further compensation has to be paid for this kind of property.

#### **4.4. Buildings, fences, improvements**

The cost approach can be applied for the valuation of buildings, facilities, fences and improvements.<sup>8</sup>

The valuation according to international standards is based on current construction costs of the objects in question (buildings, facilities, fences and improvements). But in contrary to the Ethiopian regulation, international standards also consider the physical depreciation and functional obsolescence. Building and the land needed for the buildings are to be considered and valued separately.

The estimated costs for demolishing, lifting, reconstruction, installing and connecting utility lines of the building have to be separated from the valuation process. One issue is the value of the building, fence and others and the other issue is the costs for reconstruction which shall – according to the political intention – be compensated.

In the case that a building has to be transferred from one site to another, the costs for dismantling, transport and re-erecting and additional costs to facilitate full functionality (e.g. connection to utility lines) have to be compensated.

#### **4.5. Compensation of lost livelihood**

As illustrated above, the compensation payments for a lost landholding in case of displacement consist of various elements, i.e.:

- The value of the land (in case no substitute land is offered, full monetary compensation of this value; in case substitute land of lower quality is offered, compensation of land value of original land and substitute land.
- Monetary compensation of property on the land that will be lost due to displacement, such as plants, trees, buildings, facilities
- Compensation of interim displacement
- Compensation of transport costs in case that property can be moved to a new landholding offered
- Costs of lost livelihood due to displacement

If the landholder has the option to receive a compensation in kind, additional costs should be covered as well. This could be costs for cultivation of farmland, for transport, fees and other. Twofold compensation should be not possible. For example, if the landholder has built an irrigation system on the land which shall be expropriated, and he gets a compensation for that, he can't get a payment to build an irrigation system on the exchange land.

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<sup>8</sup> Regulation No. 135/2007, part two, art. 3 and 4

If the compensation in kind is of lower quality than the expropriated property, the difference should be compensated. Therefore, it is necessary to compare and to appraise the two properties.

A discussion about how the loss of livelihood related to displacements and expropriations can be compensated in a more case-based manner is necessary. This also requires the political will and commitment to reduce negative impacts of displacements or resettlements by considering individual needs and demands. It has to be clear though, that this requires additional financial means.

## 5. General considerations for fair and just compensation

In order to develop a conceptual model for compensation and valuation that guarantees fair and just compensation as well as equal treatment, amendments are required on three levels, namely the legal framework, the institutional level and the implementation level.

A necessary legal revision concerns i) F.P. 455/2005, ii) regional laws that contain clauses ruling expropriation and compensation and that need to be coherent with F.P. 455/2005, and iii) the regulation 135/2007. Also, additional regulations specifying implementation issues in line with F.P. 455/2007 might be necessary.

When focusing on the institutional level, a close look has to be taken at the mandates, power and responsibilities of authorities involved in expropriation against the background of their capacities. For example, the authorities (in the case of rural areas the Woreda administration) have extensive power to decide on expropriation measures but very little capacity – with regard to financial means as well as available human resources – to implement them properly. The introduction of checks and balances concerning expropriation decisions are as important as well qualified staff to conduct inventories and valuation in order to determine compensation for individuals that will be expropriated.

In regard to the practical approach of determining the amount of compensation, a more participatory approach should be envisaged. This requires adequate mapping of the affected population and existing land rights (certified or customary) as well as public information events. The expropriation procedure should also include formalized public hearings and grievance mechanisms, the latter not only for complaints regarding the height of compensation but also for complaints regarding the expropriation as such. Last but not least, tailor made valuation and compensation measures based on determined cases must be developed. The procedure “valuation for the determination of compensation” should be understood as a possibility and chance to solve current/individual cases in a structured, participative and time and cost-saving approach. Affected persons should not be burdened with any direct or indirect costs, for example registration fees for substitute land or transport costs for attending public hearings.

The following steps for such a procedure could serve as orientation:

- **Step one:** Explain goals of the expropriation, rights and duties of all partners and who has to bear which cost or alternatively that no costs will arise (public information event)
  - Recommendation: meetings on-site with enough time to discuss all issues and to build up an understanding of the overall goal and a general acceptance.

- **Step two:** Identify in a structured way all claims for the current/individual expropriation case which arise from formal or informal rights or ownership (maybe with the assistance of mapping-tools) and implement a formalized public hearing.
  - Recommendation: use a nation-wide standardized form of a written catalog based on interviews.
  
- **Step three:** Identify other circumstances, which are important in order to reach an acceptable solution for concerned persons (for example expected losses of income because costs of transport from a new location will be much higher and time-consuming and the risk of losing the current job could arise in the future. Sometimes gender related issues will be important, for example the male part of a family will be the formal holder of land or a traditional use-right while the female part burdens the main work and responsibility for the children).
  - All these different circumstances can only be identified inclusively by discussion and inspection on-site by an experienced valuation-expert. It should be clarified if the current legal regulations allow flexibility to give individual solutions way and acceptance.
  
- **Step four:** Make valuation (for all individual cases) and draft an inclusive compensation plan. In this regard only writing down sums of money shouldn't be the only possible measure for compensation. Also – and probably more important – other ways to solve current problems which arise from the process of resettlement should be explained and fixed in written including a respective timeline.

## 6. Conclusion

As shown, a revised method for valuation for the purpose of compensation should follow international valuation standards and at the same time facilitate a participatory approach in order to find tailored solutions for individuals being displaced and the implementation of strategies to “minimize disruption of livelihoods” (VGGT). In this context, the relevance of independently acting valuation experts becomes evident.

In the long run trained, competent and independently acting valuers are needed. They should be independent from any central or regional administration and not influenced by these administrations. An option to install the concept of independently acting valuers could be a public appointment of the valuers by the chamber of commerce, the ministry of agriculture or another institution. It would be crucial that the responsible institution is able to guarantee the quality of the valuer’s work and his independence. A monitoring system and a complaint management are therefore necessary. Preconditions for the installment of publicly appointed and sworn valuation experts is the development of respective vocational trainings including examinations that these experts have to go through as precondition for the appointment in order to safeguard a high quality of expertise.

Another precondition for installing a concept for valuation orienting on international valuation standards as described in chapter 4 is the facilitation of systematic data collection. This concerns data on prices for lease, on prices for production costs, market prices for products etc. Since this data once collected has to be analyzed in order to extract average figures for different regions, different cropping/farming systems and different land uses, again well-trained valuation experts are needed to elaborate such average figures.

Finally, when deciding on revising the current practice of valuation for compensation, the legal basis has to be revised.



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