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THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF URBAN AND INFRASTRUCTURE

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Date

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ADDIS ABABA UNIVERSITY  
HUMAN RESOURCE  
MANAGEMENT DIRECTOR

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# **Ministry of Urban and Infrastructure**



## **Project Proposal on Unit Price For Compensation Scheme**

**May, 2022**

**Addis Ababa, Ethiopia**



TABLE OF CONTENTS

<b>1.Introduction .....</b>	<b>5</b>
1.1.Background .....	6
<b>2.Rationale of the Project.....</b>	<b>7</b>
<b>3.Objective .....</b>	<b>8</b>
<b>4.Scope .....</b>	<b>8</b>
<b>5.Methods .....</b>	<b>9</b>
5.1.Study Design .....	9
5.2.Data Sources .....	9
5.3.Sampling Methods .....	10
5.4.Probability Sampling.....	10
5.4.1.Stratified Random Sampling.....	10
5.4.2.Non-Probability Sampling Technique.....	10
5.5.Sample Size .....	11
5.6.Sampling Elements .....	11
5.7.Data Collection Methods .....	12
5.8.Fieldwork.....	12
5.9.Data Analysis Method .....	13
<b>6.Responsibility .....</b>	<b>13</b>
6.1.Responsibility of Study Team .....	14



2. Responsibility of MoUI.....	14
<b>Media of communication.....</b>	<b>15</b>
<b>Deliverables .....</b>	<b>15</b>
<b>Project Organization and Management .....</b>	<b>16</b>
.Steering Committee.....	16
.Advisory Team.....	16
.Qualification of the study team.....	17
<b>Work Report.....</b>	<b>18</b>
<b>Work plan.....</b>	<b>18</b>

### **ACRONYMS**

CSS	Central Statistics Service
MoUI	Ministry of Urban and Infrastructure
PAPs	Project Affected Persons

## Introduction

Ethiopia is striving to build large scale infrastructures to meet its endeavor in building a competitive economy, through which rapid growth and transformation activities are undertaking as a great takeoff. The country has been registering therein an overwhelming reward on the implementation of major infrastructure development works, which includes; roads, railways, ports, power, and telecom. And also, as powerful engines for the developed economy and the basis of our transformation plan, infrastructure undertakings have a long way and thoroughly assignments to ensure sustainable economic and social development.

However, with a given resource besides the predictable challenges, large scale infrastructure projects have been characterized as inefficient and less effective resource mobilization attested with the given budget and time, which is more likely attached to fail part of the integration. The growth and transformation plan, thereof, calls for the coordination and integration of infrastructure projects that have been undertaken simultaneously with frequent design changes.

The Ministry of Urban and Infrastructure, under Proclamation Number 53/2021, is meant to be responsible for the infrastructure integration activities. Formula development for compensation purpose and follow up payments are among the integration activities, and indeed, more of the current existing challenges of the project have a related casualty on the project delay. Compensation follow-up needs to be standardized that could address a project gap through a better check and balance. The standard possibly solves multifaceted compliance from project affected persons (PAPs), specifically related to a unit price. The development of such a compensation standard enables to pop up the overall achievements of the project.

In this regard, the system could minimize the project time lags and costs by

avoiding unnecessary costs due to the proceedings and dispensable objections from the PAPs.

Therefore, the project proposal is prepared to develop a unit price framework with a model unit price upon a right of way clearance to overcome infrastructure project delays.

### **1.1. Background**

The Ethiopian economy has been growing, and the population number is increasing from year to year at an alarming rate. The dwellers demand infrastructure services to satisfy their insatiable needs, and the government may therefore expropriate private property on the landholdings for public purposes. According to the constitution art 40 (8), expropriation is subjected to the payment in advance of commensurate compensation equivalent to the property's value to be removed for the infrastructure works.

In this regard, the landholders whose livelihood depends on such a required land have to evict for a public purpose, and the compensation payment for this eviction is not only meant to pay compensation but also to assist and restore their livelihood as well as the same principle has to be applied all through the reparations (Proc No.1161/2019). So, the compensation for the expropriated property should be paid using an appropriate and standardized formula, which is expected to be consistent throughout the projects.

As a result, the ministry is expected to prepare a framework, which enables to be paid the third parties for expropriated land holdings and properties removed in the course of undertaking infrastructure works (Proc No. 1263/2021, Art 31(e)). In addition, it is expected to keep related records thereof and follow their implementations.

However, assessing the amount of compensation to the expropriated property is a prior issue in Ethiopia, especially in the federal infrastructure project works.



At the top of this, the field study shows that an unstandardized and different practice is a characteristic of the current compensation scheme.

### **Rationale of the Project**

The field survey reveals that compensation reparation is not standardized because the compensation practice was variable from one government organization to another one. The compensation practices look like; a lack of consistency for the loss of land use rights and properties, a lack of reliable and timely unit prices, and non-transparent valuation and reparation procedures. These are some of the main problems that impeded the accurate and equitable implementation of expropriation, valuation and compensation under the commencement of infrastructure projects. Furthermore, in case of debate on the compensation payment, litigation involved parties attempting to convince the tribunal depending on their interests and had referred to the variable standards.

As a result, the project proposes due attention to a standardized compensation formula by developing a unit price and the way how would define and offer appropriate compensation for the PAPs, both in urban and rural areas.

Key issues on the compensation formula would have included:

- ✦ Claim for standardized compensation procedure,
- ✦ Claim for unit price framework, and
- ✦ Proper handling of Complaints from PAPs.

In general, infrastructure project commencement through compensation scheme faced inconsistent and unstandardized property valuation and reparation procedure that would possibly affect the livelihoods of project affected persons and the performance of the projects. So, the challenge has a significant influence on future infrastructure projects.

Having these major issues in mind, the project tries to suppose how to develop a model unit price along with a unit price framework development as a necessary step in the compensation formula, which able to demonstrate possible solutions for both compensation payers and receivers throughout all infrastructure projects. It could facilitate socio-economic interaction in the project community and maintain the livelihoods of PAPAs, which prolong infrastructure undertakings in a consolidated system – ranging with suitable conditions of the marketplace.

### **3. Objective**

The main objective of the project is to develop a unit price framework under the given compensation scheme.

The specific objectives include:

- ✓ Developing a national unit price framework;
- ✓ Analysis of price variability (price volatility) for compensating items;
- ✓ Preparing a model unit price along with a developed compensation formula;
- ✓ Developing follow up checklist on compensation and related issues.

### **4. Scope**

The study will cover urban and rural areas among the eleven regional states and the two self-administrative cities. In the meantime, the thematic scope relies on developing an appropriate and time suited national compensation system that comprises a framework for infrastructure-related compensation works and a model unit price. The data collection scope will stretch as much possible as to include all stakeholders and other related data for the past three years. However, more of this data is to be collected from the marketplace and

the bottom level of government administration. Consequently, the study will try to demonstrate the concept by reviewing the current compensation experience in our country and two other African countries.

## Methods

To achieve the major objectives of the project, it is necessary to use both quantitative and qualitative approaches. The former involves the generation of data quantitatively that is subjected to rigorous examination to see the relationship between significant variables and the trends of compensation payment against price fluctuations. The qualitative data tends to describe how and why compensation practice or program operates along with the local disparity. It can be gathered through individual interviews, questionnaires, observation and focus group discussions using structured and semi-structured questionnaires.

### 5.1. Study Design

A cross-sectional study design will be employed to investigate the extent of compensation practices in all eleven regions, both urban and rural areas and to self-administrative cities. The study will compare the market price and price variability of expropriated properties that will cover the last three years throughout infrastructure development works.

### 5.2. Data Sources

Preparing a model unit price for compensation formula will use primary and secondary data sources. The primary source refers to collected data from different federal, regional, zonal, woreda and urban administrations, including data from the marketplace. By using in-depth interviews and direct observation of the processes, primary data will cover data from PAPs, government-owned companies, project offices, implementing organs and local leaders. The secondary source refers to a collected and reviewed data from various sources

such as; policy documents, legislation, urban and rural development plans, other related research outputs, articles, and different documents. Mostly, the collected data will have been referred from the consumer price index of a Central Statistics Service, CSS.

### **5.3. Sampling Methods**

The unit price of each compensating item from urban and rural areas, the sampling method possibly comprises a large sample population to catch up with the market price variability by considering the project undertaking context. Thus, the study team will take a sample from the entire study area to save time and money. In this regard, the study will employ both probability and non-probability sample techniques.

### **5.4. Probability Sampling**

#### **5.4.1. Stratified Random Sampling**

The study team will use this sampling method to obtain data from overlapping groups, strata. Based on compensation dimensions, the stratified sampling will be taken a region and city as strata. The elementary unit is the zone, while the prime unity will be a region. After a two-stage stratified random sampling technique, the sampling technique will be drawn from each group systematically from urban and rural infrastructural development.

#### **5.4.2. Non-Probability Sampling Technique**

##### **a) Purposive Sampling**

The sampling technique can contribute to a better understanding of a theoretical framework. It becomes imperious that select the manner of obtaining data, and from whom this data will be acquired with a sound judgment. Thus, it is necessary for obtaining further information from key informants.

## b) Snowball Sampling

Through the data collection process, it has an association with networks to identify pity and hidden information in the course of compensation made to IPs. The method probes to know more about a group or organization's compensation setup; contact with few individuals that will direct into other groups.

## 5.5. Sample Size

The sample size determination needs to have a strong discussion after a preliminary data collection on compensation undertakings by assessing practical and ground base facts, instead of relying on the assumption. However, based on information from CSS on marketplaces, the expected data collection will cover 139.

## 5.6. Sampling Elements

The following lists are sampling units drawing a sample frame where the necessary data to collect from the sample market and respective administration units;

- ✓ Large markets,
- ✓ Local (Woreda) Administration,
- ✓ Project affected persons, or groups (institutions),
- ✓ Mega projects,
- ✓ Urban and rural land development and management office,
- ✓ Ethiopian Road Administration,
- ✓ Ethiopian Electric power,



- ✓ Ethiopian Electric utility office,
- ✓ Ethio-telecom,
- ✓ Industrial Park Development Corporation,
- ✓ Ethiopian Railway Corporation,
- ✓ Water supply and drainage office,
- ✓ Technical Experts,
- ✓ Property valuers, etc.

#### **5.7. Data Collection Methods**

The desired and valid information demands numerous efforts to obtain both open and closed-ended questionnaires ahead of focus group discussions will be potential means of accessing necessary data. It can provide participants with a space to discuss the essential topics. The study will collect a range of opinions and ideas through stratified data. It allows exploring how the price variability is associated with compensation schemes, which will influence the draft of the legal framework of unit price.

#### **5.8. Fieldwork**

The study will assess the market price of different properties and capture the context considering the compensation for dislocated people. It will rely on the existing compensation standard in urban and rural areas besides Addis Ababa and Dire Dawa. The study team will have a short visit to two other African countries. It will probe to do effective and practical activities to gain experience about such undertakings in line with the economic, social and political arena to maintain the livelihoods. It is a means to provide a chance to collect sound information from the researched group by doing discussion through

participants' observation. As a result, the fieldwork enables the study team to investigate compensation and related activities- gathering a piece of information that allows the development of unit price standards.

### **5.9. Data Analysis Method**

The study will use different data analysis methods. It includes descriptive analysis to describe the nature of data, and inferential statistics to generalize the result obtained as the comparative or causal relationship among the collected data. After collecting quantitative data, the data get arranged and codified to suit data analysis. So, the price volatility will be analyzed by the ARCH-GARCH model using STATA and SPSS; whereas, proximity analysis is possible using ARC GIS.

The study will use qualitative data from focus group discussions and observations vis-a-vis the quantitative data. Moreover, secondary data will be generated to supplement and validate the primary techniques. The presentation and organization of data analysis will use tables, percentages, figures, photographs and maps. Based on the data analysis, an appropriate and well-functioning unit price framework is among the deliverables of the project. Moreover, a model unit price and other compensation related checklists will be another type of project deliverables. These deliverables will address volatile characteristics of the market price using advanced software, STATA.

## **6. Responsibility**

Clearing out what responsibility, both MoUI and the study team have a list of all the following duties;



### **6.1. Responsibility of Study Team**

The team shall be responsible for:

- ✓ Arranging all site works,
- ✓ Submitting all the required deliverables,
- ✓ Reviewing related studies, policies, rules, regulations,
- ✓ Identifying critical issues throughout compensation work,
- ✓ Performing all activities to develop a model unit price,
- ✓ Submitting the inception, progress, special and final reports to the ministry on a timely base.

### **6.2. Responsibility of MoUI**

The Ministry shall be responsible for:

- ✓ Develop work strategies to meet the study team's needs,
- ✓ Act responsibly for any inquiries and concerns about the study,
- ✓ Give guidelines and provide budgets,
- ✓ Analyze the necessary issues and provide corrective actions,
- ✓ Building positive and productive relationships,
- ✓ Support for output enhancement and efficiency,
- ✓ Accept valuable feedback and recommendations,
- ✓ Maintain a database for the study work,
- ✓ Provide liaison with other government organs,

- ✓ Provide comments on a timely basis,
- ✓ Participate in the overall research study,
- ✓ Assist the study team to get a work permit and other formalities for carrying out the study.

### **Media of communication**

The media of communication shall be both Amharic and English. And also, all deliverable documents and correspondence shall be submitted in both forms.

### **Deliverables**

The study team is expected to deliver the followings;

- ✦ Develop a national compensation framework
  - ✓ Review the existing compensation system and others country experience,
  - ✓ Collect, analyses and interpret data,
  - ✓ Draft relevant binding documents, and
  - ✓ Develop a procedure for the application of the compensation formula.
- ✦ Develop a unit price
  - ✓ Review existing compensation price volatility trends,
  - ✓ Prepare a framework for unit price,
  - ✓ Develop a model unit price,
  - ✓ Determine the compensation a unit price updating timeframe, and
  - ✓ Draft follow-up checklists.

- ✦ Provide training on the documents that will have been developed throughout the study to the respective staffs.

## **9. Project Organization and Management**

Designing an appropriate and timely unit price for compensation would require due attention and competent professional experts plus a sufficient budget. The study's well-structured form will have a Steering Committee with five members from MoUI and Advisory Team with at least two high professional experts.

### **9.1. Steering Committee**

The steering committee will guide the project activities, and make sure about the activities whether it is heading to achieve the objective of the study or not. More specifically, the task of the committee includes:

- ✓ Identifying the priority area, infrastructure project locations,
- ✓ Facilitate financial activities and solve related problems,
- ✓ Identifying potential risks and trying to solve them proactively, and
- ✓ Mentoring the quality of the study and deliverables.

### **9.2. Advisory Team**

The team's responsibility is to show a realistic objective, evaluate the study from a professional point of view, and consult simple methods to get through the assignment of the study team.



### 9.3. Qualification of the study team

The minimum qualification and experience for key members of the study team indicated below.

I.	Study stream	Qualification	Work experience	No professionals	Remarks
	Property valuation specialist	Property valuation	6/8 years for Phd/MSc	2	Direct experience is desirable
		Economics	6/8 years for PhD/MSc	1	
		Civil engineering	6/8 years for PhD/MSc	1	
		Agriculture Science	6/8 years for PhD/MSc	1	
	Statistics specialist	Statistics	6/8 years for PhD/MSc	3	Direct experience is desirable
		Economics	7/9 years for PhD/MSc	2	
	Livelihood specialist	Sociology	6/8 years for PhD/MSc	1	Direct experience is desirable
		Economics	6/8 years for PhD/MSc	2	
		Land development & management	6/8 years for PhD/MSc	1	
		Environmentalism	7/9 years for PhD/MSc	1	
	Database development specialist	Information technology	7/9 years for PhD/MSc	2	Direct experience is desirable
		Software engineering	6/8 years for PhD/MSc	2	
		GIS and remote sensing	6/8 years for PhD/MSc	2	
Total member of the study team				20	

## 10. Work Report

A timely report is expected from the study team at each stage of assignment completion by incorporating all necessary comments and recommendations upon the initial agreements. Therefore, the deliverable outputs will be submitted to the Ministry at a time fixed under the work plan, which is only eight months.

## 11. Work plan

No	Activity	Time
1.	Engage in research and investigation on the existing condition;	
	A. Reviewing compensation formula and its practice in Ethiopia	8 days
	B. Reviewing livelihood restoration practice in Ethiopia	6 days
	C. Reviewing secondary sources of data about market situations	8 days
	D. Reviewing compensation practice of at least two other countries	5 days
	E. Reviewing database development and management practices	4 days
	F. Identifying items included in the unit price	4 days
2.	Data collection checklist and questionnaire development	5 days
3.	Data collection;	
	A. The urban and rural areas of Ethiopia (including the city administration of Addis Ababa & Dire Dawa)	40 days
	B. Explore international best experience, in at least two African countries (experience from Abroad)	20 days
4.	Data coding and arrangement	5 days
5.	Data analyses and study result	30 days
6.	Research findings presentation and workshop	20 days

1.	New manuals proposal development	
	A. National compensation framework	10 days
	B. National unit price framework	15 days
2.	Evaluation of new manuals through workshop	
	A. National compensation framework	2 days
	B. National unit price framework	
3.	The Pilot test in two infrastructure project works	15 days
4.	Review a month pilot test results	
	A. Present for clients and get feedback	1 days
	B. Present for higher officials and get feedback	1 days
	C. Present for higher experts and researchers and get feedback	1 days
	D. Workshop with stakeholders (at each region)	10 days
5.	Final comments and feedbacks incorporation	21 days
6.	Producing final deliverables	15 days