Investigating the Sufficiency of Paid Compensation for Compulsory Acquisition in Road Infrastructural Provision in Rivers State.

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Abstract
The paper explores the various issues pertaining the sufficiency of paid compensation for compulsory acquisition. The objectives of the study include among other things to investigate if the compensation paid can qualify for the definition of compensation and the purpose of compensation. The study adopts a case study approach, which has the advantage of using several study methods. The employed method of data collection from primary sources was interview, questionnaire, field observation and photography. The study revealed that the current method for determining the depreciated replacement costs for acquired structures fails the test of fairness and adequacy as paid compensation cannot enable the affected persons who have lost buildings and other improvements replace them.

Keywords: Compulsory acquisition, Paid compensation, Sufficiency, Road infrastructure.

1. Introduction
Compulsory acquisition is the power of government to acquire private rights in Land without the willing consent of its owner or occupant in order to benefit society (FAO, 2009). It is a power possessed in one form or another by government of all modern nations. This power is often necessary for social and economic development and the protection of the natural environment. Compulsory acquisition requires finding the balance between the public need for land on the one hand and the provision of land tenure security and the protection of private property rights on the other hand (FAO, 2009). Azuela and Herrera (2009) defines compulsory acquisition as “that power which allows states to acquire property against the will of its owner in order to fulfil some purpose of general interest”. They opined that every constitution determines the recognition of private property, and land is acquired under two conditions: just compensation payment and the intention is to satisfy the public interest. The term compulsory land acquisition is used differently in the developed and developing countries. In Canada the right and action are known as ‘expropriation’ (Nelson, 2008). A study on land acquisition, compensation and resettlement in developing economics using Nigeria as case study carried out by Oluwamtemi (2010) observes that when land is compulsorily acquired, compensation paid and resettlement done, the communities still go ahead and put constraint before the government for the purposes of hindering the development. He observed that siting of projects for economic development is a major problem for developing economies because of the agitation of the land owners despite existing tenure system. It is the process by which local and national governments obtain land and premises for development purposes when they consider this to be in the best interest of the community (Kakulu, et al., 2009). Ding (2007) stated that in Asia land acquisition has been used heavily by local government to fuel urban development and finance infrastructure provision and has resulted in increasing social tension and injustice that may impose a long-term threat to stability and sustainable.

A dispossessed property owner is usually paid compensation hence FAO (2009) notes that compensation is at the heart of compulsory acquisition and that it aims to repay affected parties for the losses they suffered as a result of the process. It is a long established principle that those affected should be put in the same position as they were before the acquisition, no more or no less. However, payment of compensation is not as smooth as it has been described above. Vitanen et al (2010) identified four common problems related to compensation of the affected people. The first is “on the ability to define the level of compensation caused by price tension, when the Law requires the valuation to be based on pre-acquisition land uses. They opined that the main reason behind this problem is that the amount of compensation is not sufficient to replace the original dispossessed property. The second problem is associated with “pricing where governments set values rather than values being set by the market”. The third is the land rights claimed by owners and may be unregistered, and may not be entitled legally for compensation as a result of land acquisition. The fourth problem is due to lack of cooperation among land owners in their removal from their businesses and homes. This study amongst other things intend to investigate if the compensation paid in the acquisition of urban properties in Rivers State can qualify for the definition of compensation and the purpose of compensation.
2. Literature Review

2.1 Compensation

Compensation simply means recompense for loss, deprivation or injury suffered (Ibagere, 2010). Umezuruike (1998) defined compensation as ‘placing in the hands’ of the owner expropriated the full money equivalent of the thing of which he has been deprived. Compensations for compulsory acquisition must reflect the price which the claimant would have expected to have obtained for the property on a sale in the open market together with other consequential losses (Rowan-Robinson, 1990). The whole essence of compensation is to put the person in a state the person was before the harmful action of hurt took place. The property owner, therefore, shall be compensated for the losses he/she suffers due to expropriation. In other words, the affected property owner shall be in the same economic position as if the compulsory acquisition had never happened. “Compensation is to repay the affected people for the losses they suffered, and should be based on principles of equity and equivalence” (Belachew, 2013).

The Constitution of many countries states that compensation is paid to strike a “just and equitable” balance between the interests of those affected and the public. The justifiable reasons why compensation is paid as documented by Balachew (2013) are: to protect the citizen from harmful government interference; to distribute the burden of the government interference; and to put the person in the position he was before the reduction in value of property.

2.2 Adequate Compensation for Compulsory Acquisition

Adequate compensation is a fair payment by the government for property it has acquired under land acquisition and compensation so that the owner is not worse-off after the acquisition (Oladapo and Ige, 2014). The sum payable may represent a sum not only for the property acquired, but also other losses suffered in consequence of the acquisition, the fundamental principle is to place the affected property owner in the same position, after the acquisition as they were before (Brown, 1991; Teo and Khan, 1995; Usilappan, 1997). Adequate compensation in land acquisition is always being referred to as the open market value of the land taken simultaneously with its consequences including services, injurious affection and disturbance, and the value of property to affected property-owner (Omar et al., 2001). Payment of adequate compensation is the most vital stage throughout land acquisition process whereby the affected land owners are paid for all losses and damages they face due to the acquisition. Louis (2010) concluded that there is no universally accepted model defining adequate paid compensation and recommends that negotiation should precede the determination of the quantum of compensation, in order to reflect the total losses suffered in the eventual compensation figure. To ensure land acquisition is done fairly, Kotaka (2002) reasoned that adequate compensation must fulfill three conditions namely; payment for all losses incurred as agreed during harmonised negotiation in an arm’s length transactions; consideration of the physical factors as well as non-sentimental value during payment; the date of valuation should be based on the date of first proposal to acquire land and not when is been acquired. Nuhu (2006) affirmed that when lands is compulsorily acquired for a just purpose, there should be prompt and adequate payment of compensation that will better the lots of the interested parties in question in order to enhance their livelihood and contribution to the economic and social activities of the society but did not define what adequate compensation should be. Compulsory acquisition by government, results in people losing their houses, lands, and at time means of livelihood, thus an affected person would naturally expect to receive money that will enable him buy a new plot of land, build a new house and take care of all the attendant losses and relocation expenses. It is a truism that Compensation is to repay them for these loses, and should be based on the principle of equivalence (Brown, 1991; Jain & Xavier, 1996; Usilappan1997). The principle of equivalence is crucial to determining compensation; affected owners and occupations should be neither enriched nor impoverished as a result of the compulsory acquisition.). This principle is articulated by in the World Bank Policy on Involuntary Resettlement: “Displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, which is higher (World Bank OP 4.12). We contend that compliance with the requirements of OP.4.12 will result in the compensation paid, being classed as adequate.

2.3 Regulation Governing Compensation for Compulsory Land Acquisition

Government power of eminent domain mainly expressed through the power of compulsory acquisition is usually backed by legislation. Prior to promulgation of the Land Uses Decree No. 6 of 1978 now known as Land Use Act Cap L5 LFN 2004, there had been several statutes executed to regulate compulsory acquisition of Land and Compensation in Nigeria. The legal basis for compulsory acquisition and assessing compensation in Nigeria among others include: Public Land Acquisition Act of 1917 (Cap. 167 of 1955), State Lands Decree No, 38 of 1968, Public Land Acquisition (Miscellaneous Provision) Decree 33 of 1978, Land Use Act Cap. L5 LFN 2004, the Oil Pipeline Act Cap. O7 LFN 2004, the Petroleum Act 1967 now Cap. P10 LFN 2004 and the Nigerian Constitution. Below is a summary of the provisions of some relevant statutes as observed by Kalu,
2.3.1 Public Lands Acquisition Act of 1917 (Cap. 167 LFN 1958)
This law which is the first compensation law in Nigeria empowered the government to compulsorily acquire land if it was required for public purpose either in the form of an estate in fee simple or for a term of years as deemed appropriate but subject to payment of compensation. The Act provides for a minimum of six (6) weeks acquisition notice to be served upon all persons who have interest or the estate on the parcel either personally or left in the usual place of abode or business. Section 15 of the Act set out the principle of assessment of compensation on the basis of open market value. Section 17, provide for loss of rent and mesne profit. In addition to the provision for compensation for loss of rent and mesne profit, provision is also made for damage resulting from severance sustained by the owner and injurious affection. Disputes arising on compensation claims are to be settled by the court under the provision of the Act.

This law is mostly regarded as the best compensation provision in Nigerian history because it addresses most of the compensation heads of claims. This law is now rendered obsolete by Public Lands Acquisition (Miscellaneous) Provision Decree 33 of 1976 and Land Use Decree No. 6 of 1978.

2.3.2 Public Land Acquisition (Miscellaneous Provisions) Decree No. 33 or 1976
This decree abrogated Cap 167 and the States Land Decree of 1968. The decree clearly states the various purposes for which a land could be compulsorily acquired and imposed new compensation provisions. The main feature of the Decree is that it fixes the price of land for compensation purposes according to zones stated in Table 1 below. Dispute arising from compensation paid by any party is referred to Land Tribunal established under Section 12 of the decree. In Section 4 the decree distinguished between developed land and un-developed land.

<table>
<thead>
<tr>
<th>Table 1: Fixed price of land according to zones</th>
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<tr>
<td>Zone</td>
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<td>A</td>
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<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
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<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
</tbody>
</table>

Source: Adapted from Ogunba, (2013)

2.3.3 The Land Use Decree No. 6 of 1978 (Now LUA Cap L5 LFN 2004)
This law harmonized the existing dual land tenure system in the country into one. The Land Use Decree (now Act) No. 6 of 1978 expropriated all privately owned land to the care of the state governor for the use and benefit of all Nigerians. The Act provides and sets out guideline by which land may be compulsorily acquired and provides that compensation be made to those whose interest have been revoked. The Act is however, silent on the issue of injurious affection and disturbance. Section 28 mainly concerned with the acquisition of land by government and conferred on the governor the right to revoke a right of occupancy for overriding public interest. This can come in form of alienation through assignment, mortgage or transfer of possession by the occupier contrary to the provision of the Act or when the government requires the land for public purpose or for mining or oil pipelines or any purpose connected therewith. Section 29 of the Act provides for the payment of compensation as follows:

(a) “Land, for an amount equal to the rent, if any, paid by the occupier in the year of revocation.
(b) Crops, for an amount equal to the values as prescribed and determined by the appropriate officer.
(c) Buildings, installation or improvements thereon for the amount of the replacement cost of the building, installation or improvement that is to say, such cost as may be assessed on the basis of the prescribed method of assessment as determined by the appropriate officer less depreciation together with interest at the bank rate for delayed payment of compensation; and proof of satisfactorily sustained costs of reclamation work”.

2.4 Current Thinking on Acquisition and Valuation Procedure
In seeking an appropriate way to ensure fair and adequate compensation for compulsory acquisition, it appears natural to adopt the conventional procedure. However, according to Kanbur (2013), a new approach that would ensure that nobody loses out in the exchange would have to be found. This is necessary because development will take place irrespective of the difficulties it brings to the affected persons. Muaro-faure (2009) notes that even when compensation is generous and procedures are generally fair and efficient, the displacement of people from established homes, business and communities will still entail significant human costs and that when the process is designed or implemented poorly, the economic, social and political costs may be enormous. He
further opined that attention to the procedures of compulsory acquisition is critical if a government’s exercise of compulsory acquisition is to be efficient, fair and legitimate. Oladapo and Ige (2014) are of the opinion that valuators should not only stick to statutory methods provided by the laws, but rather maintain some defendable flexibility. They suggest that the cost method of valuation should be adopted when no market comparisons exist and comparative approach be used when there are enough comparables and market data for such valuation. Kotaka (2002) proposes three conditions that must be met by acquiring authorities to ensure adequate compensation:

- The affected land owners are paid all the losses incurred as agreed during a harmonized negotiation (or hearing) in an arm’s length transaction;
- Payment to be made by considering the physical factors, non sentimental value is taken into account;
- The date of valuation be based on the date of first proposal to acquire the land and not when it was been actually acquired.

Nuhu and Aliyu (2009) recommended that a radical harmonization of all conflicting laws on compulsory acquisition and compensation should be effected as this will enhance the building of logical and sound valuation basis that could ensure that a person deprived of his property through compulsory purchase in entitled to no more and no less than what he is being deprived of. Collaborating this, Omar and Ismail (2009) propose reviews to include payment of all genuine losses, common agreement on any amount of compensation between land owners and land administrators, quick payment, and payment of solatium to the affected land owners. Solatium is a provision for a sum of money to be paid to an interested party by the party responsible for the injury, over and above compensation paid for damages for injury to feelings. We think that most of the anomalies experienced by the acquiring authorities could be minimised if a universal definition of what constitutes fair and adequate compensation and determination procedure enunciated.

3. Research Methodology

The interpretative research philosophy paradigm was adopted, and the study was based on a case study method, which has the advantage of using several study methods. The employed method of data collection from primary sources was interview, questionnaire, field observation and photography. For secondary data, relevant documents and papers from published journal, report, books, project reports were used. The qualitative data was processed manually for the analysis as the size of the data is manageable. The quantitative data were analysed using Ms Excel for both statistical and graphical purpose.

4. Case Study

To facilitate the availability of information, the study is restricted to the new Elelenwo/Akpajo road expansion project in Elelenwo, a suburb in Port Harcourt the capital of Rivers State where compensation assessment took place recently. Port Harcourt is located between latitude 4° 45’ N and longitude 6° 55’ E and longitude 7° 05’ in Rivers State. It is a city in the Niger Delta region of Nigeria and one of the fastest growing commercial centres in Nigeria. Subsequently, a total of 60 questionnaires were administered to practicing valuators in Rivers State, complementing with face to face interview with 30 affected land owners, 6 expert Valuers from Valuation Firm engaged in the assessment and 2 Staff of the ministry of land and survey. Out of the 60 administered questionnaires to practicing Valuers, 42 responded representing 70% response rates which was considered adequate for the study. The sampled practicing Estate Surveyor and Valuers in Rivers State were identified from the directory of the Nigerian Institution of Estate Surveyors and Valuers in Rivers State (2010). These professionals were selected purposively based on years of experience. The Snowball sampling method was used to select respondents from the affected Land owners, Valuers from firms engaged in the assessment of the case study and the Ministry Staff. Survey was conducted between August and September, 2016.

5. Results and Discussion

5.1 Characteristic of the Study Participants

Study participants interviewed were: (30) Affected Land Owners representing 37.5% of sampled population; 50% (42) Practicing Estate Surveyors and Valuers in Rivers State; 2.5% (2) Senior Staffs from the ministry of land and survey, who are Estate Surveyors and Valuers; and 7.5% (6) Practicing Valuer from Valuation Firm engaged in the assessment of the study area.
Table 2: Characteristic of Participants

<table>
<thead>
<tr>
<th>Study Participant</th>
<th>Sample Size</th>
<th>Percentage</th>
<th>Valid Percent</th>
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<tbody>
<tr>
<td>Affected Land Owners</td>
<td>30</td>
<td>37.5%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Practicing Estate Surveyor and Valuers</td>
<td>42</td>
<td>50.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Staff of Ministry of Lands and Survey</td>
<td>2</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Valuers from Valuation Firm engaged in assessment of Case study</td>
<td>6</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

5.2 Adequacy of Paid Compensation

To investigate if the current practice encouraged the payment for all items of losses; practicing Valuers were given a list of items and asked to confirm which item(s) were frequently paid for. Findings seem to acknowledge that the head of compensation under the acquisition and compensation law (Land Use Act Cap L5 LFN, 2004) in Nigeria are limited. The Act provides for payment of compensation in respect of crops and buildings. Data from the field survey reveal that buildings were the only item that was frequently paid for when urban property is acquired. The practice in the case study reveals that losses such as land, business goodwill, transport cost, tenant loss and common property resources loss due to displacement of communities were not included in the compensation amount. This became a source of discontentment in the areas along Elelenwo that compensation payment did not take into consideration all consequential losses and locational advantage of the property acquired.

The method of valuation used for urban buildings and unexhausted improvements in the case study was the depreciated replacement cost approach. Theoretically, valuation for compensation is expected to be based on the replacement cost in line with world best practices (FAO, 2009; ADB, 1998). Opinion of expert valuers from valuation firms engaged in the valuation of the case study and that of key informants from the Ministry of Land and Survey reveal that existing practice depended heavily on the government pre-determined rate to determine the depreciated cost of a building which hardly yield a compensation amount that is fair and adequate. This result supports the observation by Akujuru and Ogbonda (2016) that the uses of pre-determined rate to determine the depreciated cost of a building can hardly yield compensation that will enable the disposed replace his building, thus raising some issues of inequity.

The opinions of the respondent Estate Surveyors and Valuers were sought in order to unravel if the adopted method can yield compensation that can enable the dispossessed replace their buildings. Findings indicate that 88.1% (36) of respondent said amount paid is not sufficient for the dispossessed landowner, only 11.9% (5) of them said it is sufficient.

The study established that, compensation for buildings in the study area took the form of cash payments and cannot enable the disposed replace his buildings. The monetary compensation notwithstanding, the study found out that affected people have and will continue to be deprived of their sources of livelihood since the claimant is paid only for depreciated replacement of his building and not for business losses or acquisition of replacement land.

However, the interview made with expert valuers in the case study revealed that majority of the people who receive compensation were not happy with the amount paid them but were unable to quarrel with government. Corroborating this position, one of the interviewee valuer said:

“A particular land owner refused to collect his money because the amount was very low. He was ordered by the government official on inspection to collect his money or risk his property been brought down in 48 hours”.

Similarly, another interviewee stated that:

“If the amount paid was enough for the land owner to replace his building, there would not have been pockets of conflicts”.

Commenting further, an interviewee valuer and supported by an interviewee from the ministry acknowledge that the compensation paid is inadequate saying:

“A alternative property could not be possibly purchased by using the compensation paid that could not fully cover the purchase price”.

The interview result corroborates the questionnaire results where it was found that 83.3% representing 5 expert valuers indicated that the adopted method for assessment cannot yield compensation that is adequate in compulsory acquisition, only 16.7% representing one of respondent said it is adequate. Alternatively, the entire interviewed key informants (100%) from the Ministry of Land and Survey also said the
adopted method cannot yield fair and adequate compensation.

5.3 Part Acquisition

Plate 1: Picture of partially demolished residential property in the study area

From the field observation, it is observed that during the process of acquisition, a lot of plots were taken away for road construction. Thus, the remaining land was insignificant to support livelihood of affected people. The plot shown in plate 1 above (more than 50% the previous building and plot), has been partially acquired along Elelenwo/Akpajo road. The building is a three-bedroom residential property on two floors built with long Span Corrugated roofing sheet, Asbestos ceiling, Sandscreet wall, Sliding Aluminium Casement windows, Metal panel door and a combination of ceramic and cement sand floor finishing. Discussion with the owner of this property reveals that they were compensated in cash for the demolished part, however the amount was lower than his expectation and was not sustainable as it was when the property has not been severed. Analysis of amount claimed and offered from valuation report indicates a value discrepancy of 45.8%. The amount offered by the public valuer was ₦9,484,000 and the amount claimed by private value was ₦17,510,398 indicating a value difference of ₦8,025,598. Most of claimants were not satisfied with compensation paid because the compensation paid were less than the market value of the acquired buildings and some important losses such as goodwill in business, transport cost, loss of tenants and land which they suffered were not included in the compensation amount.

6. Benchmarking of Practice

We contend that the Nigerian practice of compensation assessment and acquisition should be aligned to international best practices like the World Bank Operational Guidelines OP.4.12. The current practice does not comply with these provisions, those of the Asian Development Bank or the African Charter on Human Rights. The FAO (2009) cited in Akujuru and Ogbonda (2016) states that “the principles of equity and equivalence are the guiding principles of compulsory acquisition practice. This principle consists of equivalence (ensuring that compensation paid is no more or less than the loss suffered); Balances of interests (safeguarding the interests of both ownership and use); and flexibility (specific and flexible in interpretation) which the Nigerian practice does not comply with”. The UN Declaration on the Rights of Indigenous Peoples as approved by the Human Rights Council (2007), Article 10 provides that “Indigenous peoples shall not be forcibly removed from their lands or territories. No relocation shall take place without the free, prior and informed consent of the indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return”. When compared with the Nigerian prescription in the Land Use Act, it is obvious there is a gap as it does not safeguard the right and interest nor guarantee just and fair compensation for the dispossessed owners.

7. Conclusion

The study reveals that the heads of compensation are limited. The findings confirm that buildings are the only item frequently paid for when urban land is acquired. It has been established that ignoring land, other consequential losses and locational advantage of the acquired property; and the use of pre-determined rates for determining the depreciated replacement costs hinders the fulfilment of fair and adequate compensation. Investigations conducted reveal that the paid compensation cannot enable the affected persons who have lost buildings and other improvements replace them and thus perpetually remain deprived of their source of income. The study established that the current practice does not ensure sustainability after their land and attached property has been acquired which is manifested in the dissatisfaction with the compensation paid as the compensation paid falls short of their expectation.
8. Recommendations
To address this problem the following recommendations is made:

- In assessing compensation amount, professional valuers should first determine the rates to be used professionally taking into cognisance the market value and the locational advantage of the property.
- The Land Use Act be reviewed to provide realistic valuation guidelines, but flexible enough to allow professional valuers to determine equivalent compensation using applicable methods in all situations.
- Valuation and compensation should be based on both defacto and dejure rights and should be calculated on the basis of what would have occurred had the land not been acquired.
- All affected persons including those without land (tenants, famers, customary users, and squatters) should be incorporated in compensation payment in compliance with international best practices.
- People should be compensated for the loss of any land, for all improvement to the land and crops, trees, other natural resources incidental costs such as transport/relocation cost and other costs which results from the compulsory acquisition process.
- Transparency in the acquisition process should be ensured by the participation of stakeholders.
- Compensation should be paid in-cash in time before relocation and commencement of the project.
- The enabling laws should encourage the adoption of negotiation before initiating the compulsory acquisition process.

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