

A Comparative Study of the Method of Determining and Paying Compensation in Land Acquisition for Public Projects in Iranian and French Law

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Land acquisition for public projects is a key instrument for the development of national infrastructure, requiring a balance between the public interest and the protection of private property rights. The payment of fair and timely compensation plays a central role in legitimizing such measures. In Iran, there are numerous challenges regarding the determination of precise criteria, the timing of payment, and the enforcement guarantees of compensation, which lead to prolonged delays and a lack of proportionality between compensation and the real value of properties. This study aims to identify the shortcomings of the Iranian legal system and provide practical solutions for its improvement by conducting a comparative examination of the methods of determining and paying compensation in Iranian and French law. The research method is descriptive-analytical with a comparative approach, based on the study of documentary and library sources, content analysis of laws, regulations, judicial decisions, and a comparative analysis of the two legal systems. The findings indicate that French law, based on the principle of “full compensation” and through the use of diverse valuation methods, including the comparative method, income-based method, and replacement-cost method, has established a coherent and efficient framework for determining compensation. The French institutional system, including conciliation commissions and specialized courts, resolves approximately 40% to 50% of disputes at the settlement stage. By contrast, the Iranian legal system faces ambiguity in defining “fair price,” weakness in covering consequential damages, failure to observe the principle of prior payment, and inefficiency in its institutional structure. The study recommends that the Iranian legal system be improved through reforming the Law on the Method of Purchase and Acquisition, establishing a mechanism to compensate for currency depreciation, creating conciliation commissions, and upgrading the expert valuation system.

Keywords: *land acquisition, fair compensation, comparative law, fair price, full compensation.*

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1. Introduction

The acquisition of private lands and immovable properties for the implementation of public projects is one of the most important instruments available to the state for realizing the public interest and developing national infrastructure. This measure, which

inherently conflicts with individuals' private property rights, requires the establishment of a precise balance between the public interest and the protection of citizens' rights. In this context, the issue of determining and paying fair compensation to owners plays a central role in legitimizing state actions and preserving public trust. In the Iranian legal system, despite the existence of



numerous laws concerning land acquisition, serious challenges remain regarding the criteria for determining compensation, the timing of payment, and enforcement guarantees. As a result, in many cases, owners face prolonged delays in receiving compensation, or the amount of compensation paid is not proportionate to the real value of the property. By contrast, the French legal system, with its long-standing experience in expropriation for public purposes, has developed complex and efficient mechanisms for determining and paying compensation, which can serve as a suitable model for improving the Iranian legal system.

This study aims to examine and comparatively analyze the legal foundations, criteria, and methods for calculating compensation, as well as the payment mechanisms and enforcement guarantees governing compensation in the Iranian and French legal systems. The significance of this study is notable from various legal, practical, social, and economic dimensions. On the one hand, an accurate understanding of the foundations and mechanisms for determining and paying compensation in two different legal systems provides a basis for proposing practical solutions to address existing challenges in the Iranian legal system. On the other hand, it can contribute to strengthening public trust in governmental institutions, protecting citizenship rights, and facilitating the implementation of development projects. The main research questions are as follows: What are the legal foundations and criteria for determining compensation in land acquisition under Iranian and French law? What differences and similarities exist between the methods of determining and paying compensation in the two legal systems? And what solutions can be derived from the French legal experience to improve the Iranian legal system?

This article employs a descriptive-analytical method with a comparative approach. Data were collected through the study of documentary and library sources, including laws, regulations, judicial decisions, books, and specialized articles, and the findings are analyzed through content analysis and comparative analysis. The structure of this research is designed so that, after presenting the theoretical foundations and conceptual framework, the methods of determining and paying compensation in Iranian and French law are examined separately. Subsequently, a comparative analysis of the two systems is presented, and finally, by drawing

conclusions and proposing reform-oriented recommendations, practical solutions for improving the Iranian legal system are introduced.

2. Theoretical Foundations and Conceptual Framework

The acquisition of lands and immovable properties for the implementation of public projects is one of the most important instruments of the state in realizing the public interest and developing national infrastructure. This legal institution, rooted in the fundamental principles of public law, has always been situated between two conflicting values: on the one hand, the right to private property, which is among the most protected individual rights, and on the other hand, the public interest, which the state is obliged to secure (Katouzian, 2025). This apparent conflict between an individual right and collective welfare requires the establishment of precise and equitable legal mechanisms to preserve the balance between the two. In different legal systems, including Iranian and French law, the principle is the inviolability of private property, and deprivation of this right is permissible only in exceptional circumstances and subject to specific requirements. One of the most important of these requirements is the payment of fair and equitable compensation to the owner, the purpose of which is to remedy the loss sustained and to preserve the owner's economic balance before and after expropriation (Chapus, 2018). Therefore, a precise understanding of the fundamental concepts of this legal institution and the theoretical foundations governing it is a prerequisite for any comparative analysis in this field.

2.1. The Concept of Land Acquisition for Public Projects

The acquisition of private lands and immovable properties for the implementation of public and development projects is one of the most important legal instruments used by states and public institutions to realize collective interests and develop national infrastructure. This legal institution, which is known in legal literature by various terms such as "deprivation of ownership," "compulsory purchase," "appropriation," and "compulsory acquisition," reflects a special authority granted by the legislature to executive bodies so that, under specific circumstances and in compliance with

prescribed rules, they may restrict or transfer individuals' private ownership for the purpose of meeting the public needs of society. In different legal systems, private property is recognized as one of the most fundamental individual rights and enjoys legal protection. In Iranian law, Article 47 of the Constitution of the Islamic Republic of Iran emphasizes the legitimacy of private ownership, and Article 31 of the Civil Code provides that "no property may be taken out of the possession of its owner except by order of law" (Mohaghegh Damad, 2012). This principle indicates that people's property is immune from interference and may not be appropriated by coercion or force. The Guardian Council, in Opinion No. 86/30/22818 dated September 30, 2007, also held that the general authorization for the state to use lands is contrary to Islamic legal standards where it includes lands that have an owner or a legitimate rights-holder (Kouhi Esfahani et al., 2014). Therefore, the primary rule is the impossibility of interfering with another person's property, and laws that permit the state to interfere with people's property are contrary to the primary principle and are enacted only on the basis of necessity and as secondary rulings.

2.1.1. Definition of Acquisition in Iranian Law

In legal terminology, acquisition refers to the compulsory transfer of ownership from a private person to the state or public institutions in exchange for compensation. In Iranian law, the legislature has used various terms such as "acquisition," "compulsory purchase," "confiscation," and "appropriation," which, although they appear different, all express a general concept (Jafari Langroudi, 2018). Article 1 of the Law on the Method of Purchase and Acquisition of Lands and Immovable Properties for the Implementation of Public, Developmental, and Military Programs of the State, enacted in 1979, defines acquisition as "the purchase and acquisition of lands and immovable properties required for the implementation of public, developmental, and military programs of the state, at the current price and with the consent of the owner or owners, and, in the absence of agreement, through the competent authorities." This definition emphasizes two essential elements: first, the purpose of acquisition must be the implementation of public programs; and second, payment of the current price to the owner is mandatory. In Imami jurisprudence, which forms the basis of many

Iranian laws, the principle is respect for private ownership and the impermissibility of interference with another person's property without the owner's permission. Nevertheless, jurists have accepted compulsory acquisition with payment of consideration in cases where the public interest so requires (Emami, 2020). This jurisprudential approach is also reflected in Article 46 of the Constitution of the Islamic Republic of Iran, which provides that "everyone is the owner of the proceeds of his or her lawful business and labor, and no one may, under the pretext of ownership, deprive another of the possibility of conducting business and work, except by law."

2.1.2. Definition of Expropriation in French Law

In French law, acquisition for public purposes is known as "expropriation pour cause d'utilité publique." Article L.1 of the French Expropriation Code, enacted in 2014 and amended in 2018, defines expropriation as follows: "Expropriation is a procedure by which a public authority may, in return for the payment of fair and prior compensation, compel a private owner to transfer ownership for the implementation of an operation declared to be of public utility." This definition emphasizes three key elements: first, the compulsory nature of expropriation; second, the necessity of fair and prior compensation; and third, the existence of public utility as the legitimate cause of expropriation (Delvolve & Delvolve, 2019). The Declaration of the Rights of Man and of the Citizen of 1789, which remains an integral part of the French legal system, provides in Article 17 that "property is an inviolable and sacred right, and no one may be deprived of it unless public necessity, legally established, clearly requires it, and on condition of fair and prior compensation." The French Constitutional Council, in numerous decisions, has emphasized that the right to property has constitutional value and that expropriation is permissible only where there is a genuine public interest and full compensation is paid. The French courts have also developed precise criteria in their case law for identifying public utility and determining fair compensation (Long et al., 2020).

A comparison of the definitions of acquisition and expropriation in the Iranian and French legal systems shows that both systems emphasize common elements: the exceptional nature of acquisition, the necessity of public interest, and the obligation to pay compensation.

Nevertheless, important differences also exist. In Iranian law, the legislature initially emphasizes the “owner’s consent” and permits compulsory acquisition only in the absence of agreement, whereas in French law, the compulsory nature of expropriation is accepted from the outset (Safaei & Rahimi, 2019). In addition, French law places stronger emphasis on the “prior” nature of compensation, in such a way that, in principle, expropriation before payment of compensation is not possible. In Iranian law, although the principle is simultaneous or prior payment, significant delays in the payment of compensation are observed in practice (Abbasi, 2025).

2.2. *The Concept of Compensation and Its Foundations*

In legal terminology, compensation means remedying the loss inflicted on an owner as a result of deprivation of ownership. In Iranian law, terms such as “compensation,” “consideration,” “price of the property,” and “value” are used interchangeably, all indicating a single concept (Katouzian, 2025). Note B to Article 10 of the Law on the Method of Purchase and Acquisition provides that “the price of cultivated lands in the private sector shall be assessed and paid at the current price, and no payment shall be made for uncultivated lands, forests, pastures, and any part that has become public property under the Constitution.” In Imami jurisprudence, the principle of “no harm and no reciprocating harm,” one of the important jurisprudential rules, forms the basis for the payment of compensation. According to this rule, no one has the right to cause harm to another, and if harm is caused, it must be remedied (Mousavi Bojnordi, 2019). Likewise, the rule of “liability follows benefit” states that whoever benefits from an advantage must also bear the loss arising from it (Najafi, 2017).

The Administrative Court of Justice, in Judgment No. 9109970900802420 dated March 11, 2013, emphasized that “executive bodies that, in the implementation of approved projects, cause deprivation of ownership or deprivation of ordinary use of individuals’ properties, even in pursuit of public interests, are responsible for paying the price or the loss incurred; therefore, if an individual’s land becomes unusable as a result of the construction of an electricity canal, that individual is entitled to receive compensation.”

In French law, compensation is known as “indemnité d’expropriation” and is determined on the basis of the

principle of “full compensation.” Article L.321-1 of the French Expropriation Code provides that “compensation must cover all direct, material, and certain losses resulting from expropriation.” This principle means that compensation must cover not only the value of the property but also all provable ancillary and consequential losses (Chapus, 2018).

In its well-known decision in the Commune de Gennevilliers case of March 21, 1969, the French Council of State held that “compensation must be such as to place the owner in a position as if the expropriation had not occurred.” This approach, known as the “principle of full replacement,” forms the basis of all compensation calculations in French law (Delvolve & Delvolve, 2019). In addition, the European Court of Human Rights, in interpreting Article 1 of Protocol No. 1 to the European Convention on Human Rights, which guarantees the right to property, has emphasized that compensation must have a “reasonable relationship of proportionality” to the value of the property; otherwise, expropriation constitutes a violation of the right to property (Long et al., 2020).

2.2.1. *Philosophical and Legal Foundations of Compensation*

The theoretical foundations of compensation in land acquisition can be traced to several main theories:

a) The theory of distributive justice: According to this theory, which is rooted in Aristotelian philosophy, the burden of implementing public projects should not fall solely on a limited number of citizens. Since the benefits of such projects accrue to society as a whole, it is fair that society should also bear their cost by paying compensation to owners (Rawls, 2017). This theory has been accepted in both Iranian and French legal systems (Rivero, 2016; Safaei & Rahimi, 2019).

b) The theory of the social contract: Philosophers such as Locke and Rousseau maintain that, in exchange for accepting state sovereignty, individuals expect their fundamental rights, including the right to property, to be respected. Therefore, any deprivation of ownership must be accompanied by full compensation so that the social compact is not breached (Locke, 2015; Rousseau, 2014).

c) The theory of economic efficiency: From the perspective of economic analysis of law, the payment of fair compensation ensures that the state undertakes acquisition only in cases where its social benefits exceed

its costs. This prevents unnecessary and inefficient acquisitions (Posner, 2018).

d) The human rights theory: In the modern human rights approach, the right to property is recognized as one of the fundamental human rights. The European Convention on Human Rights, the International Covenant on Civil and Political Rights, and the Universal Declaration of Human Rights all emphasize the protection of the right to property (Locke, 2015; Rawls, 2017).

2.2.2. Principles Governing Acquisition and Payment of Compensation

a) The principle of public interest

The first and most important principle governing acquisition is the existence of public interest. In Iranian law, Article 46 of the Constitution and Article 1 of the Law on the Method of Purchase and Acquisition emphasize this principle. Public interest is a relative and variable concept that may be interpreted differently depending on temporal and spatial circumstances (Abbasi, 2025). The Administrative Court of Justice, in its practice, has provided criteria for identifying public interest, including: 1) the usefulness of the project for the majority of society; 2) the necessity and urgency of implementing the project; and 3) the absence of a more appropriate alternative. In French law, the concept of "utilité publique" plays a central role in the legitimacy of expropriation. The French courts exercise strict control over the existence of public utility in their case law and annul declarations of public utility where it is not established. The Constitutional Council has also emphasized that public interest must be "real and serious," not merely asserted.

b) The principle of legality of acquisition

In both Iranian and French law, acquisition is possible only on the basis of law. In Iran, Article 40 of the Constitution provides that "no one may exercise his or her property right as a means of causing harm or loss to another or of encroaching upon public interests," and Article 46 also emphasizes the necessity of law for deprivation of ownership. This principle derives from the broader principle of the "legality of administrative action," which is one of the pillars of the rule-of-law state (Abbasi, 2025). In French law, the principle of legality of expropriation derives from Article 17 of the Declaration of the Rights of Man and of the Citizen of 1789, which

provides that public necessity must be "legally established." This principle requires that expropriation be carried out on the basis of specified legal procedures and in compliance with legal formalities (Delvolve & Delvolve, 2019).

c) The principle of fair and equitable compensation

One of the fundamental principles in both legal systems is the obligation to pay fair compensation. In Iranian law, Article 2 of the Law on the Method of Purchase and Acquisition emphasizes the "current and fair price." Fairness in determining compensation means that the owner should neither suffer a loss nor gain a windfall, but should be placed in an economic position similar to that before acquisition (Katouzian, 2025). In French law, the principle of "fair and prior compensation" derives from Article 17 of the Declaration of the Rights of Man and of the Citizen. In its case law, the courts have emphasized that fair compensation means "full compensation" and must cover all direct and provable losses. This principle is also expressly stated in Article L.321-1 of the Expropriation Code.

d) The principle of prior payment of compensation

In French law, the principle of "prior" compensation means that, in principle, expropriation before payment or deposit of compensation is not possible. Article L.322-1 of the Expropriation Code provides that "transfer of ownership is possible only after payment or deposit of compensation." This principle is of particular importance because it prevents unlawful occupation of owners' property (Chapus, 2018). In Iranian law, although the legislature emphasizes "simultaneous" or "prior" payment of compensation, this principle is not always observed in practice, and significant delays in payment are observed (Abbasi, 2025). Article 3 of the Law on the Method of Purchase and Acquisition provides that "after final determination of the price, the executive body is obliged to pay the price of the property within three months"; however, the absence of an effective enforcement guarantee for this obligation has meant that, in practice, this deadline is not observed.

e) The principle of proportionality

The principle of proportionality, which is among the general principles of administrative law, also applies in the context of acquisition. According to this principle, acquisition must be proportionate to the intended objective and must not exceed what is necessary to realize the public interest (Hedavand, 2014). In French

law, the courts apply proportionality review in their case law and declare acquisition unlawful where it is disproportionate to the objective pursued. In Iranian law, although the principle of proportionality is not expressly mentioned in the laws concerning acquisition, the Administrative Court of Justice has relied on this principle in its practice and has emphasized that “acquisition must be limited to the extent genuinely required for the implementation of the project, and rights of owners must not be encroached upon beyond what is necessary under the pretext of public interest.” The principle of proportionality may be examined in three dimensions: first, proportionality in determining the scope of acquisition, meaning that an area greater than what is needed must not be acquired; second, proportionality in selecting the method, meaning that acquisition must be the last resort and, where less costly and less harmful methods exist, they must be prioritized; and third, proportionality in determining compensation, meaning that compensation must be proportionate to the actual loss sustained (Rivero, 2016; Safaei & Rahimi, 2019).

The European Court of Human Rights has also emphasized the principle of proportionality in interpreting Article 1 of Protocol No. 1 to the European Convention on Human Rights and has stated that a “fair balance” must be struck between the requirements of the public interest and the protection of individuals’ fundamental rights. This approach has led member states of the Convention, including France, to exercise greater caution in applying their expropriation powers and to continuously assess the proportionality of their measures in relation to the intended objective (Delvolve & Delvolve, 2019).

3. Methods of Determining Compensation in Iranian Law

After examining the theoretical foundations and conceptual framework of acquisition and compensation in the previous section, this section analyzes the practical methods of determining compensation in the Iranian legal system. Determining the amount of compensation is one of the most sensitive and complex stages of the acquisition process because, on the one hand, it must protect the owner’s rights fairly and equitably, and, on the other hand, it must not impose an unreasonable financial burden on the public budget. The Law on the

Method of Purchase and Acquisition of Lands and Immovable Properties for the Implementation of Public, Developmental, and Military Programs of the State, enacted in 1979, and its implementing regulations establish the general framework for determining compensation; however, in practice, the interpretation and application of these provisions have faced numerous challenges. In this section, the criteria for assessing compensation in Iranian law, especially the concepts of “current price” and “fair price,” are first examined. Then, the role of experts and price-determination commissions is analyzed. Finally, the calculation of direct and indirect losses and the existing challenges in this regard are discussed. The aim is to provide a comprehensive and critical picture of the functioning of the compensation-assessment system in Iran and to establish a basis for comparison with the French system in the next section.

Article 3 of the Law on the Method of Purchase and Acquisition of Lands and Immovable Properties for the Implementation of Public, Developmental, and Military Programs of the State, enacted in 1979, provides that “the fair price of lands, buildings, constructions, installations, and other rights and losses shall be determined through agreement between the ‘executive body’ and the owner or owners and rights-holders.” This law introduces two criteria, “current price” and “fair price,” as the basis for determining compensation, but it does not clarify the precise definition of these two concepts or the manner of their interaction (Abbasi, 2025). Current price means the customary and prevailing price of the property at the time of acquisition. This price must be determined on the basis of similar transactions in the area, geographical location, land use, access to facilities, and other factors affecting the value of the property. Article 5 of the same law states that “the criterion for determining the price shall be the fair current assessed price of lands, buildings, installations, rights, and similar losses located within the operational area of the project, without taking into account the effect of the project on their price.” This definition provides an objective and measurable criterion for determining the price based on market realities (Katouzian, 2025).

However, determining the current price faces numerous challenges in practice. First, in many areas, especially villages and small towns, there are not enough similar transactions on the basis of which the current price can be determined. Second, under inflationary conditions

and severe fluctuations in property prices, determining the “time” that serves as the basis for the current price becomes critically important. Should the current price be determined on the basis of the time of declaration of public interest, the time of project approval, the time of notification of the acquisition decision, or the time of payment of compensation? This ambiguity has caused many disagreements in administrative and judicial practice (Abbasi, 2025).

The analysis of Judgment No. 4 of the General Board of the Administrative Court of Justice dated April 12, 2010, is significant in this regard. In this important judgment, issued upon a request for the application of Article 53 of the Court’s procedural rules, the General Board expressly overturned its previous judgments, namely Nos. 60 dated July 8, 1995, and 173 dated August 12, 2001, which, by relying on Clause 9 of Article 50 of the Budget and Planning Law of 1972, had regarded the occupation of lands outside urban limits along roads and transportation routes as a form of “easement” and considered it free of charge. Relying on the interpretative opinion of the Guardian Council, No. 22818/30/86 dated September 30, 2007, which had declared the general authorization for the state to use such lands without the owner’s consent and in the absence of a permitting necessity contrary to Islamic legal standards, the General Board emphasized that non-payment in cases where a lawful owner exists gives rise to liability and is contrary to Islamic law.

This judgment creates two fundamental developments. First, by implicitly abrogating the expansive interpretation of gratuitous easement, it establishes the principle of “acquisition accompanied by payment of the price of the land and structures” and treats state occupation without obtaining the owner’s consent and paying the fair current price as an act of usurpation. Second, by expressly referring to the Legal Bill on the Method of Purchase and Acquisition enacted in 1979 and the jurisprudential rule of “no harm,” it changes the basis for determining compensation from “gratuitous easement” to “fair current price.” In other words, this judgment of the Administrative Court of Justice establishes the necessity of paying compensation, even for lands outside urban limits that were previously covered by the exception in Clause 9 of Article 50, in an absolute manner and on the basis of Islamic legal standards. Thus, it constitutes an effective step toward

realizing the principle of fair and equitable compensation in the Iranian legal system.

Alongside the criterion of “current price,” the legislature has also used the term “fair price.” These two terms are used together, and the fundamental question is whether they are synonymous or whether there are differences between them. Some jurists believe that fair price is the same as current price and that the legislature has used both terms merely to emphasize justice and equity (Emami, 2020). However, the prevailing view is that fair price is a broader concept than current price and includes qualitative elements and subjective values that are not necessarily reflected in the market price (Safaei & Rahimi, 2019). Fair price means a price that, in addition to the market value of the property, also takes into account other factors such as the emotional and moral value of the property for the owner, the history of ownership, the owner’s special use of the property, and ancillary losses arising from acquisition. In other words, fair price seeks to provide a more comprehensive picture of the real value of the property for the owner, not merely its transactional market value (Jafari Langroudi, 2018). This approach is consistent with the principle of “full reparation of loss,” which is expressly accepted in French law, although it has not been expressly emphasized in Iranian law. In practice, the distinction between current price and fair price is often overlooked, and price-determination commissions mainly focus on the market price of the property and do not fully consider qualitative factors and ancillary losses. This has led, in many cases, to compensation being lower than the actual loss sustained by the owner and has created a sense of injustice among expropriated owners (Abbasi, 2025).

The law and implementing regulations identify several factors for determining the price of immovable properties and lands. These factors include the following:

- a) Geographical location and access: The location of the property in relation to urban centers, main roads, public facilities such as schools, hospitals, and shopping centers, and public transportation directly affects its value. Properties located in central areas with easy access have greater value than properties located in peripheral areas.
- b) Land use and legal status: The land use of the property, including residential, commercial, industrial, or

agricultural use, and its legal status, including whether it has an official deed, ordinary deed, or no deed, also affect price determination. Properties with commercial use usually have greater value than residential properties, and properties with official deeds have greater value than properties without deeds (Katouzian, 2025).

c) Area and geometric shape: The area of the property and its geometric shape, whether regular or irregular, also affect the unit price. Properties with larger areas and regular shapes usually have higher unit prices.

d) Physical and construction status: The existence of a building, the type and quality of the building, the age of the structure, existing facilities and installations such as water, electricity, gas, and sewage, and the maintenance condition of the property all play a role in determining the final value of the property (Safaei & Rahimi, 2019).

e) Similar transactions: The price of similar transactions in the same area and close to the time of acquisition is the most important objective criterion for determining the current price. Experts must refer to real and registered transactions and avoid unrealistic or manipulated prices.

f) Economic conditions and inflation: Macroeconomic conditions, the inflation rate, and fluctuations in the property market must also be taken into account in determining price. Under inflationary conditions, delay in payment of compensation can sharply reduce its real value; therefore, mechanisms must be provided to remedy this depreciation (Hedavand, 2014).

Despite the identification of these factors in laws and regulations, in practice the weighting of each factor and the manner of combining them to reach the final price are left to the judgment of experts and price-determination commissions, which may lead to significant differences among different valuations (Abbasi, 2025).

The analysis of Judgment No. 9309970908500355 of the Supreme Court dated December 8, 2014, is also important in this regard. In this judgment, the Supreme Court expressly emphasized that the basis for calculating the price of lands acquired by the state and municipalities is the “current price at the time of payment,” not the “current price at the time of occupation.” This judgment was issued to overturn the decision of Branch 6 of the Public Court of Qom, which had awarded the claimant compensation based on the 1981 rate, that is, the time of the initial occupation of the land by the railway authority. Relying on two

fundamental instruments, namely the Legal Bill on the Method of Purchase and Acquisition of Lands enacted in 1979 and the Law on the Method of Valuation of Buildings, Properties, and Lands Required by Municipalities enacted in 1991, the Supreme Court held that the practice of the court of first instance was inconsistent with the governing regulations because, in both laws, the criterion for determining price is the “current price at the time of claim and payment,” not the time of occupation.

The significance of this judgment for the compensation-assessment system in Iranian law is that it clarifies two essential points. First, under inflationary conditions and where a long period has passed between occupation and payment of compensation, calculation on the basis of the “current price at the time of occupation” is severely detrimental to the owner and violates the principle of full reparation and distributive justice, which were explained in the theoretical foundations of compensation in this article. By selecting the “current price at the time of payment,” the Supreme Court effectively adopts the real value of the property at the moment of compensation as the criterion and thereby transfers the burden of inflation and currency depreciation from the private owner to the executive body, which caused the delay in payment or benefited from prolonged occupation. Second, this judgment directs judicial practice toward consistency with the principle of “prior or simultaneous payment of compensation”: if payment is not made at the time of occupation, it must at least be made on the basis of the value at the time of payment. In comparative terms, when compared with French law, which emphasizes “fair and prior compensation” in Article L.321-1 of the Expropriation Code, the judgment of the Iranian Supreme Court seeks to remedy part of the deficiency arising from non-observance of the principle of prior payment by determining an appropriate temporal criterion. Nevertheless, this judgment does not expressly address the method of calculating “delay damages and currency depreciation” in the interval between occupation and payment, and this gap remains a matter of disagreement in judicial practice.

4. Methods of Determining Compensation in French Law

The French legal system has a long history and rich case law in the field of land expropriation for public projects

and the determination of compensation. The Expropriation Code, which was fully reformed and recodified in 2018, provides a comprehensive framework for the expropriation process and the determination of compensation. This code, which has been developed on the basis of fundamental principles of human rights and the case law of the Council of State and the Court of Cassation, places special emphasis on the principles of “full compensation” and “fair and prior compensation.” In this section, the principle of full compensation and its foundations in French law are first examined. Then, methods of compensation valuation, including the comparative method and the income method, are analyzed. Next, the role of conciliation commissions and expropriation courts is examined, and finally, ancillary and consequential losses and the related case law are discussed. The aim is to provide a comprehensive picture of the French compensation-assessment system and to establish a basis for comparison with the Iranian system.

4.1. The Principle of Full Compensation and Its Foundations

The principle of full compensation is one of the fundamental principles of the compensation-assessment system in French law. This principle provides that the compensation paid must be such that the owner is placed in an economic position similar to that before expropriation. In other words, compensation must remedy all losses sustained by the owner, whether direct or indirect, and the owner must not suffer economic loss as a result of expropriation (Hostiou, 2018).

The legal basis of this principle can be found in Article 17 of the Declaration of the Rights of Man and of the Citizen of 1789, which emphasizes “fair and prior compensation.” Moreover, Article L.321-1 of the 2018 Expropriation Code states that “compensation must cover all direct, material, and certain losses resulting from expropriation.” This article identifies three conditions for compensability: the loss must be direct, material, and certain.

The case law of the French courts has played an important role in interpreting and developing the principle of full compensation. In the well-known *Commune de Gennevilliers* judgment of 1969, the Council of State emphasized that “compensation must be calculated in such a way that the owner can purchase a

similar property in the same area and restore his or her economic position.” This judgment introduced the principle of “full replacement,” according to which compensation must be equivalent to the cost of purchasing a replacement property, not merely the market value of the expropriated property (Hostiou, 2018).

As mentioned, the French Expropriation Code identifies three conditions for the compensability of losses:

a) Direct loss: The loss must arise directly from expropriation, and there must be a direct causal relationship between expropriation and the loss. Losses that arise indirectly or through a chain of events are not compensable. For example, if expropriation of a property reduces the value of a neighboring property, this loss is not direct, and the owner of the neighboring property cannot claim compensation (Hostiou, 2018).

b) Material loss: The loss must be financially assessable. Purely moral or emotional losses are generally not compensable, except in exceptional cases where the law or case law has accepted them. Nevertheless, in recent years, French case law has accepted moral losses in some specific cases, especially where expropriation has led to the destruction of particular cultural, historical, or emotional values (Hostiou, 2018).

c) Certain loss: The loss must be definite and realized, not hypothetical or speculative. Losses that may occur in the future but have not yet materialized are not compensable. However, if future loss is foreseeable and probable, it may be taken into account in the calculation of compensation. For example, if expropriation of a commercial property results in loss of future income, this loss is compensable provided that it can be calculated and predicted (Hostiou, 2018).

Comparison of the principle of full compensation in French law with the Iranian approach reveals significant differences. While Iranian law emphasizes “fair price,” it does not provide a precise and operational definition of this concept, and in practice, compensation is often lower than the actual loss sustained by the owner (Abbasi, 2025). By contrast, French law, by emphasizing full compensation and specifying precise conditions for the compensability of losses, provides a clearer framework for the protection of owners’ rights. In addition, French case law plays a more active role in interpreting and developing principles related to compensation, and courts continuously provide new criteria for calculating

fair compensation. In Iran, although the Administrative Court of Justice has an important supervisory role, judicial practice has not yet developed sufficiently, and judgments often remain limited to annulling commission decisions without providing precise and integrated criteria for calculating compensation (Abbasi, 2025).

4.2. *Methods of Compensation Valuation in French Law*

The comparative method is the most common and principal method of compensation valuation in French law. This method is based on comparing the expropriated property with similar transactions conducted in the same area and close to the time of expropriation. Article L.322-2 of the Expropriation Code states that “the value of the property is determined on the basis of the open-market price and with regard to similar transactions.” To apply this method, official experts identify and analyze similar transactions conducted in the same neighborhood or area and within a specified time frame, usually one to two years before expropriation. They then adjust the prices of comparable transactions according to the specific characteristics of the expropriated property, including area, location, land use, building condition, and access, in order to arrive at the real value of the property (Hostiou, 2018). French case law has established precise criteria for selecting comparable transactions. Transactions must have been conducted under normal market conditions and without pressure or coercion. Transactions conducted under exceptional conditions, such as forced sales, urgent sales, or transactions between family members, cannot be used as the basis for comparison. Likewise, transactions must be comparable to the expropriated property in terms of physical and legal characteristics (Hostiou, 2018). One advantage of the comparative method is that it is based on real market data and reflects the real value of the property under normal conditions. However, this method also faces limitations. In areas where few transactions take place or where the property market experiences severe fluctuations, finding comparable and reliable transactions is difficult. In such cases, experts are compelled to use other methods, such as the income method or the replacement-cost method (Hostiou, 2018).

Another method is the income method. The income method is used to value properties employed for commercial, industrial, or agricultural activities. This

method is based on the income generated by the property and the expected rate of return for investors. The value of the property is calculated by capitalizing annual income through the use of an appropriate rate of return. Annual net income includes all income generated by the property, including rent, product sales, and business profit, minus operating costs such as maintenance, taxes, and insurance. The rate of return is determined on the basis of prevailing market rates for similar investments and usually varies between 4% and 8%, depending on the type of property and investment risk (Hostiou, 2018).

French case law has emphasized that, in using the income method, the actual and stable income of the property must be considered, not hypothetical or temporary income. In the *Société anonyme des établissements Pernod* judgment of 1972, the court held that “income must be calculated on the basis of the average income of the preceding three to five years in order to eliminate temporary fluctuations.” Likewise, in cases where the property has lost its income because of imminent expropriation, the income prior to the announcement of expropriation must be used as the basis (Hostiou, 2018). The income method is particularly suitable for valuing commercial properties, hotels, restaurants, factories, and agricultural lands. However, this method requires accurate and reliable financial information, which in some cases, especially for small and informal businesses, is not available. In such cases, experts may use a combination of the income method and the comparative method (Hostiou, 2018).

Another method is the replacement-cost method, which is used to value buildings and installations for which there is no active market or which have unique characteristics. This method is based on the cost of reconstructing a similar building or installation, after deducting depreciation. Article L.322-4 of the Expropriation Code indicates that “where the comparative method cannot be applied, the replacement-cost method may be used.” To calculate replacement cost, experts first estimate the cost of reconstructing the building using similar materials and technology. Then, according to the age and physical condition of the building, they apply an appropriate depreciation coefficient. French case law has emphasized that depreciation must be determined on the basis of the actual condition of the building, not

merely on the basis of its age. A well-maintained building may have lower depreciation than an older building that has not been maintained. This method is particularly suitable for valuing industrial buildings, public installations, historical monuments, and buildings with special uses. However, determining the depreciation rate and reconstruction cost is often a matter of dispute between the owner and the expropriating authority and requires the opinion of specialized experts (Hostiou, 2018).

One important feature of the French compensation-valuation system is its flexibility and the possibility of combining different methods. Experts and courts may use a combination of the comparative, income, and replacement-cost methods depending on the particular characteristics of each property in order to arrive at a more accurate and equitable valuation. For example, in valuing a commercial building, the value of the land may be calculated through the comparative method, the value of the building through the replacement-cost method, and the value of the business through the income method, and these values may then be added together (Hostiou, 2018). This flexibility allows experts to select the best method or combination of methods according to the circumstances of each case and to reduce the limitations of each method. French case law has confirmed this approach and emphasized that “the ultimate objective is to arrive at the real and fair value of the property, not merely to adhere to a particular method.”

4.3. The Role of Decision-Making Institutions: Conciliation Commissions and Expropriation Courts

In the French legal system, before a dispute over the amount of compensation is referred to court, the parties must participate in a conciliation commission and attempt to reach an agreement. Conciliation commissions are informal institutions established to facilitate negotiation between the owner and the expropriating authority and to reduce judicial caseloads. A conciliation commission usually consists of a representative of the expropriating authority, a representative of the owner, and a neutral mediator, usually an official expert or lawyer. In commission sessions, the parties present their proposals, and the mediator attempts to create grounds for agreement. If the parties reach an agreement, a settlement agreement

is signed and compensation is paid on that basis. If no agreement is reached, the case is referred to the expropriation court (Hostiou, 2018).

Statistics show that approximately 40% to 50% of cases are settled at the conciliation commission stage and do not require judicial proceedings. This not only reduces the cost and duration of proceedings but also helps preserve relations between the owner and the expropriating authority (Hostiou, 2018). Nevertheless, some critics argue that in conciliation commissions, owners are often in a weaker position than the expropriating authority and may be pressured into accepting compensation below the real value.

Where the parties fail to reach agreement in the conciliation commission, the case is referred to the expropriation court. Expropriation courts are specialized courts operating within the framework of ordinary courts and have jurisdiction to hear disputes concerning the amount of compensation.

The expropriation judge, who is usually a judge specialized in property and financial matters, examines the case and may use official experts to value the property. The parties may also introduce their own experts and submit expert reports. After examining all documents and evidence, the court determines the amount of compensation. The judgment of the expropriation court may be appealed before the court of appeal and subsequently before the Court of Cassation (Hostiou, 2018). One important feature of expropriation courts in France is their independence and specialization. Judges of these courts receive specialized training in property valuation and expropriation law, and rich case law in this field contributes to consistency and predictability in judgments. In addition, courts place particular emphasis on protecting owners' rights and, in cases of doubt, interpret matters in favor of the owner.

Official experts play a key role in the process of determining compensation in France. These experts, appointed by the courts, must have professional qualifications and sufficient experience in property valuation. France has a strict system for issuing expert certification, and experts must pass specialized examinations and continuously participate in retraining programs. Official experts are required to submit reasoned and documented reports, including an explanation of valuation methods, the data used, and precise calculations. Courts may, if unconvinced, request

the opinion of another expert or summon the expert for further explanations. The independence and impartiality of experts are highly important, and any conflict of interest or pressure on experts is prohibited and subject to legal prosecution (Hostiou, 2018). Compared with Iran, the French expert system has a more coherent structure and higher standards. In Iran, although official judicial experts exist, supervision over the quality of their work and ensuring their independence have always been challenging (Abbasi, 2025).

5. Conclusion

The present study was conducted with the aim of comparatively examining the methods of determining and paying compensation in land acquisition for public projects under Iranian and French law. The comparative analysis of the two legal systems shows that both systems share a common philosophical and legal foundation: both recognize private property as a fundamental right, both regard acquisition or expropriation as an exception to this principle, and both consider payment of compensation to be a condition for the legitimacy of acquisition. Nevertheless, there is a considerable gap between this theoretical commonality and the practical reality of the Iranian legal system, which is rooted in structural weaknesses, legislative ambiguities, and institutional deficiencies.

From the perspective of legal foundations, both systems emphasize the principle of public interest, the principle of legality of acquisition, and the principle of fair compensation. However, in French law, these principles enjoy stronger constitutional support. Article 17 of the Declaration of the Rights of Man and of the Citizen of 1789, which remains an integral part of the French legal system, expressly emphasizes “fair and prior compensation,” and the French Constitutional Council has reinforced this principle in numerous decisions. In Iran, although Articles 46 and 47 of the Constitution and Article 31 of the Civil Code protect private property, the interpretative opinion of the Guardian Council and the practice of the Administrative Court of Justice have not yet developed sufficiently to guarantee fair and prior compensation. Judgment No. 4 of the General Board of the Administrative Court of Justice in 2010 and Judgment No. 9309970908500355 of the Supreme Court in 2014 have been positive steps in this direction, but these judgments have not yet developed into a coherent and

unified judicial practice, and significant gaps remain in the compensation-assessment system.

In terms of compensation criteria, fundamental differences exist between the two systems. French law, relying on the principle of “full compensation,” expressly stated in Article L.321-1 of the 2018 Expropriation Code, provides a clear framework for calculating compensation. This principle requires compensation to cover all direct, material, and certain losses resulting from expropriation and to place the owner in an economic position similar to that before expropriation. The case law of the French courts, especially the well-known Commune de Gennevilliers judgment of 1969, has elevated this principle to the “principle of full replacement,” meaning that compensation must be equivalent to the cost of purchasing a similar replacement property in the same area. By contrast, Iranian law uses the two concepts of “current price” and “fair price,” which appear in the Law on the Method of Purchase and Acquisition of 1979, but the precise and operational definition of these concepts and the manner of their interaction remain unclear. This ambiguity has meant that, in practice, price-determination commissions mainly focus on the market value of the property and ignore ancillary losses, moral values, and relocation costs. With regard to compensation-valuation methods, the French system enjoys considerable flexibility and diversity. The three main methods of comparison, income, and replacement cost are applied either separately or in combination, depending on the particular characteristics of each property. This multidimensional approach enables a more accurate and equitable valuation and reduces the limitations of each method. In Iran, the comparative method, based on similar transactions, is the dominant method, but in the absence of an active and transparent property market, especially in rural areas and small towns, this method often faces practical difficulties. In addition, under severe inflationary conditions, which have characterized the Iranian economy in recent decades, determining the “base time” for calculating the current price is of critical importance. The 2014 judgment of the Supreme Court, by designating the “current price at the time of payment” as the criterion, took a positive step in this regard, but the issue of calculating delay damages and currency depreciation in the interval between occupation and payment remains unresolved.

From an institutional and procedural perspective, deep structural differences exist between the two systems. In France, the compensation-determination process has a coherent two-stage structure: first, the negotiation stage in the conciliation commission, which resolves approximately 40% to 50% of cases at this stage, and second, the judicial stage before specialized expropriation courts with trained judges and certified official experts. This structure ensures both efficiency and protection of owners' rights. In Iran, although the law emphasizes initial agreement between the executive body and the owner, the necessary institutional mechanisms for facilitating such agreement do not exist, and in cases of dispute, owners face a lengthy and costly judicial path. Iran's expert system also has lower standards compared with France, and supervision over the quality and independence of experts has always been

challenging. One of the most important differences between the two systems lies in the principle of "prior payment of compensation." In French law, Article L.322-1 of the Expropriation Code expressly provides that transfer of ownership is possible only after payment or deposit of compensation, and this principle is carefully observed in judicial practice. In Iran, although the law emphasizes simultaneous or prior payment of compensation and Article 3 of the Law on the Method of Purchase and Acquisition provides a three-month deadline for payment, the absence of effective enforcement guarantees has made prolonged delays in compensation payment common in practice. Under inflationary conditions, these delays sharply reduce the real value of compensation and effectively impose part of the loss on the owner.

Table 1

Comparative Analysis

Criterion of Comparison	Iranian Law	French Law
Constitutional basis	Articles 46 and 47 of the Constitution; Article 31 of the Civil Code	Article 17 of the Declaration of the Rights of Man of 1789; confirmation by the Constitutional Council
Main governing law	Law on the Method of Purchase and Acquisition of Lands, enacted in 1979	Code de l'expropriation, amended in 2018
Principle governing compensation	"Current price" and "fair price," ambiguous and lacking operational definition	"Full compensation" and "full replacement," explicit and operational
Valuation methods	Mainly the comparative method; lacking a multi-method framework	Comparative, income, and replacement-cost methods; combinable
Coverage of ancillary losses	Limited; mainly the market value of the property	Comprehensive; includes direct, material, and certain losses
Principle of prior payment	Provided by law; often not observed in practice	Absolute principle; expropriation before payment or deposit is prohibited
Enforcement guarantee for delay	Weak; lacking an effective mechanism to compensate for currency depreciation	Strong; legal interest and compensation for depreciation are provided
Institutional structure	Price-determination commission + Administrative Court of Justice	Conciliation commission + specialized expropriation court
Rate of dispute resolution at the settlement stage	Low; no precise statistics available	40% to 50% of cases at the conciliation commission stage
Expert system	Official judicial experts; inadequate supervision	Certified specialized experts; strict supervision
Role of judicial practice	Limited; judgments mainly annul administrative decisions	Extensive; develops precise valuation criteria
Judicial review of public interest	Limited; the Administrative Court of Justice has a supervisory role	Strong; courts exercise strict control
International protection	No specific international commitments in this field	Subject to the European Convention on Human Rights and ECHR supervision
Base time for price calculation	"Current price at the time of payment" according to the 2014 Supreme Court judgment; still disputed	Date determined by the court, with inflation-adjustment mechanisms

In the final analysis, it may be stated that the Iranian legal system, in the field of determining and paying compensation in land acquisition, despite progress achieved in the judicial practice of the Administrative Court of Justice and the Supreme Court, still faces serious

structural challenges. These challenges may be summarized under four main headings: first, ambiguity in the criteria for determining compensation and the absence of an operational definition of "fair price"; second, weakness in covering ancillary and

consequential losses resulting from acquisition; third, the absence of effective enforcement guarantees for the principle of prior payment of compensation; and fourth, the inefficiency of the institutional system in facilitating agreement and rapid dispute resolution.

Inspired by the experience of French law, the following reforms are proposed to improve the Iranian legal system: first, reforming the Law on the Method of Purchase and Acquisition of 1979 by expressly defining “fair price” on the basis of the principle of “full compensation” and explicitly covering provable ancillary losses; second, establishing a legal mechanism to compensate for currency depreciation in cases of delay in compensation payment by linking compensation to the housing price index or the inflation rate; third, establishing specialized conciliation commissions with the participation of independent experts and trained mediators to facilitate agreement before entering the judicial stage; fourth, upgrading the expert system through the formulation of professional standards, holding specialized examinations, and continuously supervising the quality of valuations; and fifth, strengthening the role of the Administrative Court of Justice in developing coherent and unified judicial practice concerning compensation-assessment criteria, in such a way that judgments not only annul administrative decisions but also provide precise and predictable criteria for calculating fair compensation. The realization of these reforms would not only contribute to better protection of owners’ rights and strengthening public trust in governmental institutions but also assist the development of national infrastructure by reducing disputes and accelerating the implementation of public projects.

Authors’ Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

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