

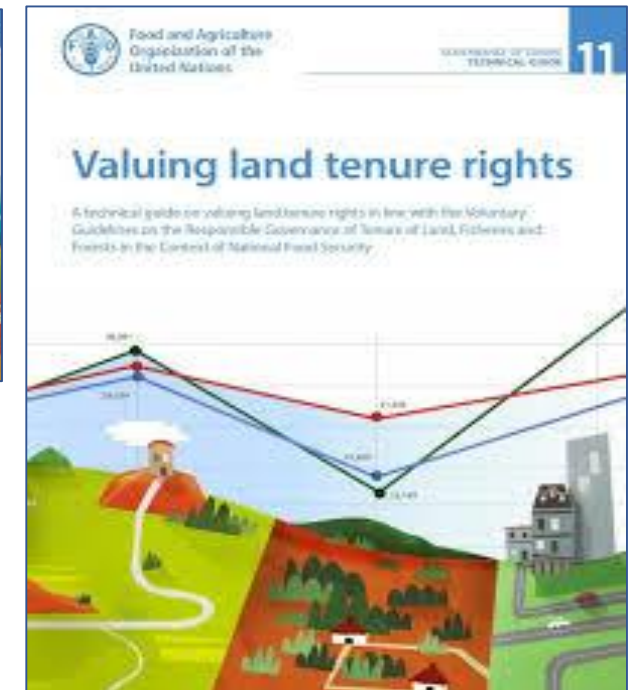
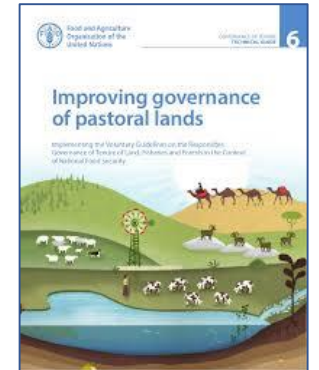
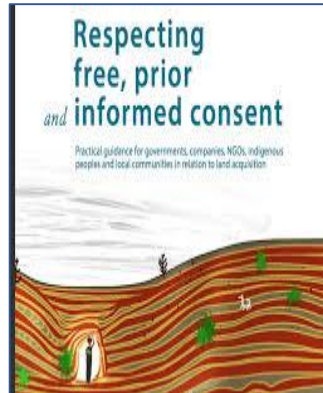
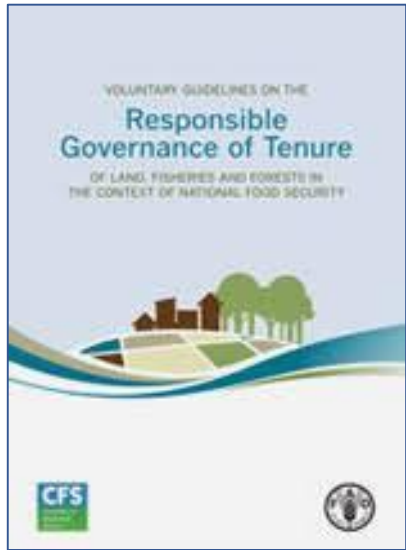


# Valuing land tenure rights

**Voluntary Guidelines on the Responsible  
Governance of Tenure of Land Fisheries and  
Forests in the Context of National Food Security**

**Valuing Land Tenure Rights**

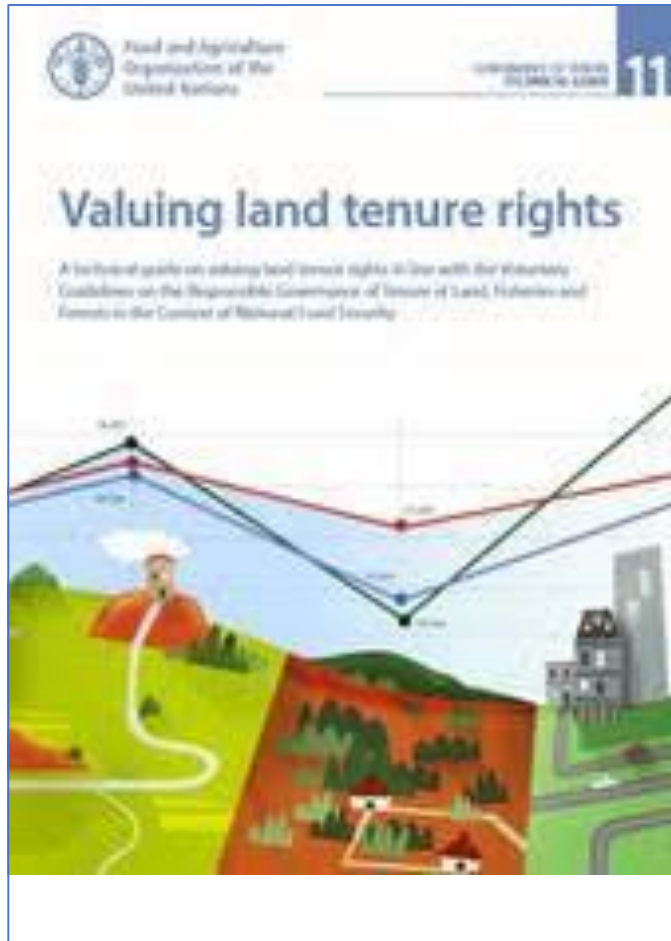
# VGGT Technical Guides



# VGGT provisions on Valuation of Land Tenure Rights

- Develop and use appropriate systems for the **fair and timely** valuation of legitimate tenure rights for specific purposes, such as operation of markets, security for loans, transactions in tenure rights as a result of investments, expropriation and taxation
- Policies, laws and organizational frameworks related to valuation should strive to ensure that valuation systems **take into account non-market values** where applicable
- Develop policies and laws that encourage and **require transparency** in valuing tenure rights. Sale prices and other relevant **information should be recorded, analysed and made accessible** to provide a basis for accurate and reliable assessments of values.
- Develop and publicize **national standards for valuation, consistent with international valuation standards**, for governmental, commercial and other purposes.
- Implementing agencies should make their **valuation information and analyses available to the public** in accordance with national standards.
- States should endeavour to **prevent corruption in valuation through transparency of information and methodologies**, in public resource administration and compensation, and in company accounts and lending.

# Purpose of this Technical Guide



- Covers the issues associated with the identification and valuation of land tenure rights for different purposes,
- Provides guidance on how to ensure that valuations are undertaken in a fair, transparent and reliable manner
- Explains why valuations are important, where and when they should be used, and by whom
- Seeks to raise the level of awareness of valuation issues and procedures among those involved in land policy and administration and those affected by land tenure decisions.

# Why is Valuation of Tenure Rights important?

Recognition of legitimate tenure rights

Activities that trigger the need for a valuation

Taxation of land and property

Transfer of some or all of the rights

Expropriation or compulsory acquisition

Insuring them against fire, flood or other natural disasters

Using them as collateral for a loan

Spatial planning

# What gives tenure rights value?

## 1. Types of Tenure Rights

- The right to use; reside, withdraw (e.g. to farm natural products), extract (e.g. mine natural resources), use for commerce and manufacture
- The right to transfer; alienate (perhaps via a lease), bequeath, donate, sell, assign, mortgage
- The right to control; access, manage, change use, improve or develop (physically alter, subdivide or assemble into larger units), include or exclude others

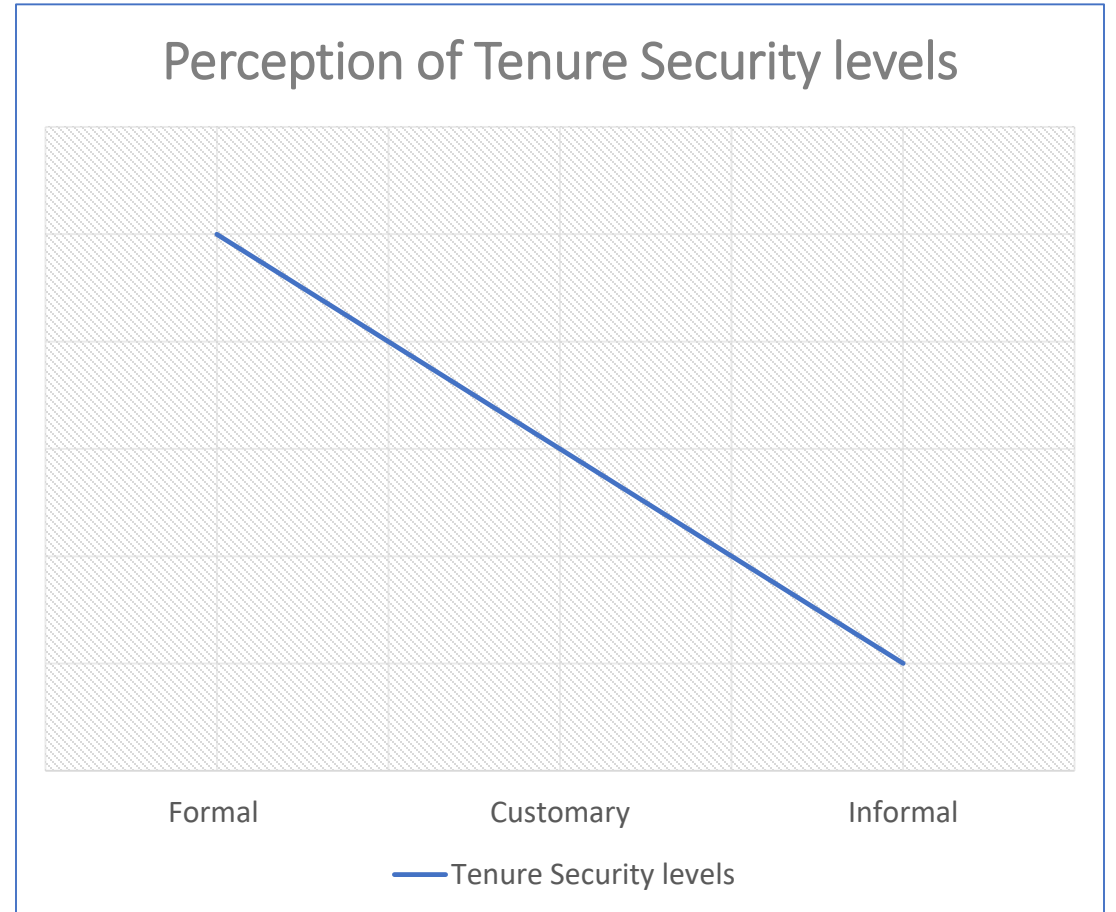
## 2. Holding and duration of tenure rights

- Superior interests provide absolute possession and control in perpetuity, subject to any subordinate interests and statutory constraints
- Subordinate interests provide exclusive possession and control for a defined period (eg. a lease )
- Rights to use but without exclusive possession or control (eg. a right of way)

# What gives tenure rights value? Cont'

## 3. Security of Tenure Rights

Spectrum of security ranges from legally registered titles of demarcated land parcels, to customary tenure and informal occupation. The degree to which tenure rights are formalized has a significant impact on value because occupiers, investors and lenders regard registered title as less risky.



# What gives tenure rights value? Cont'

## 4. Physical Characteristics of Land and Improvements

- When valuing all tenure rights, **valuers should consider the location, improvements and potential alternative uses**, and ascertain whether the current land use is legally permitted, as this will affect value.
- **Customary and informal tenure rights** present unique valuation challenges. Valuers need to understand customary and informal markets and, in particular, appreciate the distinction between the market value and non-market value of such tenure rights.



# Why value tenure rights?

## Transactions in legitimate tenure rights

- **Determination of market value**
  - ✓ Prices of tenure rights are difficult to detect;
  - ✓ Specific details of each transaction can be difficult to determine. This is particularly so in the case of customary rights and informally occupied land.
  - ✓ Valuations of tenure rights is therefore important to facilitate the estimate of capital or rental value of tenure.
- **Large-scale land acquisitions** – may impact on legitimate tenure rights of rural poor (indigenous and vulnerable groups).
  - ✓ Effective and inclusive consultation of all stakeholders is important to ensure that market and non-market values of tenure rights are taken into consideration.
  - ✓ Objective, fair and transparent valuation is necessary to determine compensation that is just for those affected by tenure disposessions and the investors

### Responsible governance of tenure: a technical guide for investors (FAO, 2015)

The valuation of land and property is important when tenure rights are being acquired for agricultural investments. Valuation informs the negotiation process between parties, and appropriate systems should be developed to provide valuations that are fair and timely. These systems should be underpinned by national standards for valuation that are consistent with relevant international standards

# Why value tenure rights? Cont'

- **Monitoring of the market for tenure rights**

- ✓ Valuations is to help improve market efficiency;
- ✓ Valuations can also be used to monitor market activity;
- ✓ Valuations reduce market volatility, aid market forecasting and policy decisions by providing market information (trading activity, prices and valuations);

## Regulated Spatial Planning

- ✓ Regulated spatial planning affects tenure rights by legally constraining their use and this has a significant impact of value of tenure rights.
- ✓ The value of tenure rights is one means of allocating land to its optimum economic use.

# Why value tenure rights? Cont'

## **Expropriation of tenure rights**

- Valuation to determine fair compensation aims to place the affected party in a position after expropriation that is no better or worse than before.
- Valuation of tenure rights to be taken or extinguished
- Valuation of retained tenure rights in cases of partial takings
- Valuation for disturbance – relocation, compensation for abortive works, loss of goodwill, other losses or damages suffered as a result of the expropriation.
- Valuation of customary - identify tenure rights holders, consult the tenure rights holders, consider other alternatives to expropriation, consider alternatives forms of compensation
- Valuation of informal rights - Challenges (identification of affected rights holders, determination of land and property sizes, determine recipients of compensation)

# Why value tenure rights cont'

## Taxation of land and property

- Power to raise revenue through taxation related to tenure rights so as to contribute to the achievement broader social, economic and environmental objectives.
- Develop policies, laws and organizational frameworks for regulating all aspects pertaining to taxation of tenure rights.
- Administration of taxes should be efficiently and transparently:
  - Competent staff
  - Taxes based on accurate values
  - Assessments of Valuation and taxable amounts should be publicized
  - Taxpayers to be provided a right to appeal against valuations
  - Prevent corruption in taxation administration through increased transparency

# Why value tenure rights cont'

## Taxation of Land and Property cont'

- Avoid **conflict of interest** between assessing the values and setting the rate of tax
- Improve **staff competencies** in using methods and techniques recommended by international standards of valuation
- Develop **affordable** CAMA systems for **standardization** of valuation approaches and minimizing opportunities for **corruption**.
- Dissemination of clear and accurate information on the taxes, and how the revenues will be used, in order to win public support and prevent abuse.
- Provide an appeals process for dealing with disputes over valuations of property.
- Develop efficient and effective tax **collection** and **enforcement** procedures

# Why value tenure rights cont'

## Accounting, lending and Insurance

- Regular valuations of state, community and privately owned tenure rights provide vital monitoring information for owners, occupiers and citizens.
- Asset valuations - used to report the value of land and property held by institutional investors such as pension funds, unit trusts and life funds, usually on an annual basis in line with IFRS and IVS.
- Asset valuations of SOE for privatization.
- Valuation of tenure rights to secure loans from financial institutions unlocks the potential of land to improve livelihoods. Valuation determines whether the tenure rights provide adequate security to secure the loan.

# Why value tenure rights cont'

## Accounting, lending and Insurance

- Mortgage valuations form a bulk of valuation requirements esp. where markets are well established. High standards and ethics of the valuation profession are required to avoid predatory lending.
- Informal tenure rights often pose a challenge and financial institutions are normally reluctant to lend in informal settings.
- Most land and property is insured against damage and destruction and valuers are required to estimate their replacement cost for insurance purposes

# What does a valuation involve?

## Valuation Process involves:

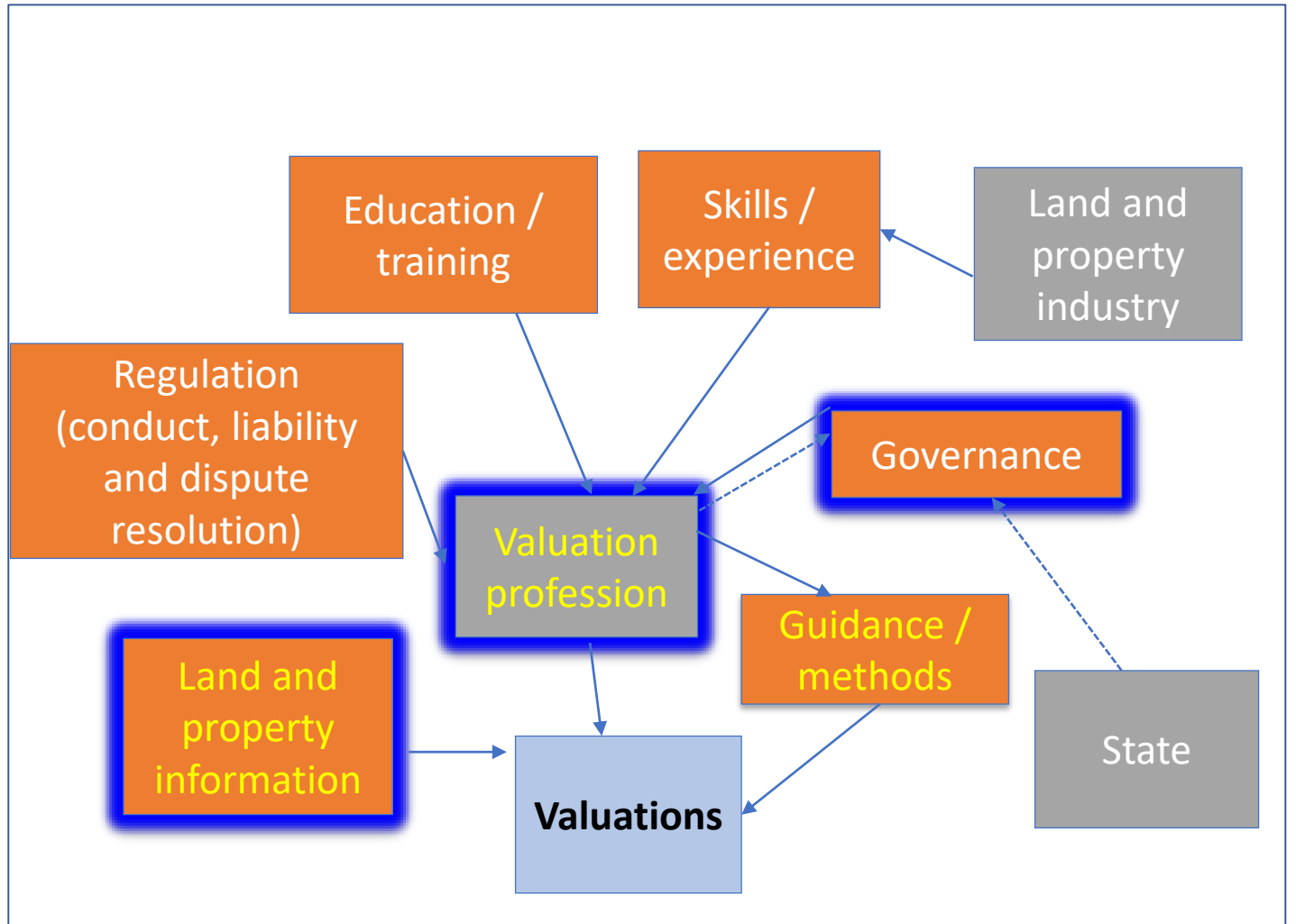
- Confirming the valuation instructions/assignment/task
- Agreeing on the terms of engagement and ascertaining the standards guiding the valuation of tenure rights (IVS/national standards, statutory)
- Inspecting the property
- Gathering and analysing data and other market evidence
- Performing the valuation (determining the basis of valuation including non-market value, valuation assumptions, methods of valuation)
- Producing the Valuation Report -IVS

HOW MUCH  
IS YOUR  
PROPERTY  
WORTH



# Components of an Effective Valuation System

- Land and Property information to support valuation
- Well trained and equipped valuation professionals
- Robust Governance Structures



# Effective Valuation System

- **In order to value tenure rights we need:**
  - Access to information on the nature and extent of tenure rights and real estate assets to be valued;
  - Sufficiently qualified and adequately resourced valuation profession; and
  - Robust governance of that profession.
- **A valuation system needs a** functioning land and property industry and financial and political support from the State
- **Should manage** a complex system of formal and informal rights
- **Governance encompasses policy, legal and regulatory structure;** regulation of valuers, regulation of valuations and education of valuers

Thank you for your attention