

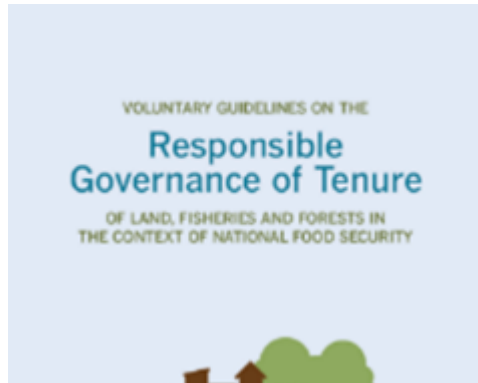


Minimizing Risk in the Valuation of Unregistered Land for Infrastructure Projects

Satoshi Ishihara
World Bank

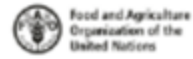
Ben Elder
Royal Institution of Chartered
Surveyors

Valuation of unregistered land - manual



Report February 2013
RICS RESEARCH

Valuation of Unregistered Lands



Food and Agriculture Organization of the United Nations

Due diligence, tenure and agricultural investment

A guide on the dual of private sector law on the acquisition of



Research



REPORT 2013
Valuing Unregistered Land



rics.org/research

rics.org/research



ILMS

International Land Measurement Standard: Due Diligence for Land and Real Property Surveying

International Land Measurement Standard Condition

COMPARISON OF STANDARDS
TECHNICAL WORK 11



Food and Agriculture Organization of the United Nations

Valuing

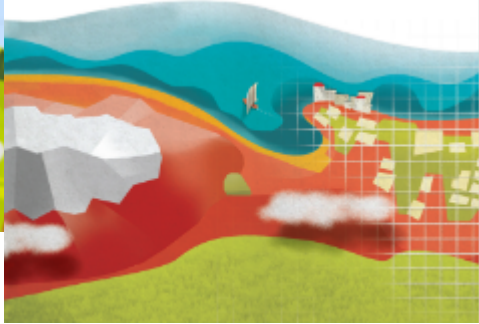
A technical guide on a
Guidelines on the Best
Practices in the Context



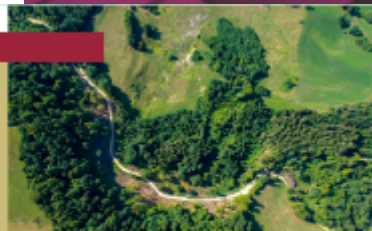
Food and Agriculture Organization of the United Nations

GOVERNANCE OF TENURE
TECHNICAL WORK 9

Creating a system to record tenure rights and first registration



International Valuation Standards (IVS)



INSIGHT

Real estate registration and cadastre

Global
October 2021

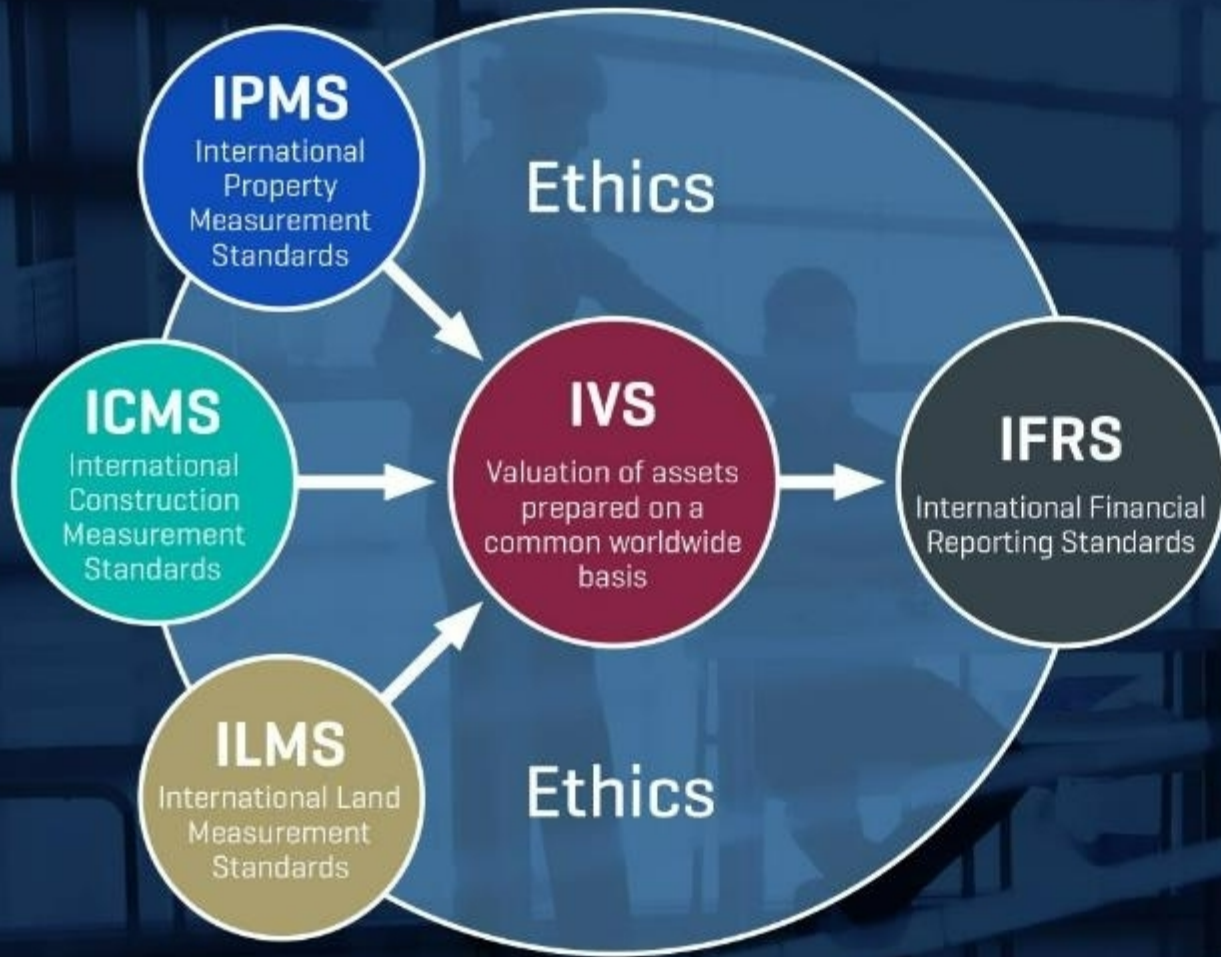


VALUATION OF UNREGISTERED LAND A PRACTICE MANUAL

A world in which everyone enjoys secure tenure rights



International standards – working together to manage risk



Real property interests might be formal or informal, registered or unregistered

IVS 400 para 20.1:

“Property interests are normally defined by state or the law of individual jurisdictions and are often regulated by national or local legislation. In some instances, legitimate individual, communal/community and/or collective rights over land and buildings are held in an informal, traditional, undocumented and unregistered manner. Before undertaking a valuation of a real property interest, a valuer must understand the relevant legal framework that affects the interest being valued.”

Connection with IVS's critical

Applying IVS's: -

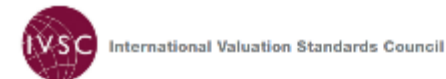
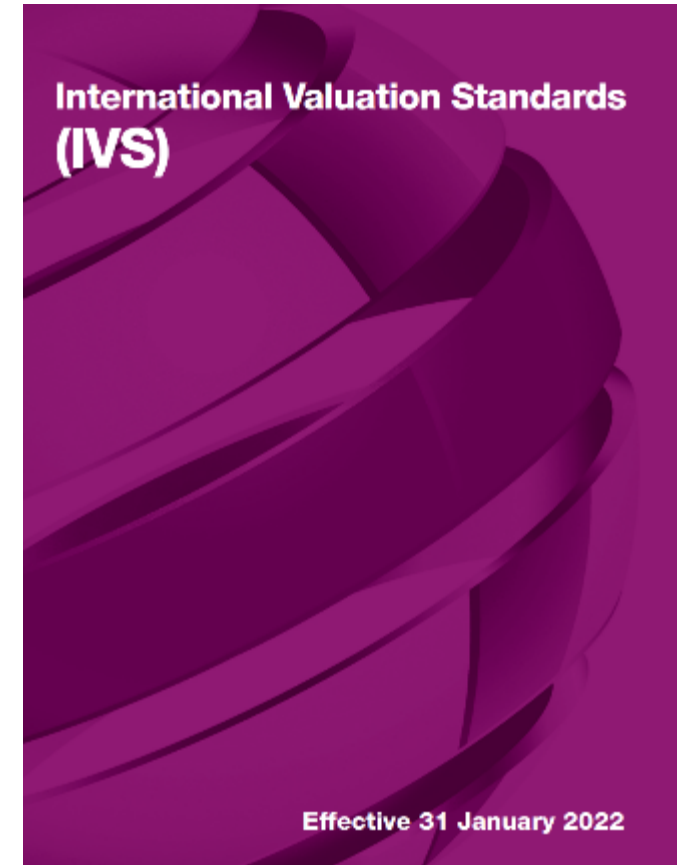
- } Legitimacy within legal & regulatory frameworks
- } Consistency in approach by adopting the framework

Changes to IVS's Jan 2022:

- } Change perceived focus from Urban to all be inclusive
- } Recognition that value may be held in informal tenure

Valuers are not policy makers

Valuers have the tools to value – but need to understand what they are valuing.

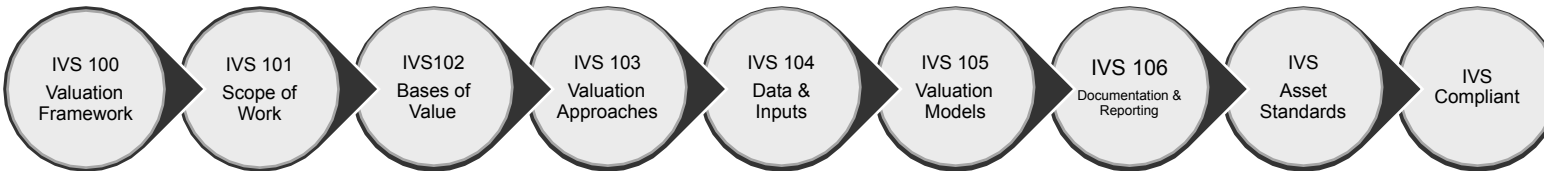




IVSC

IVS Valuation Process

- Applies to all asset classes.
- Describes key processes to which we believe we need to have standards.
- Clarifies the connection between the IVS General Standards and Asset Standards.
- Provides flexibility for inclusion of additional Asset Standards.



INTERNATIONAL VALUATION STANDARDS

EXPOSURE DRAFT FOR CONSULTATION



IVSC

INTERNATIONAL VALUATION STANDARDS COUNCIL

Manual for the Valuation of Unregistered Land

- **IVS's – Economic concept:**

Economic trigger point the indicative number where a transaction would take place subject to the hypothetical conditions – all approaches trying to identify the trigger point.

- Market approach
- Income approach
- Cost approach

- **Concepts:**

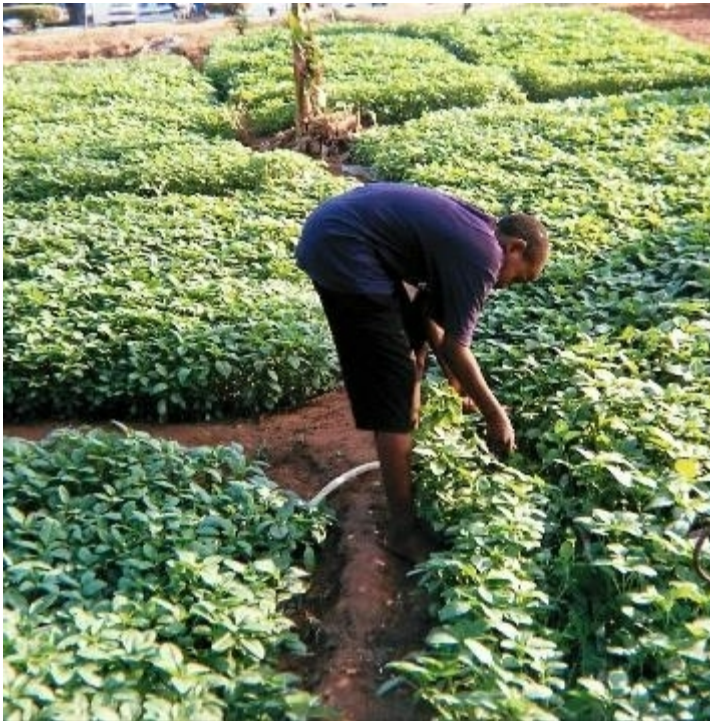
- Reasonably efficient operator
- Modern equivalence
- Equivalent benefit

- **Environmental and Social Standard 5 (WB):**

- Compensation for land and non-land asset losses at “replacement value”
- Encourages negotiated settlement
- Additional mitigation measures to support restoration of affected people’s livelihoods and living standards

Manual for the Valuation of Unregistered Land

“Market Value is the estimated amount for which an asset or liability should **exchange on the valuation date between **a willing buyer and a willing seller** in an **arm’s length transaction**, after **proper marketing** and where the parties had each acted **knowledgeably, prudently and without compulsion**”**

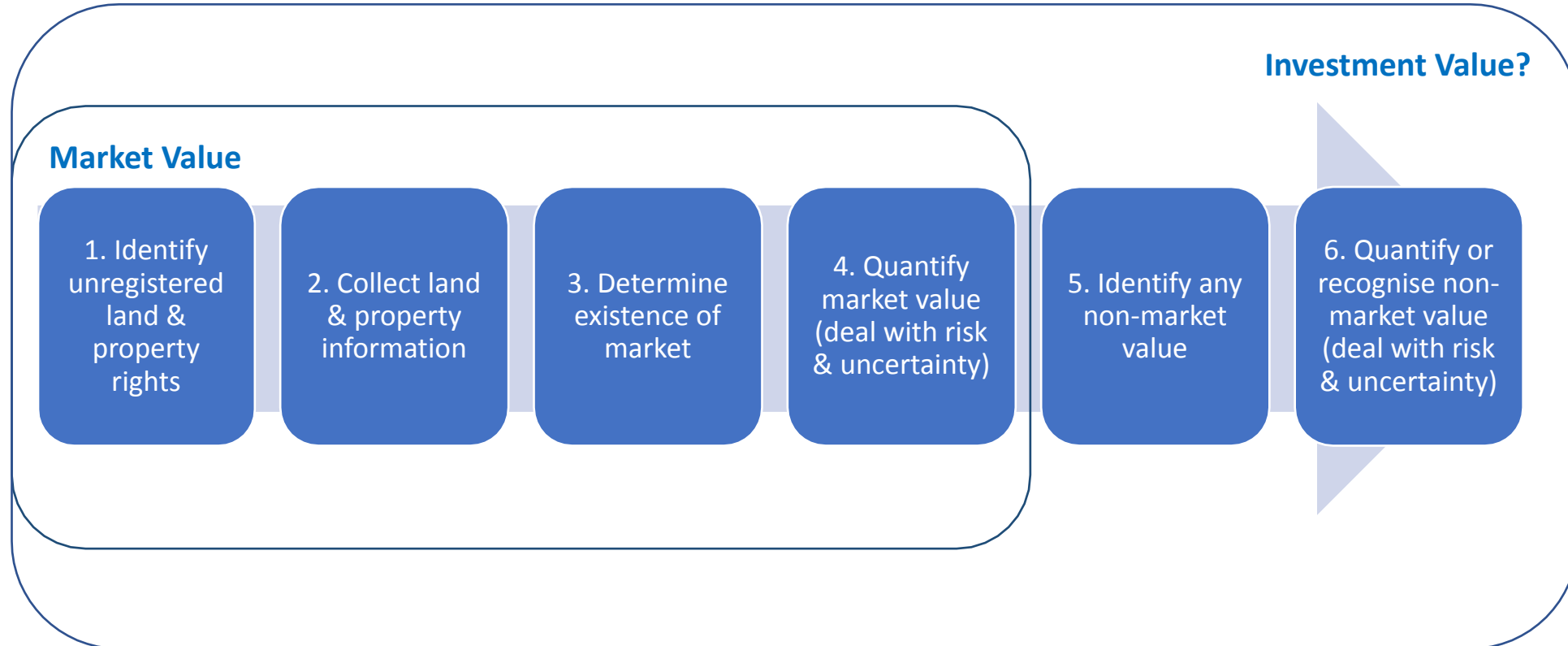


- A community obtains benefits from legitimate individual and communal rights over their land, including the right to fish, raise livestock, grow and harvest crops, collect wild foods, fuel wood, timber and thatching grass.
- These rights allow collection of products needed for subsistence and livelihood, and often generate additional income by selling surplus to the market.
- Rights that generate sales can be valued using the *comparison approach* and rights that generate income can be valued using the *income approach*.
- It may also be possible to estimate the market value of some products that are consumed ‘internally’ within the community.
- The value of some benefits, though, cannot be estimated using market value approaches. For example, some produce, herbs for example, may be medicinal and not traded in a market, so there is no price evidence.

Investment Value

- Valuers are familiar with the concept of **Investment Value**:
 - “Investment value is the value of an asset to a particular owner or prospective owner for individual investment or operational objectives.”
 - “Investment value is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not involve a presumed exchange. Investment value reflects the circumstances and financial objectives of the entity for which the valuation is being produced. It is often used for measuring investment performance.”
- (IVS 104 para 60.1 and 60.2)**

Manual for the Valuation of Unregistered Land



Valuation: Standards, Skills, Capacity, Information and IT...

So what would the valuer say in this case?

“A geothermal project need to acquire lands in remote areas inside degraded forests. Local residents have traditionally used the land for small-scale farming for generations. They have ownership rights and are eligible for compensation for loss of land and non-land assets, however, their “market values” are low due to their locational disadvantages, much lower than would allow the affected people to buy lands of similar size and quality elsewhere.”

How about this case?

“A hydropower project will displace an indigenous community. Cash compensation will be paid for the loss of land and assets but not for medicinal herbs, fish, and other sources of livelihood outside the direct project footprint, even though the affected IP community can no longer access them for regular consumption after displacement. As community members relocate individually with cash compensation, their community cohesion will likely be lost, negatively affecting their “social capital,” which provides an important safety net and communal identity.”

And this case?

“A new airport will be built in a bustling semi-urban area where more than 500 informal traders do their businesses. They will receive cash compensation for the loss of assets, however, they will lose easy access to existing customers after displacement, while building a new customer network will take quite some time. A “livelihood restoration program” focusing on training and one-time cash injection failed to restore livelihoods of similar traders elsewhere in the country due to generally low skill levels and high competition.”

Thank You

Download the manual:

Valuation of Unregistered Land –
A Practice Manual –
Global Land Tool Network (gltn.net)

