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Land Valuation in Pakistan

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LAND ACQUISITION ACT OF 1894 GOVERNS ACQUISITION & COMPENSATION

- Provides three modes of acquisition:
 - Normal course (1-2 years);
 - Private negotiations (6 months);
 - Urgency or emergency acquisition (quickest).

ACT PROVIDES MARKET RATE BASED ON REGISTERED LAND TRANSECTIONS/VALUES.

- However section 23 of Act provides a comprehensive list of factors/items for determination of real market value but is not implemented (annex A);
- Default choice/methodology used for market rate is
 - *Registered land transections; and*
 - *valuation table.*

DEFAULT METHODOLOGY LEADS TO AVERAGE MARKET RATE WHICH REMAINS BELOW THE ACTUAL MARKET RATE;

- This often leads to complaints/litigation that results in implementation delays, cost over runs and loss of trust on the Act.
- On the contrary, ADB's SPS 2009 requires full replacement cost as standard of compensation and solicits qualified and experienced valuation experts to undertake valuation.

INNOVATIVE APPROACH TO LAND VALUATION

As a result of a complaint to ADB and Pak-BOR against violation of ADB's IR Policy, government agreed to an independent land valuation study by certified/independent valuation experts who used a robust valuation methodology combining the following;

- Valuation standards of RICS (UK) and IVSC;
- Replacement cost approach in light of SPS's definition of "full replacement cost";
- Valuation provisions of section 23 of LAA 1894;
- Market analysis involving consultations with DPs and common villagers, government revenue officials, real estate and property dealers etc. besides analyzing registered and unregistered land transactions, etc.

Results of Valuation:

- The valuation experts determined the full replacement cost identifying a price differential in government fixed land prices;
- After some hard persuasion and consultations with central government and provincial revenue authorities (i.e, Board of Revenue), EA agreed to pay the differential to DPs as additional compensation allowance;
- This helped in resolving the complaints and making timely payments to DPs before start up of construction (ref. SPS's principle 11: pay before construction).

RECOMMENDATIONS/WAY FORWARD

- **Persistent persuasion and sustained engagement with stakeholders; EA, relevant government agencies, ADB, BOR and Valuation Team, etc;**
- **Guidelines/instructions for use of section 23 in its later and spirit;**
- **Undertake independent valuation study as part of LAA during the process of acquisition.**
- **Amendments to bring the Act and Rules inline with best international practice;**

ANNEX A – SECTION 23: FACTORS OF COMPENSATION.

- **MARKET VALUE OF LAND;**
- **DAMAGES to standing crops and trees;**
- **DAMAGES for SEVERANCE OF LAND;**
- **DAMAGES injuriously affecting OTHER PROPERTY and EARNINGS;**
- **Reasonable expenses incidental to CHANGE OF RESIDENCE OR BUSINESS;**
- **DAMAGE in case of DIMINUTION OF THE PROFIT of land between DECLARATION AND POSSESSION OF LAND.**

Thank You!

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