



THE INSTITUTION OF SURVEYORS OF UGANDA (ISU)

**27TH ISU ANNUAL GENERAL MEETING (AGM) AT
IMPERIAL GOLF VIEW HOTEL, ENTEBBE**

29 APRIL 2017

REPORT BY:

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27TH ISU ANNUAL GENERAL MEETING, 29TH APRIL 2017, VALUATION CHAPTER REPORT

ITEM/ KEY ISSUE	RESULTS/ ACTIONS/ TIMELINES
1. INTRODUCTION	1.1 The Report summarizes the activities and events carried out by the VC for the period 16th April 2016 to 29th April 2017. 1.2 Experience challenges and recommendations within the profession are also shared.
2. CHAPTER ACTIVITIES	2.1 CREATION OF AN ISU VALUATION COMPARABLE DATABASE <i>Introduction</i> <ul style="list-style-type: none">○ It is a Chapter Project 2016/17 that generates information to ISU members.○ Its objective is to reduce much of the divergences in opinion valuers give for similar properties.○ The project was conceived as a mean promote meaningful research within the profession. <i>Stakeholders Involved</i> <p>The project involved a wide range of stake holders.</p> <ul style="list-style-type: none">○ ISU Graduate students who coordinated most of the activities in data collect○ Private valuation firms (23) which gave relevant market data○ Government department (CGV office), aided collection of compensation prices○ IT students who designed and in control of the website○ Estate agents who gave data <i>Data</i> <ul style="list-style-type: none">○ Data on land values (800 properties) was collected in Kampala Mukono and Wakiso.○ Data on values of motor vehicles of different make and capacity (about 60).○ Data on latest statutory values from District Compensation Rates (20 Districts). <i>Website</i> <ul style="list-style-type: none">○ A website was created where the data can be viewed (<i>isucomparable.org</i>).○ Access on request is limited to ISU members. 2.2 ISU PREPARATION OF GUIDELINES FOR COMPENSATION ASSESSMENT UNDER COMPULSORY ACQUISITION OF LAND (MAVA REPORT) <p>The research was conducted together with other stakeholders namely the Joint-Venture Partners, Ministry of Lands Housing and Urban Development, Ministry of Agriculture Animal Industry and Fisheries, National Forestry Authorities, and the Ministry of Energy and Mineral Development.</p> <p>The study coded “Market and Asset Valuation Assessment” (MAVA) had the objective of meeting the Constitutional requirement for “fair and adequate compensation”, as well as the World Bank/International Finance Corporation (IFC) standards of paying compensation based on “full replacement cost”</p> <p>The guidelines also anticipate to improve the validity and reliability of the approved District Compensation Rates.</p> <p>Notably, some of the recommendations are: -</p> <i>Legal Framework and International Standards</i> <ul style="list-style-type: none">○ Prompt payment of fair and adequate compensation, <u>prior to taking away</u> of the property as stipulated in the Constitution of the Republic of Uganda (1995), Article 26.

27TH ISU ANNUAL GENERAL MEETING, 29TH APRIL 2017, VALUATION CHAPTER REPORT

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- There being no local legislation barring the “Assessment Officer” from carrying out professional judgment, one may open to more transparent methods of arriving at assessments.
- Involvement of district technical officers in compiling and maintaining District Compensation Rates.
- Whereas The Land Act S.77 empowers Land Tribunals to make special awards such as “disturbance allowance” while resolving disputes emanating from compensation, the Assessor is on the other hand not instructive to, into account in deriving at a fair value.
- Adopting definition of equitable value as opposed to fair value, in circumstances of involuntary resettlement. (IVS effective 1st Jan, 2017). Equitable value being broader concept than market value, it accounts for the full compensation for losses as a right and an entitlement. It is a combination of the market value approach plus other incidental costs.

Valuation of Land

Where land was actively rented to a third party, the compensation package should cater for the loss of income for a given period of time to ensure livelihood restoration during transition phase.

Where there is multiple interests and rights to use land, each category of legal interest be valued separately.

- For Freehold, customary or Private Mailo, valuation should take into account perpetual consideration.
- For the leaseholds, the assessment should be guided by the lease terms. The less the un-expired years in lease, the less the value, and vice versa.
- Reversionary interests over leasehold land

Buildings

- Valuation of structures on land be valued on the basis of “full replacement cost” equivalent to market value (without depreciation), plus any disturbance payment.
- Semi- permanent structures should be valued based on full replacement cost.
- Where there is inadequate market information, the “full replacement cost” could be derived from the contractor’s method by way of Bill of Quantities (BoQ).
- Incomplete building assessment be based on percentage of completion, as judged by the Assessor.

Crops and trees

- Valuation of crops and trees be valued according to the gross market of the lost crops. Its computation should be based on “average annual yield” of crop.
- Local governments should be collecting data on average yield for each type of crop, and classify data for each locality.
- Uganda Bureau of Standards (UBS) should harmonize such data across the Districts.

27TH ISU ANNUAL GENERAL MEETING, 29TH APRIL 2017, VALUATION CHAPTER REPORT

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- Value or cost of infrastructure network supporting growth of crops be considered in assessment (eg poles and nets in a passion fruit orchard)
- Cost of labour for preparation of land be incorporated in the assessment.
- Herbal and medical trees assessment process should consult herbalists and pharmacists. Pharmacists purchase unprocessed medicine (leaves, roots, bark etc) from small farmers.

Graves and Cultural Heritage

- Grave relocation should be valued at “full replacement cost” in addition to cost of fulfilling any cultural or ritual requirement depending on location and cultural norms.
- The relocation of graves associated with religious worship be consulted with ritual practitioners (priests and spirit mediums) who are familiar with local relocation requirements a costs.

Valuation of Business and Loss of Income

Loss of income in business be taken into consideration where necessary, while assessing compensation: -

- Closure of business and temporary restriction where daily/monthly income is lost
- Loss of rental income where there was evidence of continuous tenancy agreement
- Loss of good-will in business by either the landlord or tenant
- Where vacation is immediate (less than 3 months’ notice period), loss of rent be considered

Severance, Injurious Affection and Salvage of building materials

Disturbance Allowance

These are unforeseen expenses to include among others: -

- Moving expenses/Transitional Allowances based on Notice to Vacate
- Land preparation cost
- Mortgage transfer cost
- Transaction cost
- Legal fees, etc

Conclusion

All the above should be considered where applicable and necessary. This is a requirement according to the World Bank and International Finance Corporation, and International Valuation Standards

3. STAKEHOLDERS ENGAGEMENT (Uganda Bankers Association)

On ISU request, UBA arranged for a meeting on 27th September 2016, with ISU Council members and some senior valuation practitioners

On the UBAs side, their concerns were: -

- Misleading practice among values in returning high property values that are hardly achieved during foreclosure
- Wrong identification of properties instructed to valued

27TH ISU ANNUAL GENERAL MEETING, 29TH APRIL 2017, VALUATION CHAPTER REPORT

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- Production of either fake or doctored valuation reports that have cause loss to Banks
- Poor quality of professional valuers giving poor service

On the ISUs side, concerns were: -

- Interferences by banks in the ISU standard professional fees structure. Banks arm-twist valuers to accept lower fees structure, yet ours (0.25%) is comparatively lower than 1% lawyers charge.
- High cost of Insurance Professional Indemnity (IPI) asked by banks.
- Demands by Banks to invoke Valuer's PI, as the first resort
- Soliciting of bribe among bank officials (loan staff) before one gets a valuation job
- Existence of fraudsters in the mortgage industry who work with bank officials for financial gain
- Failure by banks to police (or protect) land they mortgage. And when land is encroached after mortgage by squatters, valuers are asked to take responsibility
- During foreclosure, banks under sale properties below market values returned by valuers, and without involving specific valuers. Later valuers are asked to take responsibility for the "loss" created by the difference.
- Computation of mortgage losses to include interest accrued during the time a borrower had defaulted.

UBA asked for time to consult its house. ISU expects further interactions for harmonious working relationship.

4. ISU MEMBERSHIP AND TRAINING WORKSHOPS

Conducted two workshops (at Katikati and Silver Spring hotels) targeting members in practice both in Government and in the Private sector. They included surveyors working in KCCA, UNRA, MOLHUD, SGR.

Workshop focused on the following areas: -

- Ethical standards in the professional
- Encouraging membership growth to include those practicing without being ISU members
- Guiding ISU members when preparing Professional Critical Analysis Reports

5. INTERACTION WITH UNIVERSITIES (Teaching Surveying)

ISU Council has had invitation from MU, KYU and ISLM(Ent) to give public lectures and professional talks.

Generally, talks revolved on

- Soliciting of bribe among bank officials (loan staff) before one gets a valuation job
- Ethical standards in the profession
- ISU Membership growth in universities
- Opportunities of work in the country and EAC region after graduation

This has bridged a wide gap that seem to have existed between students and practitioners

RECOMMENDATIONS**(ISU Valuation Comparable Database)**

- ISU to invest in research and involve a wide range of its members.
- Recommendations are in areas of values (of complete set of property); cost (building materials) and prices (of crops and valuable trees)
- Sustain existing project or improve for future current and use
- UN Habitat is approached would fund such projects

(Guidelines for Compensation Assessment Under Compulsory Acquisition of Land)

- GOU should embrace such Guidelines without which land acquisition projects will be slowed or bogged
- ISU should adopt such Guidelines for better practice regionally and globally
- Government (MOLUD, KCCA, MOLG, MOW) should in future fund such extensive researches, and don't wait for foreigners or massive projects that demand for modern valuation practice

(Engagement with Stakeholders; eg UBA)

- ISU should call for further interaction with UBA to create a harmonious working relationship
- ISU should engage other stakeholders (Insurance Companies, Auctioneers and Bailiff) for smooth practice
- SRB should have better control of its members, but also protect them where necessary

(ISU Interaction with Students learning surveying)

- Students, through their representative and lectures organize programs early enough for better performance
- Choice of topic to lecture be discussed and agreed; and should be relevant
- Senior practitioner should volunteer to give public lectures in universities so as to prepare the flock they are graze.

OTHER RECOMMENDATIONS

Mortgage Practice: Land Surveyors in mortgage practice should take full responsibility for wrong identification of properties to be valued. Service Level Agreements with Banks should specifically state that valuers are responsible for issues related to values, and land surveyors for locating correct property/collateral. Preferably, valuers should get clear instructions from Banks after plot boundaries are opened, and legal title search concluded.

Property Taxation: Re-examine the provision in the Local Governments (Rating) (Amendment) Act, 2006 (sect 5a) wherein owner occupiers of residential properties are exempted from paying annual rates. This is not fair because we all consume the same services, and at the expense of the few. This is a call to local authorities and others authorities, to have this reversed as it would widen their revenue bases.