

## **Global Concerns in Compulsory Purchase and Compensation Processes**



Professor Kauko Viitanen  
Helsinki University of Technology  
Department of Surveying  
P.O. Box 1200  
Finland

Dr Iyenemi Ibimina Kakulu  
Department of Real Estate and Planning,  
University of Reading, U.K. &  
Dept of Estate Management Rivers State  
University of Science and Technology, Nigeria.



### **COMPULSORY PURCHASE/ACQUISITION**

Compulsory purchase or acquisition is the process by which local and national governments obtain land and premises for development purposes when they consider this to be in the best interest of the community.

Owners or occupiers are denied their property rights for overriding public interest, public purpose or public benefit and are usually entitled to full, just, fair, equitable and adequate compensation.



## ASSESSMENT OF COMPENSATION

The assessment of compensation (described in technical parlance as 'Statutory Valuation') is usually influenced by local and national statutes, enactments or laws that provide the basis upon which existing professional standards and methods may be applied.

The basic principles and processes in compulsory purchase and compensation are perceived to be quite similar even though the practice may vary in different nations or regions.

In recent years discussion on the use of compulsory purchase and compensation had been rather limited and it is possible that new legislation, practices and methods of valuation for compensation may have developed and been adopted over the years.



## THE HELSINKI SEMINAR (2007)

In response, FIG Commission 9 in conjunction with the Baltic Valuation Conference; FIG Commissions 7 and 8 Finnish Association for Real Estate Valuation and Helsinki University of Technology with support from FAO, World Bank, UN-Habitat and the Government of Finland particularly the National Land Survey of Finland, organized an international seminar on Compulsory Purchase and Compensation in Helsinki in September 2007.

The main goal of the Helsinki Seminar was:

*To intensify, discussions on, and develop common ideas for shaping the future of compulsory purchase and compensation on a global level.*



## **SEMINAR OBJECTIVES**

---

The seminar had a number of objectives as follows:

- To identify the legal structure, processes and practices of compulsory purchase in different countries.
- To ascertain whether these statutes and practices are able to produce fair and adequate compensation
- To find possible and effective solutions to these problems particularly in developing countries.



## **METHODOLOGY**

---

The authors are believe that the presentations at the Helsinki seminar made significant contributions to the field of compulsory purchase and compensation and that this should be taken a step further.

This paper represents a synthesis of the issues raised and discussed at the Helsinki Seminar and highlights the potential challenges for globalization of standards.

The methodology involved an in-depth review and detailed content analysis of all the presentations made by participants from over 20 countries. About 40 presentations were analyzed which revealed a wide variety of issues of concern to the authors.



## KEY ISSUES ADDRESSED AT THE SEMINAR

---

1. Statutory valuation
2. Valuation processes
3. Valuation Methods
4. Compensation Value
5. Alternatives to compulsory purchase
6. Transparency and Governance



## Statutory Valuation

---

Although there are many shared characteristics and rules about how to determine compensation, there are also major differences among countries in terms of details of the legal conditions for undertaking expropriation.

- Disparity between law and practice.
- Weak legal systems
- Equity, justice and fairness.
- Need for legal reforms and expansion of heads of claim



## Valuation Processes and Standards

- Diverse criteria and need for unifying criteria
- High quality of the compensation valuation procedures is required
- Uniform; clear; and detailed processes
- Process instructions, manuals and standards.
- Need for reforms in statutory valuation processes



## Valuation Basis and Methods

- Uncertainty in market value as a basis for compensation.
- Market value or cost model is insufficient to buy new real estate.
- Market value should only be indicative of the lower limit.
- The use of tax based value which is significantly below market value.
- Compensation which is twice market value
- Contradiction between market value and actual economic losses
- Is market value a fair and objective measure for determining compensation



## Compensation Value

---

- Full compensation
- Inadequate compensation and Adequate compensation
- Under-compensation and Over-compensation
- Just, fair and equitable compensation



## Alternatives to Compulsory Purchase

---

- There is need for alternative tools and approaches which are more democratic and fair.
- Squaring the eminent domain circle when large-scale, for-profit development projects require the assembly of land to achieve fairness and justice.
- Coercive purchase as an alternative to compulsory purchase
- Restitution



## Transparency and Governance

---

- The need for good practice procedures and transparency
- Weak political, economic and legal power of those affected.
- Need for clearer and transparent definitions of public purpose, benefit, interest.
- Lack of transparency
- Corruption
- Bad governance



## CONCLUSION

---

- There are no international standards dealing with assessment of compensations nor associations or conferences dedicated to discuss problems in compulsory purchase and compensation.
- An international code on compensation might be required to harmonize certain critical aspects of the practice in order to achieve globalization of standards.



## **CONCLUSION Contd....**

The key concerns for international standards has to deal with the following issues which are common to the process irrespective of country of origin namely:

- Purpose of Acquisition
- Basis of valuation
- Methods of valuation
- Heads of Claim
- Definition and interpretation of terms used