

# **Rics research valuation of unregistered land – the reality of functioning informal land and property markets in Ghana, Peru & Indonesia**

**FRANKLIN OBENG-ODOOM, MICHAEL MCDERMOTT, JAMES KAVANAGH**  
University of Technology Sydney, Australia; Global Property Advisory, Australia;  
RICS, United Kingdom; [jkavanagh@rics.org](mailto:jkavanagh@rics.org)

*Copyright 2018 by author(s). All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.*

**Key Words:** Unregistered land, valuation, land registration & titling

## **ABSTRACT**

RICS has recently carried out a wide-ranging research project looking at the realities of functioning informal land & property markets in Ghana, Peru and Indonesia. This is the first time that informal land markets have been studied in this way and this research and its findings should help provide a wealth of background information to anyone working or who has an interest in this sector. This research has focused on how and what valuation methodologies are currently used to value informal land in these geographies, the need for alternative valuation methods encompassing such complex issues as social, environmental, reasonableness, and the conclusion that current global valuation methods may be, in some circumstances, inappropriate. The research both builds on previous work in this important sector (RICS Research 2011 – Valuation of unregistered land – Kenya, RICS Research 2016 – An evaluation of valuation practice in sub Saharan Africa – case study Ghana) and helps provide an evidence base for current initiatives such as the International Land Measurement Standard (ILMS), UN Habitat GLTN ‘Valuation of unregistered land guide’, UN FAO ‘Valuing land tenure rights’ and for future initiatives such as the development of ‘environmental/ecosystem valuation’ standards and International Valuation Standards (IVS).

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018

# **Rics research valuation of unregistered land – the reality of functioning informal land and property markets in Ghana, Peru & Indonesia**

**FRANKLIN OBENG-ODOOM, MICHAEL MCDERMOTT, JAMES KAVANAGH**  
University of Technology Sydney, Australia; Global Property Advisory, Australia;  
RICS, United Kingdom; [jkavanagh@rics.org](mailto:jkavanagh@rics.org)

## **1. INTRODUCTION**

This research places RICS at the centre of an important global debate on land use, informal markets, acquisition and fair compensation, sustainable land & property taxation and how ‘value’ (and the basic land data it utilises) is widely adopted as a decision-making tool by governments and investors. Recognising and understanding the inherent ‘value’ of legitimate rights over land is also critical for property owners when dealing with acquisition (compulsory purchase) and taxation issues, value in many cases is also the foundation of tenure security and the start of a formalisation process. These are heavyweight and big global issues and are at the core of several Sustainable Development Goals (SDGs) and the New Urban Agenda. The research also underlines the importance and opportunity of professional capacity development (there are very few land professionals – valuers or surveyors - working in these regions) and why an understanding of the informal land market and land based finance is key to managing rapid urbanisation, delivering infrastructure and services, avoiding costly disputes, providing local government funding and producing the affordable housing that is so desperately needed in the majority of the world.

Ghana, Indonesia, and Peru are useful case studies because much of their land is unregistered. In addition, they have embarked on extensive infrastructural development together with expansive registration processes and, relative to other countries, the capacity for land valuation is weak, while in Peru valuers overwhelmingly confine their practice to the traditional formal economy. The authors conducted interviews with valuers and representatives of statutory valuation bodies, carried out a content analysis of valuation reports, and studied judicial decisions in these case studies areas.

Key high-level findings are:

(a) Local valuers have adapted or shown the potential to adapt established valuation methods to value different types of land/tenure- whether registered or unregistered.

(b) The existing methods, however, often substantially undervalue or overvalue unregistered land.

‘Most of the conflict associated with over or undervaluation relates to:

- the top-down nature of the valuation process,
- a narrow view of ‘value’ as limited to only legally created structures,
- an overly strong reliance on asocial valuation techniques for establishing value.’ (p55)

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018

(c) Embracing the concept of ‘reasonable value’ may help to address the problem of undervaluation.

‘Valuers, seeing themselves as experts, refuse to collaborate with partners and expropriated persons. There is a case to be made for turning to a theory of reasonable value, whereby value is generated through a more comprehensive assessment process centred around stakeholder collaboration. Doing so, as demonstrated in the case of Peru, also helps to obtain evidence of sufficient quality to assist in estimating reasonable value. In the case of Ghana, in the few cases where individual valuers have spent more time listening the experiences of locals who use the land, to better understand the complexity of the idea of ‘value’, expropriated people have often felt more satisfied with the valuation results and fewer conflicts over land have occurred.’

## 2. RESEARCH REPORT FINDINGS

The economic case for title registration has been debated for years, but the argument that title registration is absolutely needed to ascertain fair value of land for compensation is quite recent, generating fresh debates about the ‘valuation of unregistered land’. Part of the broader argument for reducing information asymmetry and hence transaction costs, economists argue that registration is *essential* for valuation of unregistered land. The authors put this issue to a strict road test in Ghana, Indonesia, and Peru by interviewing registered valuers, officers of the land sector agencies responsible for registration, and academics who specialise in valuation and urban planning. On the bases of the data collected, the authors conclude that the assumption that registration is needed for valuation is misleading. Valuers have adapted established valuation methods to value different types of land/tenure- whether registered or unregistered.

The research also underlines why ‘compensation valuation’ is not hindered by the lack of registration. Formalisation and registration can, perhaps counter intuitively, sometimes hinder the ability of poor people to access loans beyond a certain threshold and has a continuing potential to do the very opposite of what its advocates claim it seeks to secure: dispossess land holders by facilitating the speed with which investors and speculators can buy customary land. Registration is contested vigorously in Indonesian courts whose decisions can complement the historical record that registration is fanned by social forces outside Indonesia. These findings extend the existing critical scholarship on title registration by Indonesian scholars and others. Valuation in Indonesia faces major challenges, but such failings are not directly related to a lack of land registration.

Land titles registers are supposed to signal to others information about the quality of land or the openness of the owner of land. As noted by two neoclassical economists, ‘having a formal land title can provide information about unobservable characteristics, such as the landowner’s business acumen, their ability to interact within formal rules, the degree of their integration into formal markets, or the condition of their asset. A bank may prefer to lend to formally titled households, not only because the title mitigates the bank’s risk in the case of a

default but also because the title provides ex-ante information about the likelihood of compliance with the loan contract'. This idea that formal titles give information can be linked to what George Stigler (1982) called 'the economics of information'. In this theory, everything that solves the problem of lack of information is praiseworthy, especially if it enhances market exchange enabling commodities to be exchanged efficiently and effectively. So, land title registration must be useful for valuation and the development of robust land information frameworks and land transfer standards such as the International Land Measurement Standard (ILMS) are essential to effective transfer and disposal.

Previously the key assumption was that unregistered land cannot be valued or, at least, is not currently valued (Nzioki et al., 2013). In turn, those without land title certificates stand to lose in cases of land acquisition for urban development. In the words of the UN-HABITAT (2016, section 2), 'The opaque values of unregistered lands are a major cause of inequities and erode confidence of communities to support these development initiatives. This delays implementation, and frustrates transparently equitable compensation for unregistered properties, and results in unintended harmful long-term consequences to affected parties.' With many of such people living in disaster-prone areas such as river banks (Silas, 1989; UN-HABITAT, 2016), those without title certificates become particularly vulnerable.

The need for the valuation of unregistered land can arise in one or more of the following:

1. Situations of urban expansion into unregistered peri-urban sprawl;
2. Development planning, including the construction of infrastructure projects that may lead to dispossession and hence compensation;
3. Upgrading of informal settlements;
4. Investments in improved farming resettlement initiatives – even disaster related resettlements, redressing historical displacements; and
5. Situations when holders of land want to borrow against it or even when holders wish to lease/sublet their land.

### **3. PRINCIPAL FINDINGS**

- (a) The primary concept of value adopted in practice and theory is neoclassical in orientation.
- (b) This theory of value substantially undervalues unregistered land;
- (c) The idea of value in practice is a motor for systemic dispossession and inequality;
- (d) The assumption that registration is needed for valuation is misleading;
- (e) Ghanaian and Indonesian valuers have adapted established valuation methods to value different types of land/tenure- whether registered or unregistered. Compensation valuation is not hindered by the lack of registration;
- (f) Registration may hinder the ability of poor people to access loans beyond a certain threshold;

- (g) Registration has a continuing potential to do the very opposite of what its advocates claim it seeks to secure: dispossess land holders by facilitating the speed with which investors can buy customary land; and
- (h) Registration is contested vigorously in Ghanaian and Indonesian courts whose decisions complement the historical record that registration is fanned by social forces outside the case study areas; and
- (i) There are major challenges to compensation and compensation valuation in the case study areas;
- (j) But such failings are indirectly related to a lack of registration and can be substantially mitigated by understanding existing valuation methods and developing alternatives.
- (k) Land title registration may not be popularly supported nor clearly needed in the Ghanaian and Indonesian contexts, and contested in the Peruvian context. There needs to be a more direct and robust policy and communications strategy to help professionals and the market understand the advantages of title registration and formalisation.

Despite these findings, the push for registration is likely to intensify. In all contexts, valuers face tremendous challenges about the acceptability of their ‘values’, but this problem is not the result of lack of registration per se. Instead, the theory on which the notion of ‘value’ is built is fundamentally in question.

An alternative valuation and more flexible approach is feasible, but its wide acceptance is contingent on the articulation and acceptance of a new theory of value grounded in institutions and social structures. Here, ‘reasonable value’ is also a consensus or *social* value. Although it should be noted that this term needs to be openly debated within the global valuation/appraisal profession but we can see the call for a more flexible ‘market value’ concept and the understanding that ‘one size’ does not fit all gaining some traction within the recently released UNFAO ‘Valuing land tenure rights’ VGGT technical guide and within the forthcoming UN Habitat GLTN ‘Guide to the valuation of unregistered land’ documents.

Gaining this value, must necessarily be a *social* process rather than be left in the hands of individual or individual valuers. In this sense, valuation must be a social activity, involving unions, assemblies, and social movements, the churches, the courts, the media, and the rest. Valuers need to consult widely for this purpose, but they also need to study the now vast corpus of judgements on what is ‘reasonable value’. Sticking just to the valuation standards of national bodies or even international bodies (IVSC) is necessary but not sufficient. Likewise, interest and attention can more usefully be channeled into developing a reasonable policy of resettlement; not just an individual-based title register and certificates.

A flexible and reasonable theory of value can generate even more variations in value, but why should that be a problem? Value is a social construct, varying from one community to another and from one country to another.

The full research paper will be made available to after the conference and uploaded to the World Bank 2018 conference website.

**Dr Franklin Obeng-Odoom** is a Senior Lecturer in Property Economics at the School of Built Environment and a member of the Asia-Pacific Centre for Complex Real Property Rights at the University of Technology Sydney.

**Dr. Michael McDermott** first qualified as a valuer in 1974, and for the last 20 years has been an international consultant on land policy, with a particular but not exclusive focus on the relationships between real property rights and money. Mike is a Founding Member of the Asia-Pacific Centre of Complex Real Property Rights and a Director of Global Property Advisory.

**James Kavanagh MRICS C.Geog** is a Chartered Surveyor & Chartered Geographer. James is currently Director of Global Land & Resources with The Royal Institution of Chartered Surveyors (RICS). He has a strong interest in planning, land acquisition, land valuation and property economics. James is chair of the International Land Standard (ILMS) Coalition and is working on further research and output on issues of valuation within informal settlements, customary land issues and the process of land and property rights formalisation.

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018

## **TRUNCATED BIBLIOGRAPHY (THE FULL RESEARCH REPORT CONTAINS A COMPREHENSIVE LISTING)**

Abdulai R and Ndekugri I, 2007, 'Customary landholding institutions and housing development in urban centres of Ghana: Case Studies of Kumasi and Wa', *Habitat International*, vol.31, pp.257-267.

Abdulai R, 2006, 'Is land title registration the answer to insecure and uncertain property rights in sub-Saharan Africa?' *RICS Research paper series*, Volume 6, Number 6, pp. 1-27.

Abdulai R, 2010, *Traditional Landholding Institutions in Sub-Saharan Africa, the Operation of Traditional Landholding Institutions in Sub-Sahara Africa: A case Study of Ghana*, Lambert Academic Publishing, Saarbrücken

Abdulai R.T. and Owusu-Ansah, 2014, 'Land information management and landed property ownership security: Evidence from state-sponsored court system', *Habitat International*, vol. 42, pp. 131 – 137.

Anderson, T. (2006a). 'Valuation and registration of customary land in Papua New Guinea', IASCP Conference, June 19-23.

Anim-Odame W, Key T and Stevenson S, 2009, 'Measures of Real Estate Values from Land Registration and Valuation Systems in Emerging Economies: The Case of Ghana', *Journal of Real Estate Literature*, vol. 17, no.1, pp.63-84.

Aryitey J.Z., Kidido J.K., Tudzi E.P., 2011, 'Communities, the law and practice: Case study of Newmont Gold Ghana Limited', *The Ghana Surveyor*, vol. 4, no. 1, pp. 32-40

Awuah K.G.B., Proverbs D, Lamonds D, Gyamfi-Yeboah F, 2016, 'An evaluation of property valuation practice in Sub-Saharan Africa: A case study of Ghana', Report for RICS, UK.

Ayitey J, Gyamfi-Yeboah F and Gambrah A, 2006, 'Valuers: Value inventors or assessors', paper presented at the 5<sup>th</sup> FIG Regional Conference in Accra, Ghana, March 8-11.

Bedner A, 2016, 'Indonesian land law: integration at last? And for whom?', in McCarthy J.F. and Robinson K, eds., *Land and Development in Indonesia: Searching for the People*, ISEAS Publishing, Singapore, pp. 63-90.

Boydell, S. 2010, 'South Pacific Land: An alternative perspective on tenure traditions, business, and conflict', *Georgetown Journal of International Affairs*, vol. XI, no. 1, pp. 17-25.

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018

Chambers, W. 2005. Lima's Slums: Problems or Solutions? Geographical Association Annual Conference 30 th March 2005 University of Derby. Available at: <http://docslide.us/download/link/limas-slums-problems-or-solutions-professor-bill-chambers-liverpool-hope-university-president-geographical-association-annual-conference-30-th-march>

Date-Bah S.K., 2015, *Reflections on the Supreme Court of Ghana*, Wildy, Simmonds and Hill Publishing, London.

Davy B, 2016, 'Land values as the social construction of scarcity', *The Public Sector*, vol. 2, no. 1, pp. 131-145.

De Soto H, 1989, *The Other Path*, Harper and Row Publishers Inc, New York.

De Soto, H. (2000) *The Mystery of Capital, why capitalism triumphs in the West and fails everywhere else*, New York: Bantam Press.

Domeher D and Abdulai R, 2012, 'Access to credit in the developing world: does land registration matter?', *Third World Quarterly*, vol. 33, issue 1, pp. 161-175.

Dower P.C. and Potamites E, 2014, 'Signalling creditworthiness: Land titles, banking practices, and formal credit in Indonesia', *Bulletin of Indonesian Economic Studies*, Vol. 50, No. 3, 2014: 435–59

Endo, V. 2016. "An Assessment of Recent Reforms on State-owned land divestment and Land Expropriation in Peru. Scaling up Responsible Land Governance" 2016 World Bank Conference on Land and Poverty. Washington, D.C. , World Bank.

Endo, V., Alarco, A. and Triveno, L. 2016. "The Minimum Viable Cadastre: The Case of Peru." 2016 World Bank Conference on LOand and Poverty. Washington, D.C. , The World Bank

Eng P.V.D., 2016, 'After 200 years, why is Indonesia's cadastral system still incomplete' , In McCarthy J.F. and Robinson K, eds., *Land and Development in Indonesia: Searching for the People*, ISEAS Publishing, Singapore, pp. 227-244.

Ezaah A. 2007. 'The relevance of the investment method of valuation in an inflationary economy.' report submitted to the *GhIS*, Accra, Ghana.

Field E, 2005, "Property Rights and Investment in Urban Slums." *Journal of the European Economic Association Papers and Proceedings*, April-May, 3(2-3): 279-290.

Field, E., Torero, M., 2006. Do property titles increase credit access among the urban poor? Evidence from a Nationwide titling program, Mimeo.

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018

Fernandes, E. 2011. Regularization of informal settlements in Latin America. Cambridge, MA, Lincoln Institute of Land Policy.

Field, E., 2003. Fertility responses to land titling: The roles of ownership security and the distribution of household assets. Mimeo.

Gilbert A.G., 2002, 'On the mystery of capital and the myths of Hernando de Soto: what difference does legal title make?', *International Development Planning Review*, vol. 24, pp. 1-20.

Gough K and Yankson P, 2003, Land Markets in African Cities: The Case of Peri-urban Accra, Ghana, *Urban Studies*, Vol. 37, No. 13, 2485– 2500.

Gutierrez, I. A. and O. Molina (2016). "Reverting to Informality: Unregistered Property Transactions and the Erosion of the Titling Reform in Peru." Working Paper: 23

International Valuation Standards Council, 2016, *IVS 104: Bases of Valuation*, International Valuation Standards Council, London.

Johnson T, Davies K, and Shapiro E, 2006, *Modern Methods of Valuation*, 9<sup>th</sup> ed. Estates Gazette, London.

Larbi W, 2008, 'Compulsory Land Acquisition and Compensation in Ghana: Searching for Alternative Policies and Strategies', FIG/FAO/CNG International Seminar on State and Public Sector Land Management, Verona, Italy, September 9-10, 2008.

Lewis B.D., 2003, 'Property tax in Indonesia: Measuring and explaining administrative (under) performance', *Public Administration and Development*, vol. 23, pp. 227-239.

Lawer E.A., *Rating Valuation Practice in Ghana*, Assembly Press, Accra.

McDermott M, Selabalo C, and Boydell S, 2015, 'Towards the valuation of unregistered land', Paper prepared for presentation at the 2015 World Bank Conference on land and poverty', The World Bank, Washington DC, March 23-27.

Nzioki N, Swazuri M.A., Tracey-White J, Yahya S, 2013, 'Valuation of Unregistered Lands', RICS, London.

Obeng-Odoom F and Ameyaw S, 2011, 'The state of surveying in Africa: A Ghanaian Perspective', *Property Management*, vol. 29, issue 3, pp.262-284.

Obeng-Odoom F, 2011a, 'Real estate agents in Ghana: A suitable case for regulation?', *Regional Studies*, vol.45, issue 3, pp. 403 – 416.

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018

Obeng-Odoom F, 2011b, 'The informal sector in Ghana under siege', *Journal of Developing Societies*, vol.27, no.3 and 4, pp.355-392.

Obeng-Odoom F, 2013b, *Governance for Pro-Poor Urban Development: Lessons from Ghana*, Routledge, London.

Obeng-Odoom F, 2013a, 'The Mystery of Capital or the Mystification of Capital?', *Review of Social Economy*, vol. 71, issue 4, pp. 427 - 442

Payne G, 2001b, 'Land tenure and property rights: an introduction', *Habitat International*, 28, pp. 167–179

Quan, J., 2016. "Land and Corruption", in *Land Policy Bulletin*, Issue 4, May 2016. Available at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/523129/LEGEN-D-Land-Policy-Bulletin4.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523129/LEGEN-D-Land-Policy-Bulletin4.pdf)

Scarrett D, 2008, *Property Valuation: The five methods*, Routledge, London and New York.

UN-HABITAT, 2015, *Property Theory, Metaphors, and the Continuum of Land Rights*, UN-HABITAT, Naro

## CONTACTS

Title: James Kavanagh MRICS C.Geog  
Institution: RICS  
Address: 12 Great George Street, Westminster  
City: London  
COUNTRY: UK  
Tel. +44 2076951598  
Email: [jkavanagh@rics.org](mailto:jkavanagh@rics.org)  
Web site: [www.rics.org/research](http://www.rics.org/research)

---

RICS Research Valuation of Unregistered Land – the Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia (9365)

James Kavanagh (United Kingdom), Michael McDermott (Australia) and Franklin Obeng-Odoom (Ghana)

FIG Congress 2018

Embracing our smart world where the continents connect: enhancing the geospatial maturity of societies  
Istanbul, Turkey, May 6–11, 2018