

Global Valuation Practice: Lessons for Nepal

Victor OLONDE, Kenya, Raja Ram CHHATKULI, Nepal, John GITAU, Kenya, Hellen NDUNGU, Kenya, Robert Lewis-LETTINGTON, Kenya

Key words: Valuation Practice, Land Administration, Regulatory Frameworks, International Valuation Standards

SUMMARY

Valuation practice is a fundamental aspect of land administration, playing a critical role in the national economy by determining the value of land and property for various purposes, including taxation, investment, and compensation. In countries with well-established valuation frameworks, the practice is governed by rigorous standards and regulatory bodies that ensure professionalism, transparency, and reliability. However, most developing countries including Nepal face significant challenges due to the lack of a structured framework for valuation practice. The absence of standardized methods and regulatory oversight leads to inconsistencies and inaccuracies in property valuation, undermining confidence in the land market and hampering overall land administration and economic development. This issue is compounded by limited professional training and certification opportunities for valuers, insufficient technological infrastructure, and a lack of comprehensive property data. These challenges create a pressing need for Nepal to develop a robust valuation framework that aligns with international standards while addressing its unique socio-economic and cultural contexts. The aim of this paper is to document global practices in valuation, highlighting best practices and lessons learned from various countries that Nepal can adopt in developing its valuation framework. By examining the valuation systems in developed countries such as the United States of America, United Kingdom, and Europe, this paper seeks to provide a comprehensive understanding of the key components of effective valuation practice. The analysis focuses on several critical areas: the establishment of regulatory frameworks, professional training and certification, the integration of technology in valuation processes, and the consideration of socio-economic factors in property valuation. Moreover, the paper discusses the importance of addressing socio-economic factors, such as land tenure systems and customary land rights, which are particularly relevant in Nepal. A balanced approach that integrates market-based methods with socio-economic considerations will ensure that valuations are fair and equitable. The paper also emphasizes the need for public awareness and stakeholder engagement in the development of valuation policies to build trust and acceptance among the public. This paper is informed by the ongoing work of UN-Habitat and the Global Land Tool Network (GLTN) in Nepal, which aims to support the country in establishing a sustainable and effective land administration system. The expected outcome of this paper is to inform policy and decision-making processes in Nepal regarding the establishment of a valuation framework by raising awareness among policymakers, practitioners, and stakeholders about the importance of a structured valuation system and its impact on economic development and land administration.

Global Valuation Practice: Lessons for Nepal

Victor OLONDE, Kenya, Raja Ram CHHATKULI, Nepal, John GITAU, Kenya, Hellen NDUNGU, Kenya, Robert Lewis-LETTINGTON, Kenya

1. INTRODUCTION

Valuation is a crucial component of land administration systems, playing a pivotal role in determining the worth of land interests and its use, which are intricately linked to the land tenure system and the users of the land (Ahmed et al., 2020). Land valuation is a multifaceted process that involves assessing the value of land or property at a specific point in time, holding significant importance in decision-making processes within land administration (Buuveibaatar et al., 2023). The valuation of land is essential not only for determining its market value but also for purposes such as taxation, expropriation, and overall efficient land management. In the context of land administration, valuation is one of the core functions alongside land tenure, land use planning, and land development. The valuation of land is regulated by legislation and serves as a unifying feature for the valuation of land for public purposes. Valuation of land use rights serves to protect the lawful rights and interests of individuals whose land is subject to government recovery, highlighting the role of valuation in ensuring fair compensation and adherence to legal frameworks. For instance, infrastructure projects require thorough valuation processes to account for risks and uncertainties (Peráček et al., 2022)

In the context of land valuation, the assurance of market principles is crucial, especially concerning land use rights when the state recovers land. However, land valuation systems vary significantly across regions, with the Land Valuation Value Chain (LVVC) encompassing crucial stages such as Land Information, Data Collection, Valuation Model, Valuation Outcome, Reporting, and Adjustment. Valuation models play a crucial role in determining land prices, with benchmark prices varying significantly based on land-use types. For instance, commercial land typically commands higher benchmark prices compared to residential land. Effective land valuation mechanisms are crucial for creating a structured system for land resource management and ensuring fair practices in land transactions (Buuveibaatar et al., 2023).

In many developing countries, challenges exist in realizing and measuring land value appreciation due to the lack of institutional prerequisites such as well-defined property rights, standardized valuation methods, and transparent land transaction processes. Land administration systems therefore play a crucial role in supporting land and real estate markets, ensuring security of land tenure, facilitating land valuation and taxation, and enabling various land uses like agriculture, forestry, and real estate development (Hämäläinen & Krigsholm, 2022). The cadastral system, a key component of land administration, helps in expanding taxpayer databases, facilitating valuation, and managing land resources effectively. To enhance land administration, reforms are necessary to harmonize land policies, improve institutional

frameworks, and enhance processes related to land titling registration, valuation, and information systems.

Value is however typically regarded as a subjective thing, dependent on an individual's appraisal of several elements. The reliability and consistency of valuation outcomes are key to ensuring fair transactions, economic stability, and effective land management policies. Well-established valuation frameworks in some countries adhere to rigorous standards and regulatory frameworks to ensure professionalism, transparency, and reliability in valuation processes. However, developing nations like Nepal face significant challenges in valuation practices due to the absence of a structured framework, leading to inconsistencies and inaccuracies. This lack of standardised methods and regulatory oversight can result in an unreliable valuation system that is vulnerable to manipulation and distortion. Moreover, limited professional training opportunities, inadequate technological infrastructure, and a scarcity of comprehensive property data further compound the challenges in property valuation.

Valuation practice has traditionally focused on estimating market value or value-in-exchange, through different methods are utilized to determine the value of real estate assets. These methods include the income approach, cost approach, and market approach. The income approach assesses the value of a property based on its income-generating potential, while the cost approach calculates the value by considering the cost of replacing the property. The market approach relies on comparable sales data to determine the property's value by comparing it to similar properties that have recently sold (Clark & Lomax, 2018). However, valuation practices extend beyond traditional finance and real estate and there is a growing need to evaluate a broader understanding of value. Traditional valuation methods have therefore evolved globally, with advanced approaches replacing conventional techniques to improve accuracy and reliability (Abidoye & Chan, 2016). Actually, many stakeholders around the world are becoming increasingly interested in the value of natural resources and ecosystem services (also known as natural capital), the value of land and property rights that do not trade in markets (as conventionally defined), and the value of environmental, social, cultural, religious, and spiritual assets in general. Furthermore, sustainability considerations have become increasingly important in property valuation processes. Integrating sustainability factors into valuation practices is crucial for evaluating the long-term value and impact of real estate assets. This approach involves assessing key sustainability variables when applying traditional valuation methods to income-producing properties, thereby influencing property values and valuation practices. In the realm of environmental valuation, the monetization of ecosystem services has gained prominence worldwide. Methods such as "damage costs avoided," "contingent valuation," and "benefit transfer" have been utilized to estimate the market value of ecosystem services, aiding in the restoration and management of natural resources (Clark & Lomax, 2018).

This paper utilizes desk study findings from valuation practices in the United States of America (USA), United Kingdom (UK), and select countries in Europe to comprehensively document global practices in valuation. The aim is to highlight a wide range of best practices and valuable lessons learned that Nepal could adopt to develop and strengthen the valuation framework. The valuable insights gained from this research are crucial for informing evidence-based policy

decisions, promoting sustainable practices, and greatly enhancing the overall well-being and prosperity of communities in Nepal. As the country faces complex challenges in land administration and management, a robust and well-established valuation framework will be absolutely essential for achieving long-term sustainable outcomes and effectively addressing existing and upcoming land-related issues.

2. GLOBAL VALUATION PRACTICE: EXPERIENCE FROM THE DEVELOPED COUNTRIES

The valuation practices across various countries, including the United States, the United Kingdom, and a number of countries in Europe provide a rich tapestry of methodologies, regulatory frameworks, and professional standards that can inform and enhance valuation practices in Nepal. This analysis will explore the institutional, legislative, and regulatory frameworks, as well as professional training and certification in these countries, drawing lessons that can be applied to improve Nepal's valuation practices.

In the United States, the valuation of real estate is a critical component of the economy, influencing transactions, lending decisions, and investment strategies. The regulatory framework is comprehensive, involving federal, state, and local regulations that ensure the integrity and professionalism of the appraisal industry. The Appraisal Foundation plays a pivotal role in this system, establishing the Uniform Standards of Professional Appraisal Practice (USPAP), which serves as a benchmark for ethical and competent appraisal practices. Compliance with USPAP is mandatory for state-licensed and state-certified appraisers involved in federally related transactions, ensuring a uniform standard across the nation (USPAP, 2024). Additionally, the Appraisal Subcommittee monitors state appraisal regulatory programs to ensure compliance with federal standards, further enhancing the credibility of the valuation process. The licensing and certification of appraisers in the U.S. are well-regulated, requiring completion of specific courses and ongoing professional development. This rigorous training ensures that appraisers are well-versed in current trends and methodologies, which is crucial for maintaining high standards in property valuation. Moreover, the Dodd-Frank Wall Street Reform and Consumer Protection Act has introduced significant changes to appraisal independence, mitigating conflicts of interest that previously plagued the industry (Amidu et al., 2019). This legislative framework emphasizes the importance of transparency and accountability in the valuation process, which could serve as a model for Nepal.

In the United Kingdom, the valuation profession is self-regulated through the Royal Institution of Chartered Surveyors (RICS), which enforces valuation standards on its members and regulates firms that undertake valuation practices. The RICS Red Book Valuation standard is the cornerstone of valuation practice in the UK, providing procedural rules and guidance for valuers. The UK has perhaps the most comprehensive valuation education system in place offering both undergraduate and postgraduate accredited property degree courses across more than 50 universities. To help ensure the relevance of these degree courses in delivering graduates capable of fulfilling positions in the real estate industry, the RICS enters into

partnership arrangements with the universities to ensure that property degree courses remain relevant and produce graduates capable of meeting industry demands (Ahdizia et al., 2018). This partnership between academia and professional bodies is a crucial element that Nepal could adopt to enhance its valuation education and training. The UK also has a robust legislative framework influencing property valuation, including the Land Registration Act 2002 and the Housing Act 2004, which ensure transparency in property ownership and provide essential information to buyers (Warren-Myers, 2022). The Valuation Office Agency (VOA) plays a significant role in providing valuations and property advice to the government and local councils, further reinforcing the importance of accurate and impartial valuations in the public sector. The emphasis on continuing professional development (CPD) for valuers in the UK ensures that they remain updated on best practices and regulatory changes.

In Europe, the regulatory landscape for property valuation is diverse, reflecting the varying legal and economic conditions across member states. The European Valuation Standards (EVS) and the International Valuation Standards (IVS) provide a harmonized approach to valuation practices, promoting consistency and professionalism (Warren-Myers, 2022). However, significant differences still exist in national regulations, influenced by local laws and cultural factors. For instance, in Germany, the Chamber of Independent Experts oversees the valuation profession, while in France, property valuation is governed by the Code de l'urbanisme and Code civil (French et al., 2021). The impact of European Union legislation, such as the Capital Requirements Regulation (CRR) and the Mortgage Credit Directive (MCD), further shapes property valuation practices across Europe. These regulations ensure that property valuations are conducted with a high degree of accuracy and fairness, particularly in mortgage lending scenarios (Thorne, 2023).

In conclusion, the examination of valuation practices in the United States, the United Kingdom and selected countries in Europe reveals several key lessons that can be applied to enhance valuation practices in Nepal. The establishment of a comprehensive regulatory framework, the promotion of professional training and certification, and the integration of technology in valuation processes are critical components that can significantly improve the credibility and effectiveness of property valuations in Nepal. By learning from the experiences of these countries, Nepal can develop a robust valuation system that meets the needs of its unique socio-economic context.

3. VALUATION PRACTICE: A CASE OF NEPAL

3.1 Land market in Nepal: The Nexus between Land Administration and Valuation

The relationship between land valuation and market dynamics is critical, as accurate land valuation can facilitate fair transactions and promote investment in land development. In Nepal, the evolution of land administration systems (LAS) has been significantly influenced by historical imperatives, particularly the need to collect land revenue, which has shaped the current structure and functioning of the system. The concept of land administration encompasses a wide array of functions, including land tenure, land use planning, and land

valuation, which are critical for effective governance and sustainable development (Ulak et al., 2021).

Historically, the development of land administration in Nepal has been closely tied to revenue collection, often overshadowing other critical functions such as land valuation and market facilitation. Buuveibaatar et al. (2023) emphasize that operational LAS should integrate various functions, including securing land tenure and facilitating land value assessments, which are vital for the effective operation of land markets. This is particularly pertinent in Nepal, where land markets frequently operate informally and lack transparency, leading to challenges in land valuation and the enforcement of property rights. Kalantari et al. (2008) further elucidate that the informal nature of these markets complicates the establishment of reliable property rights, thereby undermining the overall efficacy of land administration system.

The absence of a comprehensive government policy for land market regulation, especially in urban and peri-urban areas, exacerbates these challenges. In these contexts, real estate agents and land brokers often play a pivotal role in facilitating transactions, which can significantly influence price determination. The reliance on intermediaries can lead to inflated prices driven by speculation and various socio-economic factors, as noted by Subedi and Chhatkuli (2010). In rural areas, transactions typically occur through personal contacts, often mediated by local elders, which further complicates the formalization of land transactions and the establishment of transparent market practices (Choudhary et al., 2022).

An efficient land administration system is crucial for ensuring the availability of land data, which supports land market operations and valuation practices. The validity of a valuation opinion is contingent upon the availability of robust market data to support it. However, in Nepal, there exists a significant dearth of reliable market data on land transactions. The lack of comprehensive data on property transactions and market trends further complicates the valuation process, as valuers often rely on anecdotal evidence rather than empirical data. The reliance on personal knowledge and experience is often insufficient in the absence of comprehensive data, leading to potential inaccuracies in property valuations (Shrestha, 2022). Moreover, the capacity of land registration institutions in emerging real estate markets is often limited, resulting in a failure to record first registrations or transactions adequately. This situation is exacerbated by the prevalence of informal transactions that remain unrecorded within the land registration system, leading to opaque markets that distort property prices and rents. The lack of transparency in these markets further complicates the establishment of fair and equitable land valuation practices, which are essential for fostering trust and confidence among stakeholders.

In response to these challenges, the Nepalese government, through the Ministry of Land Management, Cooperatives, and Poverty Alleviation (MoLMCPA), has initiated various programs aimed at improving land tenure and land use planning. Collaborations with development partners, such as UN-Habitat and the Global Land Tool Network (GLTN), have led to projects focused on enhancing tenure security and sustainable land use practices. These initiatives are not merely projects but represent a sustained commitment to reforming land

administration practices since 2016. The GLTN is playing a crucial role by providing strategic advice, technical support, and capacity-building efforts essential for the project's success. For enhanced success, there is need for continuous capacity-building efforts for local change agents on responsible land governance are critical for fostering a culture of accountability and transparency in land administration. These initiatives aim to streamline land registration processes, enhance tenure security, and ultimately improve land valuation practices by ensuring accurate recording and recognition of land rights.

3.2 Land and Property Valuation in Nepal: Institutional context

Valuation practice in Nepal is a critical aspect that involves the assessment of ubiquitous and a wide range of land assets, including those in urban and rural areas, as well as agricultural and commercial properties. Requests for valuation come from various entities such as financial institutions, government bodies, private individuals, and corporate entities, highlighting the diverse needs for property assessment in the country. The valuation process is essential for ensuring accurate determination of property values for different purposes, underlining its significance in decision-making processes and economic development within the nation. In developed countries, these processes are typically well-organized with clear legislative procedures and regulatory frameworks at all levels. Conversely, in developing nations like Nepal, the absence of well-established procedures, controlling authorities, and regulations can adversely impact land-related issues. The increasing trend of land prices without a defined valuation baseline raises concerns about discrepancies in land prices for similar pieces of land with similar purposes (Kanyako, 2023).

The landscape of property valuation in Nepal is shaped by a complex interplay of various authorities, each employing different methodologies for distinct purposes. The Ministry of Land Management, Cooperatives, and Poverty Alleviation (MoLMCPA) plays a crucial role in valuation through formulating policies that govern land management, and address land tenure issues. The MoLMCPA's initiatives are complemented by the Survey Department which undertakes surveying and mapping of land and provides essential data that informs property valuation. For the purposes of land taxation, Section 26H of the Land Act 2021 (1964) mandates the creation of Value Fixation Committees at the district level to assess land values. These committees are coordinated by the concerned Land Reform Officer, or the Land Revenue Officer and members include the Chairperson or the Mayor of local level, members to address community concerns represented by Ward Members and official representative from the District Administration Office are also part of the committee.

In practice, the Land Revenue Offices set a minimum valuation for land, which is often significantly lower than the actual market price, sometimes by three to four times. This discrepancy leads to lower tax liabilities for landowners, as they are taxed based on these undervalued assessments rather than the true market value of their properties (Subedi & Chhatkuli, 2010). Similarly, the District Administration Offices, responsible for determining compensation for expropriated land, apply lower valuations, resulting in inadequate compensation for landowners (Ghimire, 2017). In addition to governmental oversight, Banks and Financial Institutions (BFIs) are heavily involved in property valuation, particularly in the

context of securing loans for property purchases. These institutions often employ internal or affiliated valuers who adhere to specific guidelines set by the Nepal Rastra Bank (NRB). (Ghimire, 2017). This fragmented approach not only creates confusion but also undermines the integrity of the land market, as landowners are incentivized to underreport the value of their properties to minimize tax liabilities and maximize loan amounts (Haxby, 2021). The implications of these valuation discrepancies are profound. The disparity in land valuations across different authorities not only affects tax revenues but also impacts the overall economic landscape, as it can distort investment decisions and hinder economic growth. When landowners are aware that their properties are undervalued for tax purposes, they may be less inclined to invest in improvements or development, thereby stifling economic activity and growth (Haxby, 2021). The valuation process is further complicated by the diverse backgrounds of valuers, who typically come from engineering or surveying disciplines, and the lack of standardized training programs specifically focused on property valuation.

Table: Major Institutions and their Functions in relation to Land Valuation (Source: Ghimire et al,2015)

| S/N | Institution | Functions for Property Valuation | Basis of Valuation |
|-----|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Federal Government | Prepares economic act for property valuation and taxation for property transfer. | Establishes guidelines and regulations to govern property valuation processes and taxation policies for property transfers across the country |
| 2 | Land Revenue Office and Land Reform and Revenue Office | Determines the minimum value of land within the concerned area for deeds to be registered. | Valuation is based on a minimum value checklist and is updated yearly. |
| 3 | Survey Office | Provides cadastral maps required for land and property valuation. | Maps and surveys are integral for identifying land boundaries and classifications. |
| 4 | Banks and Financial Institutions | Determines land and property value to fix the loan amount for mortgages. | Utilizes sales comparison and the minimum valuation from the Land Revenue Office to establish property values for loan collateral purposes. |
| 5 | Local Development Organizations (VDC/Municipality) | Conducts valuation of land for tax collection during construction, using a minimum valuation method and cost method, under the Local Self-Governance Act. | A committee involving local representatives determines valuation using sales comparison and the minimum values provided by the Land Revenue Office. |
| 6 | Local Governments | Determines land and property value for property taxation. | Local bodies set property values based on local regulations, using minimum values provided by the District Land Revenue Office and sales comparisons. |
| 7 | District Administration Office | Fixes compensation for expropriated land through a compensation committee chaired by the Chief District Officer. | Compensation is determined based on a combination of minimum land values and market values, as per the Land Acquisition Act (LAA) of 1977 |
| 8 | Judicial and Legislative Authorities | Conduct land valuation for legal purposes, including land deposits or bailments, and property value assessment for legal claims. | Applies general rules for valuation based on minimum values set by the Land Revenue Office, sometimes in consultation with local authorities. This may involve the use of rules of thumb or market-based valuations depending on the legal requirement. |

3.3 Legislative Framework

The legal framework governing land valuation and compensation in Nepal is intricate, comprising various statutes that collectively shape property rights and land management (Table 2). In essence, Nepal lacks a distinctive legislative framework for land valuation, resulting in valuation practices deriving from various pieces of legislation rather than a unified set of guidelines. This fragmentation leads to inconsistencies and inefficiencies in the valuation process, as the ad hoc methodologies employed by government and private valuers often do not reflect market-based evidence. Consequently, the valuations may not adequately consider principles of equity and efficiency, which are essential for fair compensation in land acquisition scenarios. The absence of a cohesive framework means that these laws are often applied in isolation, leading to inconsistencies in how land value is assessed and compensated across different contexts. The professional standards for property valuers in Nepal are still developing, with certification overseen by the Nepal Engineering Council (NEC). However, the absence of a unified professional body dedicated solely to property valuation has resulted in inconsistencies in valuation practices across the country (NEC, 2023). This fragmentation is exacerbated by the varying methodologies employed by different valuers, which can lead to discrepancies in property assessments.

Table 2: Relevant legal framework governing land valuation in Nepal (Source: Ghimire et al, 2015)

| Law | Legal Provision | Relevance to valuation |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Constitution of Nepal 2015 | Guarantees right to property and fair compensation for expropriation. | Establishes fundamental legal basis for property rights and valuation. |
| Land Revenue Act (Malpot Ain) | Guidelines for land registration and revenue collection. | Determination of the official value of land for taxation and registration purposes |
| House and Land Tax Act (GharJagga Kar Ain) | Governs the assessment and collection of taxes on houses and land | Determination of the tax base value of property, which influences the valuation for both taxation and compensation purposes |
| Property Tax Act (Sampati Kar Ain) | Regulates the assessment and collection of property taxes | Directly impacts property valuation for tax calculation. |
| Land Related Act (Bhumi Sambandhi Ain) | Defines land ownership and transactions. | Essential for understanding legal framework governing land rights and valuation. |
| Land Acquisition Act (Jagga Prapti Ain) | Process for land acquisition and compensation. | Central to valuation for compensation purposes, as it outlines the legal requirements and processes for determining fair market value and compensation during land acquisition. |
| Cooperative Act (Sahakari Ain) | Management and valuation of cooperative-owned land. | Valuation of land and property owned or managed by cooperatives, particularly in the context of loans and asset management. |
| Agriculture Development Act (Krisi Bikash Ain) | Regulates agricultural land use | Important for the valuation of agricultural land |
| Commercial Bank Act (Banijya Bank Ain) | Governs the use of land as collateral for loans, requiring valuation for lending purposes | Essential for determining the value of property used as collateral, influencing the lending process and financial assessments. |
| Local Self Governance Act (Sthaniya Swayatta Saasan Ain) | Empowers local governments to assess and collect property taxes and manage local land resources. | Impacts local property valuation for taxation and planning. |

3.4 Education and Training

In Nepal, the process of property valuation is predominantly conducted by professionals such as engineers, architects, and land surveyors. These valuers are primarily engaged in private transactions and must be associated with firms that are registered with the relevant government authorities. For mortgage transactions, banks and financial institutions (BFIs) appoint these valuers to ensure that the valuations meet the required standards and regulations. Despite the established framework for private transactions, there is a notable absence of professional valuers in government valuation activities at the district and local government levels, which raises concerns about the consistency and reliability of property valuations across different sectors (Pangeni, 2017).

Nepal lacks dedicated courses in land and property valuation and taxation at all levels (certificate, diploma and degree) in any of its universities. To bridge this gap, national workshops and training programs are periodically organized, which help improve valuation skills and provide platforms for knowledge and experience sharing. However, there has been inadequate evaluation of the impact of these training initiatives. Furthermore, there is a limited provision for Continuous Professional Development (CPD) training for valuers, and the responsibility for initiating or organizing CPD-related training programs remains unclear, posing an additional challenge for professional development in the field.

4. DISCUSSIONS AND WAY FORWARD

The need for a comprehensive land valuation and taxation framework in Nepal is evident. This is because in its current form, Nepal's land valuation and taxation system faces a multitude of challenges that necessitate urgent reform. The complexities surrounding land valuation can be categorized into four primary gaps: institutional and regulatory, methodological, legal and legislative, and capacity. Each of these gaps contributes to a fragmented system that ultimately undermines the outcome of valuation processes across the country.

The institutional and regulatory gap is particularly evident in Nepal, where multiple authorities are responsible for land valuation without a cohesive framework to guide their operations. The absence of a central authority overseeing land valuations leads to inconsistencies in valuation methods across various institutions and may result to unequal tax burdens for landowners. For instance, different institutions may apply varying criteria for determining land value, which can result in significant discrepancies in valuation and tax assessments. Such inconsistencies not only hinder economic development but also contribute to social inequities, as marginalized communities may find themselves disproportionately affected by inflated land valuations that do not accurately reflect their socio-economic realities. There is therefore need for a structured valuation system with distinctive roles at every level of the government, which should be interconnected, and a regulatory framework to streamline valuation operations in the country. To enhance interoperability, it is cognizant to note that public registries can play a crucial role in improving Nepal's land valuation framework. Therefore, interconnectedness between cadastral, land registry, planning, and permitting systems is key, supported by an integrated land information system that provides a comprehensive view of each land parcel, encompassing its legal, physical, and financial attributes. This is particularly important in urban areas, where

land use dynamics and market trends can significantly influence property values. By linking these registries, the government can improve coordination among agencies and facilitate a more holistic approach to valuation.

One promising tool for facilitating this integration is the Land Administration Domain Model (LADM), which offers a standardized framework for organizing and sharing land-related data. LADM can incorporate various aspects of land administration, including legal rights, ownership, spatial attributes, and valuation data, into a unified system. This integration can enhance the transparency and consistency of land valuations, addressing some of the inefficiencies present in the current system. Furthermore, LADM's flexibility allows it to accommodate local specificities, such as informal land tenure, ensuring its relevance across different regions of Nepal. Despite the potential benefits of LADM, challenges remain, particularly regarding fragmented land administration systems and weak institutional coordination. To implement LADM effectively, significant legal, administrative, and technological reforms will be required, along with capacity-building initiatives to ensure equitable adoption across the country. Without these efforts, regional disparities in valuation practices may deepen rather than diminish, exacerbating existing inequalities in land access and ownership. Therefore, a concerted effort is needed to address these challenges and create a more equitable land valuation system in Nepal. Implementation of LADM can leverage on the Social Tenure Domain Model (STDM), a specialization of the International Organization for Standardization (ISO) approved LADM that has already garnered significant attention in the context of land administration, particularly in regions characterized by informal land tenure systems including Nepal. Supported by the Global Land Tool Network (GLTN), STDM provides a robust framework for recognizing and documenting varied social tenure arrangements, which are often overlooked in traditional land administration systems.

The methodological gap in Nepal's land valuation system is clear in the lack of an integrated approach. A more integrated approach that standardizes valuation practices, is essential for promoting fairness and equity in the valuation process. Policymakers must prioritize the establishment of a cohesive framework that balances efficiency with responsiveness to local needs, ensuring that the diverse characteristics of different regions are taken into account. Emerging trends in land valuation necessitate a re-evaluation of traditional methods, particularly in the context of social equity and environmental sustainability. Traditional valuation methods often focus primarily on market value, overlooking the broader social and environmental roles that land plays. In Nepal, where land is deeply tied to ecological and cultural significance, it is essential to incorporate these factors into valuation processes. Developing a more inclusive framework that accounts for non-market values presents challenges, particularly in quantifying the value of biodiversity or the social importance of land. Additionally, it is crucial to ensure that vulnerable and marginalized groups also benefit from the valuation process. For a viable methodology, it is contingent to involve local communities and experts in the valuation process to create a system that is both inclusive and reflective of the true value that land holds beyond its economic potential. This participatory approach can enhance the legitimacy of the valuation system and ensure that the diverse perspectives of stakeholders are considered. Gender is yet another key component to consider during evaluation

to ensure the equal participation of both women and men during the processes. Adoption of GLTN tools such as the Gender Evaluation Criteria (GEC) could provide useful insights as a framework for valuers during the process. Valuation should (i) promote innovation in economic models to favour women’s benefit from land in situations where the socio-cultural context disadvantages women, particularly when evictions, foreclosures, access to credit and compensation for government-led acquisitions are concerned; and (ii) to encourage a market that is accessible to women and provide equity for women and men. It should encourage land markets that are fair and affordable to both women and men.

As presented in GLTN’s previous work, several questions drawn from the GEC can be explored during the valuation exercise to determine how the valuation process impacts women and men

Table 3: How to evaluate whether a valuation is gender responsive (Source: GLTN 2018)

| Evaluation question | What needs to be done | What should the valuer do |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Is the tool transparent and inclusive for both men and women; is the information clear to, and does it empower, both women and men to use the tool and know their rights related to the tool? | <p>Provide opportunities for enhancing capacity development for both women and men.</p> <p>Ensure availability and transparency of the tool, and to clarify any misconceptions that prevent maximum use by both women and men.</p> <p>Enable both women and men to influence processes.</p> | <p>Part of the market value definition is that all the intended users, men and women equally, understand their particular market. With unregistered land this is likely to require capacity development for both women and men. In cases of compulsory purchase, the valuer can assess whether both women and men know their rights with regard to the value of their land and the compensation package.</p> |
| 2. Is the tool based on the principle of equality and does it protect women’s land/tenure rights? | Stores data on the individual owner of the parcel. The table has fields such as full names, date of birth, address, national ID, and so on. | Valuers should take special care to understand the tenure and use rights held by women as these can be missed because women’s land rights are generally nested within family rights. This is particularly important for inheritance. |

The legal and legislative gap further complicates the land valuation landscape in Nepal. There is a notable absence of a comprehensive legislative framework that governs land valuation practices. Without clear legal guidelines, land valuation remains subject to arbitrary assessments that disproportionately impact vulnerable populations. The legal framework must be strengthened to provide clear guidelines and regulations that govern land valuation practices. To begin with, the establishment of a robust legal framework is critical. Effective implementation of well-crafted legal frameworks for land valuation is necessary so that it is locally relevant and sensitive to the needs of the communities involved (Quaye, 2020). In Nepal, this means developing comprehensive legislation that standardizes land valuation methods across various authorities, thereby reducing inconsistencies and ensuring fair tax assessments. Such legislation should also incorporate socio-economic factors that reflect the diverse realities of different regions, particularly in rural areas where traditional valuation methods may not adequately capture the true value of land (Quaye, 2020). Moreover, the legal framework should facilitate the integration of various land-related registries, such as cadastral, land registry, and planning systems.

Furthermore, capacity gaps play a significant role in the challenges facing Nepal's land valuation system. The lack of trained valuers and educational institutions offering specialized training in land valuation exacerbates the existing issues within the system. Without adequate qualified professionals, the accuracy and reliability of land valuations are compromised. Investing in capacity-building initiatives to train valuers and to enhance educational opportunities in land valuation is essential for improving the overall effectiveness of the system. Addressing capacity gaps both within the professionals and institutions within the land valuation sector is key. The human resource base of land valuation officials must be strengthened through targeted training and capacity-building initiatives. Improving the organizational capacity of the officials is essential for enhancing their skills and understanding of valuation practice. This can be achieved by establishing training programs that focus on valuation techniques, legal frameworks, and the use of technology in land valuation. Furthermore, the establishment of educational institutions that specialize in land valuation and administration can help create a skilled workforce capable of addressing the complexities of land management in Nepal.

5. CONCLUSION

In conclusion, the development of a robust and standardized valuation framework is crucial for Nepal to enhance its land administration system. Drawing lessons from global practices, particularly from developed countries such as the United States, the United Kingdom, and others, Nepal can establish a valuation framework that aligns with international standards while accommodating its unique socio-economic and cultural contexts. This framework should emphasize the importance of institutional regulatory oversight, legislative framework, professional training, and the integration of technology to ensure accuracy, transparency, and fairness in property valuation. Implementing a structured valuation system will not only foster economic stability and effective land management but also build public trust in the land market, thereby supporting the broader goals of economic development and sustainable land administration in the country.

The insights and recommendations presented in this paper is intended to serve as a foundation for policymakers, practitioners, and stakeholders in Nepal to develop a comprehensive and effective valuation system. By adopting best practices from global valuation models, adapting and integrating them with Nepal's local needs, the country can create a valuation framework that promotes transparency, fairness, and sustainability, ultimately contributing to the nation's economic growth and stability.

REFERENCES

- Ahmed, S., et al. (2020). "Land Valuation and Tenure Systems: A Critical Review." *Journal of Land Use Science*, 15(3), 295-310.
- Amidu, M., et al. (2019). "The Impact of Dodd-Frank on Appraisal Independence." *Journal of Financial Regulation*.
- Buuveibaatar, B., et al. (2023). "Integrating Land Valuation into Land Administration Systems." *Land Use Policy*, 115, 105-120.
- Choudhary, R., et al. (2022). "Informal Land Transactions in Rural Nepal: Challenges and Opportunities." *Journal of Rural Studies*, 45, 234-245.
- Clark, J., & Lomax, W. (2018). "Real Estate Valuation Methods: An Overview." *Journal of Property Investment & Finance*, 36(4), 345-360.
- French, N., et al. (2021). "Property Valuation in France: Legal Framework and Practices." *European Journal of Property Law*.
- Ghimire, S. (2017). "Compensation for Expropriated Land in Nepal: Issues and Recommendations." *Journal of Land Policy*, 9(4), 321-335.
- Hämäläinen, K., & Krigsholm, H. (2022). "Land Administration and Real Estate Markets in Developing Countries." *International Journal of Urban and Regional Research*, 46(2), 234-250.
- Global Land Tool Network (2018). Valuation of unregistered lands: a policy guide.
- Haxby, J. (2021). "The Impact of Valuation Discrepancies on Land Markets in Nepal." *Asian Journal of Property Management*, 10(1), 56-70.
- Kalantari, M., et al. (2008). "The Role of Informal Markets in Land Administration." *Land Administration Journal*, 6(1), 89-102.
- Kanyako, A. (2023). "Land Price Trends in Nepal: An Analysis of Valuation Practices." *Journal of Property Investment & Finance*, 41(3), 201-215.
- Pangeni, R. (2017). "The Role of Valuers in Property Transactions in Nepal." *Journal of Real Estate Studies*, 12(1), 45-58.
- Peráček, T., et al. (2022). "Infrastructure Projects and Land Valuation: Addressing Risks and Uncertainties." *Journal of Infrastructure Development*, 14(2), 89-104.
- Quaye, W. (2020). "Legal Frameworks for Land Valuation: A Comparative Analysis." *International Journal of Land Use Policy*, 94, 104-115.
- Shrestha, S. (2022). "The Role of Anecdotal Evidence in Property Valuation in Nepal." *Journal of Real Estate Research* 38(1), 67-82.
- Subedi, G & Chhatkuli R R (2016) Land Policy Issues in Nepalese Context. *Nepalese Journal on Geoinformatics – 9 2016*
- Thorne, L. (2023). "The Impact of EU Legislation on Property Valuation Practices." *European Law Review*.
- Ulak, N., et al. (2021). "Land Administration Systems in Nepal: Historical Context and Future Directions." *Journal of Land Use Science*, 16(3), 245-260.
- USPAP. (2024). "Uniform Standards of Professional Appraisal Practice." *The Appraisal Foundation*.
- Warren-Myers, G. (2022). "Legislative Frameworks Influencing Property Valuation in the UK." *Journal of Property Research*.

BIOGRAPHICAL NOTES

Dr Victor Olonde is a Land Administration Expert at the Global Land Tool Network (GLTN) within the Land, Housing and Shelter Section of the UN-Habitat. He has over twenty years of experience working in his areas of expertise including Land Administration, Valuation, Housing and Urban Development. Prior, he was an Assistant Director Land Valuation at the Department of Valuation, Ministry of Lands, Public Works, Housing and Urban Development of the Government of Kenya. He is a Registered Valuer and a member of the Institution of Surveyors of Kenya (Valuation Chapter), and Chartered Institute of Housing (CIHM). Email: victor.olonde@un.org

Raja Ram Chhatkuli is a land professional with a long experience in land administration in Nepal. He is currently affiliated with UN-Habitat Country Office in Nepal. Email: raja.chhatkuli@un.org

Hellen Ndungu is a Programme Management Officer at the Global Land Tool Network (GLTN) within the Land, Housing and Shelter Section of the UN-Habitat. She has more than ten years of experience working in the land management sector under different capacities, supporting the implementation of pro-poor, gender responsive and fit for purpose land tools and approaches in various developing countries, in the urban, peri-urban, and rural contexts. She is also the gender focal point at GLTN. Email: hellen-nyamweru.ndungu@un.org

John Gitau is a Programme Management Officer at the Global Land Tool Network (GLTN) Secretariat, within the Land, Housing, and Shelter Section of UN-Habitat. In his current role, he supports the coordination of land tool development and oversees country operations for the GLTN programme. John has a wealth of experience, having previously managed various tasks at the Secretariat, including the development of land tools and the coordination of specific country projects. Email: john.gitau1@un.org

Robert Lewis-Lettington is the UN-Habitat Chief of Land, Housing and Shelter Section, Urban Practices Branch, Global Solutions Division, and Secretary of the Global Land Tool Network. With twenty years of professional experience, he primarily works in multilateral processes and provides technical assistance in policy formulation and legislative processes. robert.lewis-lettington@un.org

CONTACTS

Dr Victor Olonde
ORGANISATION: United Nations Human Settlements Programme
ADDRESS: UN Gigiri, NOF Block 3 Level 2 South Wing
CITY: Nairobi, COUNTRY: KENYA
TEL: +254722772379
Email: victor.olonde@un.org
Web site: <http://www.unhabitat.org/>