Property Valuation Systems and Methods in Tanzania- An Empirical Analysis

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SUMMARY

During the last two decades, valuation services have become increasingly less credible in Tanzania despite an impressive digital data penetration from an inisignificant 115,000 people at the end of 2000 to over 7.6m by June 2016. Widespread public discontent expressed in the media and in public meetings has become the norm. Government redress measures through issuance of Valuation Practice Guidelines and setting up of land data banks do not seem to have had the desired effect. A Valuation Bill passed in July 2016 revealed a number of hidden valuation problems that require an intense discussion for improved valuation services that are commensurate with the current digital data era and conform to the realities of our times. Unlike many developing countries, Tanzania introduced valuation as a profession several years ago with the passing of Professional Surveyors (Registration) Act No. 2 of 1977 and establishment of internationally accredited Bachelors Degree Programme in Valuation in 1974 becoming the largest source of tertiary training in the subject within the Eastern Africa region for many years. It was therefore intrigung to find out explanations for concerns raised by bankers (mortgage valuation), general public (compensation assessment) and taxing authorities(probate and capital gains tax valuations). It was also the intention to investigate on whether integrity of the valuation profession in Tanzania had been compromised.

The current economic conditions in Tanzania has been very positive with an impressive annual economic growth sustained at between 5 and 7% for more than 6 years now. The real estate sector has been both vibrant and buoyant largely owing to the launching of the 2010 Housing Finance Project (HFP) and legislative framework that reintroduced mortgage finance and condominium titles in 2008. As a result confidence in rentals and price growth has been on high. The paper hypothesises the probable explanation of the expressed concerns evolves around rigid adoption of traditional valuation approaches in Tanzania amidst fast evolving real estate markets. An attempt is made to evaluate the practical problems facing valuers in Tanzania and how these problems could be addressed. It urges valuers to adapt themselves to the changing business dynamics and appreciate the other participants' roles in the emerging real estate market.

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1. INTRODUCTION

Tanzania has been a pioneer in the training of real estate disciplines within Eastern Africa with the establishment of the Surveying Training Centre in 1956(STC) by the then colonial British Government in Dar es Salaam. The STC was upgraded to an institute, the Ardhi Institute in 1974 offering 3-years professional training at an advanced diploma level in six disciplines, the Land Management and Valuation, Land Surveying, Building Economics, Urban and Regional Planning,Building Design and Environmental Engineering (Kironde, 2005). In 1996, Ardhi Institute(ARI) was elevated to a constituent college of the University of Dar es Salaam as University College of Lands and Architectural Studies (UCLAS) offering Bachelors Degree Awards in the six disciplines that ARI was offering. In 2007, UCLAS became a full fledged university, the Ardhi University(ARU). During all these years, Ardhi University and its predecessors became the major source of training within the Eastern Africa region with most students coming from Tanzania, Uganda, Rwanda, Burundi but also from Namibia, Botswana and Zambia.

In 1977, Tanzania introduced the first legislative framework to condition the work of professional surveyors which included land economy surveyors throught Act No. 2 of 1977 -The Professional Registration, Surveyors (Silayo, 2010). The term 'land economy surveyors' was used to describe the Valuation or the Appraisal Profession as is known elsewhere around the globe. The Tanzania registration provided room for recognition of international professional qualification and in particular those from the Royal Institution of Chartered Surveyors of the UK. Foreign professionals have been registered and licensed to practice in Tanzania as 'Temporary Registered Surveyors(TRS)' as contrasted with the 'Fully Registered Surveyors(FRS)' which was reserved for local practising surveyors. In July 2016, a new Valuation Bill was passed by the National Parliement to address issues that are specific to the valuation profession in response to a general public need but mainly to the changing business environment of the real estate markets (United Republic of Tanzania, 2016). Two other bills are being processed to address the needs of the growing real estate agency sector and those of property investors and developers (Kusiluka, 2016).

1.1 Property Valuation in the context of Tanzania National Economy

The general performance of the national economy has been impressive as reported by ESRF (2015) with a stable but high economic growth of around 6% per annum, less inflation and greater macroeconomic stability. The construction sector which is the key provider of real estate space and places acccounted for 35% of the total industry sector. Real Estate sector has recorded a stable annual growth of between 4 and 7% between 1999 and 2016. Tanzania population growth rate is 2.7% per annum which adds 1.2m people every year while general urbanization rate hovers around 5%. These positive national attributes do not seem to bear resemblance to what is happening with the valuation practice. One would have expected improvement in the quality of data used in valuation and subsequently more accurate valuaton. This does not seem to have happened as was established from the review of literature and interviews carried out for this study. The local valuation practice has been subjected to a lot of criticisms on its efficiency levels, reliability and ethical standards.

The transformation of the national economy from state controlled to free trade economy and subsequent adoption of Second Generation Financial Sector Reforms(SGFS), the launching of 2010Tanzania Housing Finance Project and the stimulated infrastructure, mining and energy related projects in the country have increased real estate transactions in the economy. In tandem with these reforms, there has been a huge expansion in the number of practicing valuers both in the public and private sectors. The number of valuations carried out has also tremendously increased from a mere 567 in 1995 to over 11,000 in 2012 (United Republic of Tanzania, 2014). The nature of valuation has also steadily changed with a growing trend towards business valuation and share valuations. Besides these, increase of macro and micro financial institutions, enactments and amendments of laws, implementation of National Land Policy, people's awareness in land matters and realization of land value call for a review of modus operandi of the valuation practice in Tanzania.

Tanzania has been active in striving for harmonized real estate practices and valuation standards. It adopted the International Valuation Standards(IVS) and International Financial Reporting Standards(IFRS) (Komu et al, 2003). Besides the notable achievements both in training and registration of valuers in Tanzania, there has been steady improvement in adoption of digital data management system both in the education and professional practice areas. Communication sector has recorded a steady growth of around 15% per annum since 2003 (ESRF, 2015).

The main objective of the study was to establish whether or not the Tanzania valuation practice has been consistent with the obtaining market conditions and in particular the extent to which it was being influenced by donor-funded projects dictates. The focus of the study was on individual valuations as opposed to mass appraisals such as those in property taxation. Towards the end, the paper calls for a change of attitude and adoption of a global consesus as to what professional valuation activities should be. The paper recognizes the need for specialized valuation training in different situations such as between rural and urban areas but urges for common foundation traning.

2. Methodology

The study was carried out through detailed review of existing literature on the subject and interviews with key Chief Government Valuer in Dar es Salaam and with 25 senior valuers working in the private sector.

3. Registration and Regulation of Valuers' Practice

To qualify for a practising licence in valuation in Tanzania, one has to be registered with the National Council of Professional Surveyors(NCPS). The basic qualification sought is an undergraduate degree or equivalent in the areas of land economy surveying from a recognized institution of higher learning, and proven experience of not less than five years under supervision of a registered valuer (United Republic of Tanzania, 1977). In accordance to the Professional

Surveyors(Registration Act) of 1977), there are three categories of registration (i) Fully Registered Surveyor(FRS) for local professionals, Provisionally Registered Surveyor(PRS) for those with at least two years post-graduate work experience and Temporary Registered Surveyor(TRS) for foregin professionals but with national work permit. The number of FRS has increased from 160 to around 243 from 2004 to 2016. This is a small fraction of the total number of valuers practising in Tanzania. The main source of valuation training has been Ardhi University which by 2014 had produced a total of 3,734 valuers holding BSc in Land Management and Valuation, 404 with BSc in Real Estate Finance and Investment and 313 with BSc in Property and Facilities Management (Ardhi University , 2015). The last two groups of graduates are considered specialists in thier respective awards but on account of unclear guidelines as well as low business in their areas, they do practice valuation (Baruti, Chief Government Valuer, 2016).

With the adoption of plural type of economy during early 1990s, local training of valuers has been supplemented by overseas training particularly at Post-graduate levels. Today, both in the public and private sectors, there are senior valuers who have been trained abroad with MSc or PhDs in various advanced topics of the Valuation profession. Some of these were trained in the United Kingdom, Australia, New Zealand, Kenya and USA.
The number of Valuation Firms registered with the National Council for Professional Surveyors jumped from 3 valuation firms in 1960's to 68 firms by July 2016. Most of these firms are local valuation firms involved in mortgage valuations that require review by the Office of Chief Government Valuer. The number of foregin valaution firms licensed to practise in Tanzania has remained low and in most cases are project-specific. Knight Frank (T) is the oldest and singlemost present in Tanzania.

The new Valuation and Valuers Registration Act of 2016 is yet to consented to by the President. When this happens, it is anticipated valuers will now be registered under this law.

3.1 Registration of Valuers in other countries

In most countries in Europe and Americas, licensing and registration of valuers has not required a minimum entry level of a university degree (Bachelor's). Indeed in Australia, a decision made in 1970's to fix a minimum entry level by early 1990's was fiercely contended and deferred (Elliot & Warren, 2005). In the USA and some of the European countries, registration of valuers is consequent upon attending prescribed courses on top of a general bachelor's degree. What this suggests is lack of agreement on what constitutes the body of knowledge required for property valuation around the countries. In the British Commonwealth, a long tradition of minimum bachelors' degree in real estate has been established as observed above in the case of Tanzania. But with proliferation of other related programs such as property development, investment, property management, facilities management, real estate and finance, valuation as an academic discipline as well as practice has not been as clear as discussed later in this paper.

In the context of East Africa, the oldest universities offering valuation courses were the University of Nairobi in Kenya and Ardhi Institute (now Ardhi University) in Tanzania incidentally both starting in 1956.. In both cases the program goes with different names, Bachelors of Real Estate (formerly Bachelor of Arts in Land Economics) in the case of the Nairobi program and Bachelor of

Science in the case of Ardhi. But whereas for over 30 years, these were the only programs producing valuers recognized by the Commonwealth Association of Surveyors and Land Economy(in 2005, the Ardhi Course was awarded accreditation by RICS), today the Ardhi program has been split to form two other related course programs, BSc in Real Estate (Finance and Investment) and BSc in Property/Facilities Management. The Nairobi program which was founded within quantity surveying department in 1961 lost its shared taught-subjects with the BA in Building Economics in a restructuring program in 2005 that put the program under a new department of Real Estate and Construction Management.
Indeed, there has been a general trend over the years for training programs in valuation to either narrow down or widen the scope in many cases in response to market needs. Such trends make an attempt to compare valuation as a discipline at universities or profession level in the industry to be difficult. What this translates into is that valuation as a profession is facing major challenges in its growth paths.

4. Valuation Practice in Tanzania- the salient issues

On account of long established traditions, most of the valuations carried out in Tanzania have to be approved by the office of Chief Government Valuer(CGV). Up to March 2016, all valuations requiring CGV approval were to be forwarded to Dar es Salaam from all upcountry regions and districts involving actual travel of up to 1,300km in some instances. Five zonal offices have been subsequently established around the country which is hoped will easen out the efficiency problem. The number of valuations approved by the CGV has steadily increased over time from a mere 567 in 1995 to over 11,000 in 2014. These have been valuations for various purposes as summed up in Table 1.

Table 1: Average Valuation Approved by the Government Valuer 2014-2016

Valuation Purposes % of the Total											
Mortgage	Transfer	Renewal (Land	Matrimony	Bail	Financial Reporting	Probate	Insurance	Dispute Resolution	Compensa ion	Total
42.4	51.9	1.1	0.8	1.0	0.6	0.6	0.1	0.2	1.3	100.0

There are three distinct group of valuers practising in Tanzania (i) Ministry of Lands Valuers commonly referred to government valuers operating from the Ministry headquarters in Dar es Salaam or those working in urban and rural district countils and up to 2003 included Regional Valuers(ii) Public Servants in Parastatal organisations and (iii) Private Valuers (Waigama, 2008). Most of Government Valuers are either with the Ministry of Lands and Human Settlement Development or with Local Authorities in urban or rural district councils. Valuers that are in civil service but working outside the Ministry of Lands in other Government departments such as the Ministry of Defense, President's Office(PCB), are not usually considered Government Valuers.

The major duty of Government Valuers is to assist in the implementation of land development policies and co-ordinate development in line with planning requirements. They mainly deal with statutory and taxation valuation including valuation for land acquisition compensation, capital gains, stamp duty, rating, land rent assessment etc. Government valuation service is also necessary to facilitate the decisions for the consent over various dispositions such as transfers and mortgages (Komu, 2002). Municipal valuers are professionally responsible to the Ministry of Lands while, administratively are responsible to the Ministry of Local Government.

On the other hand Private valuers deal with non-statutory and non-taxation valuations except for situations where mass valuation is required such as in rating and compensation. Private Valuers have to operate from recognized firms as per provisions of the Professional Registration (Surveyors) Act of 1977. A much wider range of services is offered by private valuers/firms which may include valuation services for different purposes, enterprise valuation, Estate Agency and Property management/consultancy, advice on the feasibility and viability of property development decisions. Clientele of private valuers is usually large firms, banks and other financial institutions, public companies particularly so in asset valuations

Typically valuations that are not governed by statute such as for purposes of sale/purchase, financial reporting, bail and insurance do not require the CGV approval. However, some valuation customers have insisted and required their valuers to have the valuation stamped by the CGV. As a result about 1.7% of the valuation approved during the last 3 years are those that would ordinarily be sufficent to be stamped by a licensed and registered valuer (Baruti, 2016).

4. Challenges facing the valuation profession

4.1 General Global Challenges

There is a lot of debate as hinted before as to the future of the valuation profession. Primarily because of the origins of the valuation and its infancy hence less grounded in research and loose industry-academia linkages, as observed by Elliot & Warren (2005) valuation profession has been confined to practitioners mostly in the public service and in a few consulting firms around the globe. Elliot & Warren (2005) see the future of the profession in the hands of the practitioners more than in the hands of universities, which is probably the most correct observation. University valuation programs around the globe are limited to undergraduate level and even then most of the programs are a concoction of the allied disciplines such as real estate, land administration/management, finance/land economics, business, investment/taxation etc. It is not considered as singular program that could stand on its own. Baxter (2007) shares the same view and even adds that the major threat of the valuation profession is the development of these related fields as offshoots of economics which:
'*…has largely supplanted valuation studies as the mainstream content within many academic programs…leading to more rounded property professionals, with ability to move in several career directions, which by necessity dilutes the thrust of key valuation study*…"p446.

It is interesting to note that African Conferences are overwhelmed with presentations on housing/human settlement-related papers irrespective of the major themes of the conferences, followed by Poverty-related subjects. Kironde(2005) for example sees the expanding role of the Ardhi University as more of improving capacity in the fields of land administration for secure tenure which may or may not include valuation training. The embryonic relationship that attaches valuation practice in Tanzania to land sector overlooks the other equally important and more significant relationship between valuation and the business sector, both as requirements for asset measurement and reporting in normal financial books and working of the capital markets.

Competition from other professional bodies poses another major challenge for the valuation profession. In some countries valuation has for historical reasons been the domain of civil engineers (India is the best example), finance/accountant or indeed stock verifiers and tax consultants. Valuation of enterprises (also referred to as Business Valuation) has particularly been an area that does not seem to have a particular dominant discipline to tackle. Generally however it can be argued, the potential of the valuation profession has not been realized in a number of countries and especially so in Africa and its role has been for several years minimal. But this does not mean that the valuation profession is not important, rather its popularity has not been as widespread and therefore its presence has not been similarly felt as strongly as it should.

Box 1- TRA takes Over from Municipal Valuers
Unveiling the national budget proposal for the 2016/17 financial year, Finance and Planning Minister, Dr Philip Mpango, said in the National Assembly recently that TRA was going to take over the duty of collecting property tax from the local government. He noted that the move was aimed at maximising revenue collection from the current booming housing sector. TRA Domestic Revenue Commissioner Elijah Mwandumbya told the 'Daily News' that the authority would conduct a special vetting exercise in the selection of local government staff who would permanently work as tax collectors (Daily News, 7/7/2016)

Indeed in the debates leading to the passing of the new Valuation Bill in Tanzania during 2014-2016, it was clear that it was the significant role that valuation plays in an economy that has attracted related disciplines to maraud it. The new government in Tanzania under President Dr John Magufuli was the first to take a crusade on the valuation profession by transferring property taxation hitherto the key functions of the Municipal Valuers to the Tanzania Revenue Authority which does not have valuers in its employment ranks (Box 1). Elsewhere, accountants, engineers and economists working in valuation-related departments have taken lead to usurp the functions of the profession, usually by insisting on education program at post-graduate level as a requirement towards entry to the profession. The reason for this could well be due to the earlier statements that we made above vis-à-vis the valuation origins, but there is evidence to suggest that power of professional valuation bodies has been split along the emerging disciplines. This has been more pronounced in countries where valuation grew from surveying bases such as Tanzania. In these countries, a wide range of allied disciplines have emerged such as real estate, land management, property management, facilities management, marketing, property economics, land economy etc. Each of these split disciplines has also tended to have its own professional body leading to weakening of the profession's bargaining power. Global pressure particularly from the old and well-established finance-related discipline has been brought to bear on the valuation profession as well.

The profession has also been challenged by the adoption of automated valuation such as computer-aided mass appraisals (CAMA). In quest for quick results especially in property taxation and similar large-scale valuations, governments have resorted to statistical techniques in sampling properties to be valued, thus reducing the number of valuation assignments that would have been involved. In subsequent revaluation, desktop computing has been used to update the data without any actual valuation inspections. In countries such as Australia, mortgage banks have also carried out desktop valuations. These developments are likely to continue particularly with the improvements in the geo-information systems and digital imagery techniques. Against these challenges are the opportunities that the market has availed to the profession. One major incentive for the profession to grow has been the globalization of property market services and the new valuation agenda largely as a result of the adoption of International Financial Reports Standards (IFRS) which became mandatory in 2005 and national economies in Africa. Tanzania embraced the IFRS with effect from July 2004. In Tanzania, a large number of the old practicing valuers have been pitted against new graduates who they are affectionately referred to by the former, the ‘dots.com’ because they have their fingers on computer keyboards and carry out thorough data analysis on computer spreadsheets.

4.2 Challenges facing Valuation Practice in Tanzania

The valuation profession in Tanzania is challenged by four key factors. These are (i) inability to factor uncertainty in valuation assessment (ii) changing business environment (iii) frauds; and (iv) incompetence mainly resulting from lack of continuing education. An attempt is made to give an example for each of these factors as drawn from the interviews during August – September 2016.

4.2.1 Managing and Disclosing Uncertainty in Valuation Reports

Property valuations is all about being able to predict the real estate market behaviour over a time. From the interviews, it was crystal clear that a good number of valuers had failed to properly evaluate impacts of ongoing projects on the future value of the properties they were valuing. In one stark example, a bank had advanced a sum of money against a collateral valued at TZS 150m in the city of Dar es Salaam in 2012. This was a property located on the other side of a creek where a bridge was being constructed. The bridge was completed three years later but by which time the borrower had defaulted. In the foreclosure proceedings, the propety was valued by another valuer at a sum of TZS 95m. In the interviews with the first valuer, it was conceided that the valuation had been greatly influenced by the fact hitherto landlocked location was to be opened up by the construction of the bridge and land value rates that the office of Chief Government Valuer had circulated. What was not obvious to the Valuer was the fact that the area immediately after the bridge had just been declared a planning area and compensation payments for those who lost land had not been effected. In defiance of an order to vacate the land, the original occupiers of land had erected buildings blocking the access roads and reduced accessibility that the subject property enjoyed in 2012. It is arguable whether the Valuer had a reason to question the positive impacts of the bridge, but this is not the main line of argument. The Valuer was swayed by the impacts the bridge would bring to the extent of not studying what was happening in the locality that he was placing values. A detailed examination of the first valuation report revealed the Valuer had not made any statements regarding the locality other than the fact that the bridge would spur land values in the area.

In another example, the real estate market prices in the city of Dar es Salaam shrunk over a very short period of time on account of political statements made by Government Officials. The government had announced an upper limit of a number of urban plots one could own during last quarter of 2015. As a result, targeted individuals put on the market the excess number of plots that they had which the market was not able to absorb. Consequently valuations carried out during the first six months of 2016 reflected low values that were on average less than 60% of the onging rates in January 2016. By August 2016 the land value rates had reverted to the earlier position. A similar event happened recently over the country's desire to transfer government seat from Dar es Salaam to the central Tanzania, Dodoma. Political sentiments and the working of the real estate markets are interwoven and where a Valuer does not take the longtime view of the potential impacts, it is likely that he will make an assessment that is unrealistic.

4.2.2 Changing Business Environment

The business environment has greatly changed in Tanzania. There are at least three broad sector areas where valuers are practicing in Tanzania and each of these has its requirements and desire for a code of conduct on one hand and on the other may require associating with other related disciplines when serving a particular client. The sectors are (i) Finance Sector- where it is more likely that the Valuer works with those with accounting/Finance skills in security markets, enterprise valuations, and general investments sectors (ii) Government Sector- mostly with Ministry responsible for Lands, housing and urban development (typically what Tanzania has had for years); and (iii) Local Government Sector- apparently a dormant sector in terms of human resources in various disciplines- but highly potential sector for practicing valuers where local governments aggressively pursue measures to increase local revenues either through levies, taxation or such other means. The practicing valuers in this sector may have to work within defined regulations which may be different from those of the above sectors.

More important even the basis of valuation could be different when working for a particular sector. What is obvious is the general reporting by valuers irrespective of the type of valuation being carried out. There are four key areas that valuers need to address if they have to remain relevant in the market:

(i) Understanding the dynamics of the real estate markets

    Due to growing complexities of real estate markets and the need for multi-disciplinary approaches not only in real estate project idea formulation, investment analysis but also in real estate transactions, it is imperative valuers in developing countries like Tanzania acquaint themselves with skills to work in teams with other professionals and taking lead. It is as Scarrett (2008) observes crucial to develop an understanding of the market operations and its actors in trying to interpret the working of property investment markets.

    As rightly pointed out by Wayman et al., (2011), there is a need to critically examine the valuation approaches in the context of the changing business environment and this entails not just understanding how the real estate market operates but more how they interact with the other investment markets. Real Estate Markets have never been efficient and not likely to be and hence there will always be uncertainty which is what property investors bank on to win against each other. It is this battling that a Valuer has to manage being impartial.

(ii) Recognizing the need for higher level of precision and reliability:

The public at large and the valuation customers are increasingly being made aware of the quality of services that they should expect from a Valuer. Notwithstanding the turmoil in the real estate market, a Valuer should strive for higher precision and reliability. This requires an examination of the usefulness of the traditional valuation methods which may not be easy as pointed out by Dell (2013). While all 25 practising senior valuers interviewed during August – September 2016 believed the complaints on acuracy of valuation were genuine, 9 respondents thought the reason for inacuracy was non-application of statistical analysis of the valuation data collected. For this group, value estimates are likely to be more precise where a large dataset is established and analysed. This contrasted with 6 other respondents who argued valuation estimates can be an outcome of a mathematical analysis but not a mathematical nor statistical product. The resulting value estimates must be subjectively examined to find out whether it makes sense or not.

Quite right, the six respondents were echoing Dell(2013) who argues: *"…real valuation requires only simple descriptive statistics…it is the econometric modelling concept that is important…*" He urges the valuation profession to engage in critical thinking on what the value assessment data means to the practical world. Often, it is not the mathematics or the rigour of data analysis but resorting to wrong assumptions (inferential approach), the attempt to stick to theoretical statistical purity instead of aiming for understandability and usefulness of the results.

It was also the case that Valuers did not make use of existing data at all in the studied cases. Hunch of what a rate to apply seems adequate for most valuers and in a relatively more informed cases, valuers will pick up a phone and call a colleague who volunteers a rate to be applied. This is irrespective of any information that is available in the market.

The remaining 10 did not agree that valuations being carried out in Tanzania were ridden with inacuracy. The main argument advanced was that in foreclosure transactions, banks have been ill-advised on the mode of disposing pledged collaterals. Examples were cited on three instances where properties were sold in a public auction in three different trading periods but the same participants showed up in the auctions suggesting a cartel of actors in public auction.

(iii) Misconstruction of Traditional Valuation Approaches:

The objectivity of a valuer is overwhelmed with the requirement that he or she makes impartial judgement as to the reliance to be given to different factual data to arrive at a conclusion (IVSC , 2013). Since publication of the IVSC Valuation Standards, there has been a hierarchy of valuation definitions. IVSC recognizes three approaches (i) Income (ii) Market; and (iii) Cost. Choice of an approach will depend on the purpose and nature of the valuation. What is not as obvious from IVSC is the fact that the IVSC was found on the specific requirements for financial reporting and later lending valuations. The evolving standards have been developed on the basis of what has to go into the financial statements of companies/reporting entities, mortgages and not on transactions that are typical in the land sector such as expropriation, stamp duty or probate valuations. The emerging gap particularly that related to compensation assessment has been filled by the World Bank Group through the International Finance Corporation 'Safeguards and Sustainability Policies' (World Bank, 2004)and/or the FAO - Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security' (FAO, 2012). These safeguards have introduced a social dimension to the assessment and unfortunately used 'Replacement Cost' as key valuation approach in arriving at compensation assessment.

Guided by the OP 04.12 in particular, practicing valuers in Tanzania have forsaken the other two valuation approaches even when statistical data is available ostensibly to ensure adequate compensation for a lost building structure. Geho & Mwasumbi, (2016) make a strong case for use of 'cost method without depreciation' in land acquisition projects. The arguments advanced are borrowed from the OP 04.12 namely to ensure the affected persons livelihood is improved. These arguments are contrary to the basic principles enshrined in the national laws of Tanzania where compensation assessment should be on the basis of 'market value' and in addition the affected persons are to receive disturbance allowances, transport and accomodation assistance and in the case of commercial entities loss of profit suffered. The use of the 'replacement cost' approach in the FAO and OP 04.12 should not be construed as limiting the Valuer from adopting a market or income approach in computing compensation values. Certainly complaints over inadequate compensation assessment are real and often are not results of the assessment but rather delayed compensation (Komu, 2014).

(iv) Realizing the Human Error and Weaknesses:

Valuers are required under the IVS and several other standards to ensure that the valuation that they do is properly supported by sufficient evidence. Such evidence can be had from physical inspection of the asset, inquiries, computation and analysis. While the local practice seems to adhere to the general provision regarding reporting standards such as setting out the scope of assignment, dates of inspection and the name of valuers who carried out the inspection, there is an observation that general copy and paste syndrome is rampant in the report, some to the extent of misleading the reader of the report. As a result, out of 25 reports examined from different valuation firms, only 6 reports seemed to have taken deliberate action to specifically reflect on the subject of valuation, drew up the relevance of what it was being reported and therefore lending the report more credibility. In the majority of the reports, it was coincidentally found the size of the valuation reports were more or less the same averaging between 15 and 20 pages for residential properties. A closer examination revealed the first 11 to 13 pages were on explanation of the process with different heading such as 'Introductory Notes', 'Instructions', 'Valuation Approach' while the remaining 5 to 9 pages related to detailed description of the property being valued and the worksheets. These last pages were unique to each of the valuation report studied unlike the first part which were both in content the same across the board. This may suggest that since this part of the report is an attempt to set out in clear terms the factual data and necessary assumptions made, then the Valuer may not have had time to consider this in his specific subject of valuation.

4.2.3 Practical Problems affecting valuation profession in Tanzania

There are a number of problems that are associated with valuation practice in Tanzania that may require different treatment:
From various sources, the major problems facing valuation practice in Tanzania are those related to inconsistencies in value-reporting, gross variance in values over similar assets, under-valuation or over-valuation vis-à-vis taxation or mortgage purposes respectively, etc. When studied each of the problems seem to have a solution in having a comprehensive law that govern the practice. The passing of the Valuation Bill in 2016 and the devolution of the Office Chief Government Valuer into 5 zonal offices in March 2016 may seem to have addressed the problem particularly those related to delayed valuation servics, value-reporting and inconsistences. The serious problems that require attention are those dealing with inaccuracies and variances between valuers. Valuers should be aware of the following:

(i) Real estate market cycles are the norm and could lead to a vibrant real estate market as is currently the case in Tanzania which enhances confidence in high values. It is important to build capacity on ways of measuring the cycles and ability to spot the turning points in the market. Actors in the market are more likely to spot a period of change and increased uncertainty which compel them to rush to complete deals. Practising valuers in Tanzania have not recognized the risk that is facing them mainly because there have been no major cases of negligence and resulting liability against them in litigation. Besides, sharing information has been limited amongst practicing valuers especially those in the private sectors who perceive themselves as rival(Baruti, 2016).

(ii) Knowledge about customers' rights: Valuation Customers in the country have had no way of knowing rights that they may have against a Valuer largely because valuation has always been considered a government service that is shrouded with the usual public services. But unlike other government services, valuation is paid-up services and customers ought to be made aware of whatever rights they may have in terms of delivery (fair, prompt etc), quality of report (e.g realizable sale Vs Assessed Value), right to appeal etc.

(iii) Shattered Expectations on Investment Performance
Business clients and investment funds may also face problems such as severe liquidity problems following huge cash withdrawals by investors. The financial crisis that hit the globe a few years ago resulted from doubts over the accuracy of valuations and the corresponding fear of value adjustments. This was one of the main reasons that sparked off withdrawal of substantial amounts of money from the funds (Mpogole, 2014).

(iv) Low-fee related problems:
Unlike their colleagues in the built-environment professions, a Valuer's output is either at the beginning of an investor's financing circle or at the end. In either case, the Investor uses the valuation report to either solicit for a loan or shares and may not be in a position to pay valuation fees upfront. As a result,

- Valuers have tended to be lowly compared with the other disciplines such as accountants, lawyers and architects. The implication being a possibility for quality compromise
- Since clients rely on valuation reports to access financial resources and unlikely to be ready to part with little that they currently have to pay for valuation fees, the tendency has been to contract the cheapest valuer that can be found. This has created room for freelancing valuers who are not easily reachable and regulated.

(v) Unclear Instructions: lack of understanding of the various uses of valuation by a client may also be another source of problems. A limited number of valuation customers were interviewed (3). In all cases, there was concern expressed as why a given property offered as collateral for a loan had different value when valued for insurance. 5 of the reports examined did not seem to be categorical on the purpose of valuation. The purpose of valuation was stated as 'market value', 'investment strategy', and 'business purposes'. In such situations, it is possible for a valuer to adopt a different valuation approach and the results could be different.

(vi) Clients influence on the valuation assessment has been identified as one of the serious problems in Tanzania. Mwasumbi(2014) established about 75% of respondents thought mortgage valuations were influenced by the borrowers while 50% of respondents thought valuations for property taxation were influenced by property owners.

(vii) It is also the case that values of assets would be different in a valuation exercise due to the fact that different rules apply.

5. Conclusions

Valuation is certainly an important and atractive sector in its own right which requires careful handling by the countries. It is an important cornerstone of the financial sector, a view equally shared by many other scholars. It is crucial in the assessment of assets offered as collaterals so that financial institutions have a benchmark beyond which they should not advance loans. It is central in wealth creation and protection both to central and local governments. It sets out the taxable value for variety of taxes and types of assets. Valuation assessments are important in making an informed decision to proceed with particular line of investment whether it is in leasing market or outright acquisition.

The enthusiasm with which nations and particularly emerging and developing countries embrace and introduce valuation as a discipline in their curriculum has been unprecedented. What we however note in some countries is the ease with which they are swayed by the market demand for allied valuation services such as property management. As a result, they have replicated the valuation-training program or re-direct resources to the other non-valuation programs. In the developing world, where the most topical issues are not valuation but rather land redistribution, land management related programs are more popular and pose threat to the valuation as a discipline. Land management programs would cover such subjects as land administration, cadastres, land use planning and resettlement etc. Such programs are easy targets for donor-funded programs and would readily find their place in the universities of these countries. However, it is also noted that in these countries, valuation is well-entrenched in the practical fields where because of land redistributions, potential for valuation assessment for compensation purposes is high, while in the business sectors, valuation for mortgages and financial reporting purposes are also on increase. A rational economy will have to look for ways of balancing resources so as to be able to realise adequate trained skills in both business and land-related valuations.

Current development in the global economy dictates no other way than unification of standards in various disciplines. So long as dealings in real estate continuously become global on account of maturing of capital markets and trading across the borders is made easier with improved communication technology, the need for harmonising valuation processes and methodology cannot be over-emphasized. A global unified approach will ensure consistent approaches in the discharge of the valuation services by the valuers on one hand, and mutual understanding of the roles and responsibilities of the parties to valuation services on the other. For a unified approach, there must be a global definition of the valuation profession. The International Valuation Standards Council and its allied professional associations have put efforts towards this direction in place already. There will always be need to guide development towards this direction and the starting point will be the training at universities especially those in developing countries and Africa in particular. There should be agreement on the basic education required to enter the profession and the universities must agree on a curriculum that ensures and promotes quality products. At industry level, nations will have to agree on reciprocal relations that will enable valuers to work across border.

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BIOGRAPHICAL NOTES

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