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# Property Tax in Anglophone Africa

## A Practical Manual

Simon H. Keith



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Simon H. Keith

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## FOREWORD

There has already been a great deal written on property tax by economists and academics, and there are plenty of text books on valuation. But there are few, if any, books on how to organize a revaluation.

This manual is meant to provide an accessible guide to property tax administration in Anglophone Africa—it is not an academic text book. The text is directed towards valuation officers in Africa, project leaders in the World Bank and other lending institutions, consultants designing property tax systems, and African legislators, politicians, and senior civil servants. The purpose of the book is to make things happen.

The study is the result of a joint initiative from the UK Overseas Development Administration (ODA) and the World Bank, and was developed under the aegis of The Municipal Development Program for Sub-Saharan Africa (MDP). The MDP is a collaborative undertaking of development agencies and African institutions established to help provide the analytical capabilities and resources to enhance the effectiveness of local urban governments in Africa. It is supported by the Africa Technical Department and the Economic Development Institute (EDI) of the World Bank. The general funding for the MDP program for Eastern and Southern Africa is provided by the governments of Italy, Canada, and the Netherlands. The UK's Overseas Development Administration provided funding specifically for this endeavor.

Mr. Keith's paper is part of a series of publications to support the MDP objective of promoting the analysis and debate of policy, strategies, and state-of-the art thinking on topics vital to local government. These publications, and their wide distribution, provide one of the essential elements for analysis: a focus on Africa.



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## **ABBREVIATIONS**

<b>CASLE</b>	<b>Commonwealth Association of Surveying and Land Economy</b>
<b>EDI</b>	<b>Economic Development Institute (World Bank)</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>HIID</b>	<b>Harvard Institute of International Development</b>
<b>MDP</b>	<b>Municipal Development Program for Sub-Saharan Africa</b>
<b>ODA</b>	<b>Overseas Development Association (UK)</b>
<b>VO</b>	<b>Valuation Office</b>





## OVERVIEW

All the countries in Anglophone Africa share a common history of British colonialism. Many of the administrative practices and laws are similar. There must surely have been a model set of legal clauses for property tax produced in Whitehall for the colonial administration to use and adapt to local conditions. The shadow of it still persists in similar phrases found in the laws of many different countries. But the laws and local conditions are not identical for all countries, and therein lies the difficulty in writing a manual such as this.

Inevitably, the advice given is colored by the author's own grass roots experience which is twenty-one years in the UK valuation office, successful implementation of revaluations in Ghana and Nigeria, involvement in projects in Uganda, Tanzania, Somalia, and Pakistan for the World Bank, and a knowledge of the systems in Zimbabwe, Malawi, and Lesotho. If the manual were to cover every circumstance, the advice would be too sweeping to be of any practical use. In general, the guidance in these pages is positive and prescriptive. It will not fit every circumstance without adaptation. The suggested solutions are not the only ones that can work. Experience has shown that the methods of this manual can work in Africa.

This paper is a practical manual written in a condensed style, and for that reason, it would not be helpful to provide a conventional Executive Summary. Only those involved in the practicalities of property tax will need to read it all. The paragraphs below are intended to indicate some of the important points.

The valuation/assessment process is the most time-consuming and most technically demanding. It is only one link in the chain that involves the politician, the collector, and the tax-paying public. There are issues that must be addressed before the practical work can start. These are listed in Chapter 1. They start with broad political issues. The underlying theme is whether property tax is really needed and demanded by the political process. If not, there is no point in embarking on the expensive and politically bruising process. There are institutional issues such as the question of where to locate the valuation office within the government structure (Chapter 1). Public relations issues also emerge as valuation services are required in the public sector for purposes other than property tax (see Figure 1). The advantages and disadvantages of the different solutions are discussed.

Legal issues are addressed in Chapter 1. A proper legal framework must be in place. The main requirements are listed. The basis of assessment is a most important aspect. Figure 2 shows the different possibilities. The author's advice is not to change an existing basis if it works. However, change at times may be necessary when government action is interfering with the property market in areas such as rent control or land nationalization.

The process of setting up a valuation office is also dealt with in some detail in Chapter 2. For an overview, refer to Appendix C which shows typical organization charts for valuation departments.

Chapter 3 deals with collection. Figure 12 shows the collector's yearly cycle. Technically, the process of collection may be less demanding than assessment, but it is equally important in that it is a common cause of failure. It is recommended that there should be some improvements in the collection performance prior to a revaluation.

The central core of the book is Chapter 4 which gives *practical instructions* on how to get a revaluation done. This is dealt with in more detail than the subsidiary issues. For a quick summary of the interlocking processes and the time frame, turn to Appendices A and B.

Chapter 5 covers management issues related to the day-to-day running of the valuations office. The key message is this: The efficient and effective execution of routine administrative duties and maintenance of an up-to-date information base guarantee that future revaluations will be done on a regular basis with minimum effort.

Making property tax politically acceptable is the theme of Chapter 6. There must be "safety valves," the most important of which is an easily accessible and honest valuation appeal tribunal. The author's views on the link between democratic local government and property tax are reflected in Box 12 and Figure 11.

The topics listed below are also covered:

<b>Computers:</b>	A gradual use of computers is recommended with only the valuation rolls being held on the computer at the outset. Further uses are shown in Chapter 2 and Figure 4.
<b>Privatization:</b>	The pros and cons are covered as parts of Chapters 1, 2, and 4.
<b>Training &amp; Skills:</b>	Valuation skills are often in short supply in the public sector. The table in Chapter 2 summarizes the skills required. There are recommendations on how to minimize the effect of the skills shortage.
<b>Buoyancy:</b>	Property tax can be buoyant. Revaluations at not less than 5-year intervals are recommended. Indexation of values in the intervening years is usually less politically explosive than an annual increase in the percentage rate.

Finally, Chapter 7 lists briefly some criteria by which success may be measured.

# **I. PRELIMINARY PLANNING**

## **Policy Issues and Design Questions**

There are several broad policy matters that must be considered and decided upon before addressing the practical difficulties of improving or introducing a property tax. Four "policy issues" are listed in this chapter but not examined in detail. They are followed by two "design questions" which are covered in more detail. The four policy issues are: i) The level of decentralization and central-local government financial flows; ii) Property tax and the general tax structure; iii) Property tax as an efficient and effective means to mobilize local government revenues; and last, iv) How to improve the property tax system. All six issues require input from a number of quarters: politician, civil servant, economist, valuer, and other specialists. As the chapter progresses, the input from the valuer becomes increasingly important; thus his contribution to Policy Question 1 - decentralization - is small, but the two design questions cannot be considered without detailed advice. Property tax is highly political, and it is important to recognize this from the outset. A clear political policy framework is needed at all stages.

Property tax has the potential to yield about 10 percent of the total tax revenue from all sources, whether collected nationally or locally. It is a very visible and hard to avoid tax. There will be many articulate voices heard in protest when the percentage rates go up to realistic levels. It is critical to assess the potential yield against the political difficulties that will be the price of increasing tax revenues before embarking on the time consuming and expensive process of improving the system. If the political price is too high, it is well to recognize this as early as possible.

## **Policy Issue 1 - Decentralization**

The balance of power between central government (or state government where applicable) and local government is not explored in detail here. Property tax is always a central issue in the question of decentralization.<sup>1</sup>

In many instances, a decision to improve property tax may be initiated to give local government the financial resources to fulfill its obligations. Therefore, before any decision or action is considered on local government finance, it is necessary to assess, first, how much devolved power local government already has both in theory and in practice; second, whether there is a policy to make a greater devolution of power; and third, the extent to which central government is in practice prepared to give up its control over local government. It is usual for lip service to be paid to the concept of devolved power. It is also normal for central government to try to retain control, often for apparently sound reasons. It may be argued that local government has not yet the experience to manage its financial affairs unaided, and must get this experience before devolution. Central government also becomes uneasy over the prospect of local government pursuing policies that do not accord with its own. Such considerations may

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<sup>1</sup> Rates and property taxes are usually a local tax. This is not invariably so, although they are better suited to local rather than central government needs.

well become relevant to property tax which may give local government the scope for financial independence.

The following is a check list to aid in assessing the present situation:

- What percentages of local government income comes from central government and locally generated finance at present?
- Have these proportions always been the same? If applicable, look back to when local government was more efficient.
- How far can the central government grant be replaced by an improvement in locally generated income? You may not be able to answer this question until an exercise has been carried out to assess the potential yield of property tax (see Appendix F).
- Has local government independent powers in law to set tax rates or charges or are these controlled by central government?

### ***The Future***

- Is central government prepared to give up some of its powers? If so, which ones?

As early as possible in the process central government should be asked to consider their loss of control resulting from real devolution of power. Local politicians should be educated in the opportunities that more revenue would bring and in the enormous political difficulties of levying taxes.

### **Policy Issue 2 - Is There Room for Property Tax?**

No tax can be considered in isolation. Any proposed improvement to property tax must be looked at in the context of the tax system generally, and not only in relation to locally-generated revenue.

The first aspect to examine is how far other taxes affect property and whether this could affect proposed improvements to property tax. There are two main areas of concern. How will the combined burden affect the property owner? It is obviously undesirable to overtax a particular sector, for both political and practical reasons. The second aspect is the interaction between taxes. There may need to be complicated provisions in the law. There may be administrative difficulties. On the other hand, there could be administrative opportunities. One valuation may be usable for two purposes. Information from one tax may be useful in relation to another.

Some aspects of the taxes to consider and questions to be asked are these:

- *Income Tax and Corporation Tax.* Ascertain general level of tax. Look at the methods of collection and the performance. Will they hamper the operation of a local property tax? Is local property tax an expense allowable

against income for tax purposes? If so, an increase in property tax will in some part be offset by a reduction in the income tax yield.

- *Stamp Duty.* Does it exist? What is the level of tax? How is it administered? Is it levied on the value shown on the face of the document, or at a market value assessed by a government valuer, or by reference to some other method?
- *Sales Tax and/or Value-Added Tax.* Does it exist? Does it apply to property transactions? Does it apply to building works?
- *Other Taxes.* Are there any other taxes specific to property? If so, their impact must be considered in detail to ensure that there still remains room for a local property tax.

There is a more fundamental question to consider. Does the tax regime leave room for an increase in property tax? There is no simple answer. It will be a matter largely for economists and politicians. However, the valuer can assist considerably by advising on the probable values of ten-to-twenty typical properties when revalued. From this, the annual property tax payable in each case can be calculated and a better judgement can be made of the effect on individuals and businesses.

In Africa there is usually plenty of room for improvement of property tax. Tax as a percentage of Gross Domestic Product (GDP) is not usually high. The better-off section of the population, who will bear the main burden of an increase in property tax, are typically well able to afford it.

### **Policy Issue 3 - Is Property Tax Needed?**

The question whether locally-generated revenue needs to be increased is beyond the scope of this book. It is assumed that this question has already been decided. However, it should be noted that local politicians around the world avoid taxing their constituents if they have alternative sources (especially central government grants) to fund local expenditures. Local politicians must have strong incentives for mobilizing local resources, including property taxes.

All possible sources of local government revenue (tax, fees, licenses) should be examined with no initial bias towards any particular source. It should not be assumed at the outset that property tax or any other particular tax has an elevated place in the overall strategy. There is, in any case, no one tax that will solve the problem of local government revenue on its own. Property tax, or an increase in property tax, should be considered along with other taxes. The valuer can assist by providing the technical information in relation to property tax. He/she may also be able to provide similar information in relation to other fees or taxes. For instance, property rents often form a small but significant part of a local government income.

The first task is to identify all the sources of locally-generated revenue collected at present and assess what percentage each represents of all locally-generated funds. Then consider each under the following headings.

**(a) How Efficient?**

Look at the methods of collection in operation, talk to the collection staff and form a judgement of the collection performance success rate at present and the possibilities of improving the collection performance at the current level of fees and taxes. Consider also the cost yields ratio.

**(b) Raising the Level of Taxes and Fees**

Consider the possibilities for increasing the level of tax, fees, or license. Are they buoyant with inflation? How are the levels decided? Are there administrative problems to raising the levels? How much will the improved tax or fee yield?

**(c) The Political Impact**

Property tax, for instance, should be cheap to administer. It does not pose any insuperable technical difficulties. It does cause political difficulties. When considered in relation to other taxes this is usually its weakest point.

It is obviously better to improve what already exists. Only if all the steps above do not provide local government with the revenue required should new sources of revenue be considered. New taxes, fees or licenses bring with them the problems of the creation of new bureaucratic machinery and the need for publicity to create public acceptance.

**Policy Issue 4 - Is There Scope to Improve Property Tax?**

A step-by-step guide is included in Appendix F, which shows how to examine the existing records, carry out a field exercise, and estimate a potential yield after improvements or a revaluation. It is necessary to know in detail how good the present system is. There will be defects. There will also be some strong points which can be built on. (However, there always are, unpromising first appearances may be.) The exercise must be carried out to its logical conclusion: the estimated yield of an improved system.

**Design Question 1 - Administrative Arrangements.**

If the public sector is to be satisfactorily provided with the valuation services it requires in the long term, the situation of the valuation office(s) and the valuers serving in the public sector must be such that they have a proper institutional status within which to carry out their function.

There are two problems. First, the public sector valuer serves several institutional masters. Second, valuations are matters of personal opinion and judgement, and the valuer must therefore have sufficient rank, status, and independence to make his/her personal judgement. Mass appraisal methods do not avoid the need for personal judgements which have to be made on methods rather than individual properties.

Figure 1 below illustrates the different types of valuation/property service in relation to the public sector clients who require them.

**Figure 1**

**Public Sector Valuation Requirements**

Type of Service	Client			
	Local Government	Central Government Tax Authority	Other Central Government Departments	Parastatals
Property Tax or Rates	Yes <sup>1</sup>			Yes <sup>3</sup>
Other Tax Valuation (Capital Gains, Stamp Duty, Betterment Tax)		Yes <sup>2</sup>		
Acquisition of Land (Eminent Domain)	Yes		Yes	Yes
Management of Public Land <sup>4</sup>	Yes		Yes	Yes

Notes:

<sup>1</sup> Always by far the largest valuation task.

<sup>2</sup> Sometimes these taxes are at state level in a federal system.

<sup>3</sup> Valuation lists may be used as a basis for charging for services.

<sup>4</sup> The need to manage government and other public sector land efficiently is increasingly recognized.

*The Options*

There are three main ways in which the public sector can organize its valuation and estate management resources. There is no one right solution that is applicable in all circumstances. The options are summarized in the table below and are set out in the order preferred by the author.

Appendix I presents alternative ways to pay for the costs of valuation services under different institutional arrangements.

Organization of Valuations and Estate Management Resources			
<p><b>Option A</b></p> <p>One central public sector valuation office serving all clients and carrying out all types of valuation and land management service.</p>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>+ Best and most economic use of scarce valuation and technician talent</li> <li>+ High job satisfaction for staff</li> <li>+ Good career structure</li> <li>+ VO has independence of opinion</li> </ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>- Client departments cannot make priorities and often feel their own work is unduly delayed</li> <li>- Financial control is more difficult</li> </ul>	<p><b>Difficulties</b></p> <p>? Where do you place the valuation office institutionally? Ministries of Finance, Lands, Environment, and Local Government all have a claim</p>
<p><b>Option B</b></p> <p>Each client department has its valuers or valuation department.</p>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>+ The client department and valuer know the work priorities</li> <li>+ The valuer can specialize in a particular type of work</li> <li>+ The client department has financial control over the valuation work</li> </ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>- Uneconomic use of scarce professional and technical resources</li> <li>- More difficult for the valuer to make a detached judgement</li> <li>- No career structure for the valuers</li> <li>- More difficult in the fragmented situation for the valuers to acquire and record the market information necessary to do their job</li> <li>- Less job satisfaction</li> </ul>	
<p><b>Option C</b></p> <p>Privatization of some of the valuation services.</p>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>+ Flexibility. Services can be bought on the market as and when required</li> </ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>- Confidentiality. Particularly a problem if the private sector is used for tax valuations</li> <li>- Conflict of interest. Always a problem but particularly for property tax</li> <li>- Uniformity. There will be difficulty in maintaining a uniform approach if several firms are used</li> <li>- Lack of public accountability</li> <li>- More expensive for larger tasks</li> <li>- Quality control is more difficult</li> </ul>	<p><b>Difficulties</b></p> <p>? Costs and standards. The cost of bids by the private sector must be related to the standard of work required and delivered. It is difficult, but not impossible, to define and assess professional valuation standards.</p> <p>? Continuity. If the task requires continuity, and much of the work listed above does, the initial bid may mean little in relation to the long-term cost. If private firm(s) are used on a long-term basis they gain experience and knowledge that makes it difficult for them to be replaced and consequently the firm gains a leverage in negotiation on fees.</p>



**Box 1**  
**Experiments in the U.K.**

The UK, having abandoned domestic rates in 1990 for an unpopular poll tax, is now returning to a property-based system. The "**Council Tax**" creates a tax base for 21 million domestic properties based on a classification system according to the capital value at 1992. Every property is assigned to one of eight bands, from band A for properties worth less than £40,000 to band H for those worth more than £320,000. Non-domestic properties continue to be assessed on a rental value basis under separate provisions.

For more than a decade, local government finance has been an area of vigorous political debate. Poll Tax proved unacceptable to the tax paying public. The aim is to introduce a system that reduces the political disadvantages of a property tax system. The hoped for advantages are that no full revaluations will be needed as the relativities will remain largely unchanged. It is also expected that there will be fewer appeals. It will be clear into which band most properties should fall.

The major defect of the Council Tax is that it is regressive. This is especially so in the high value areas where the majority of the houses are worth more than £320,000.

The classification of 45% of the properties was done by the staff of the Valuation Office. The work for the other 11.45 million was put out to tender to the private sector. Three hundred and fifty firms were awarded contracts at total cost of £19 million.

There are reasons for the surprisingly low average price of £1.58 per property. The first is that classification is simpler than valuation. The second is that the work coincided with a slump in the property market, and many involved in the domestic property market had time on their hands. The third is that the firms had access to the comprehensive Valuation Office records and only external inspections were required. Lastly, the preparatory work for the tenders was very carefully done so that the firms knew exactly what was required of them.

Quality control did however prove to be a problem. In the case of 6.3 percent of the contract firms, the error rate was such that the work had to be resubmitted to them. Notwithstanding this, the privatization of the work is considered to be a success, but it does illustrate the need for careful preparation and quality control.

**Design Question 2 - The Law: What Must Be Specified?**

**(a) Basis of Assessment**

If a property rating system exists, there needs to be very good reasons for altering it. If at all possible, keep the system that valuers, politicians, and the public know. There may well be criticism of the existing system. There is always criticism of any tax system and changing the basis of assessment will not necessarily reduce it.

The valid reasons for change are usually either that the system is not working well now or will not work well if the property tax system is to be asked to produce more revenue.

There are many bases of assessment that can be used. Figure 2 sets out eight which are possible in theory. At least four of them are known to be in use in Africa.

**Figure 2**

<b>Bases of Assessment</b>		
<u>Conventional Options:</u>		
	Existing Use	Highest & Best Use
a) Capital Options:	* * *	* * *
b) Rental Value	* * *	*
c) Site Value	* *	* *
<u>Other Options:</u>		
d) Value of Improvements	* *	
e) Artificial Bases	* *	
* * *	In use in many countries	
* *	Some examples known	
*	Possible in theory but unlikely in practice	

The key issues identified by number in Figure 2 are discussed below.

*Capital Value*

This is perhaps the most straightforward basis: the price that the property would sell for in the open market.

### *Rental Value*

This is the price that the property would be let at from year to year.

### *Existing or Highest and Best Use*

In some systems, the basis of assessment and value is confined to the current use of the property. The value is that which would be paid if the property could never be used for any purpose other than that to which it is presently put. The "highest or best" use basis, on the other hand, is the value which the open market would put on the property for whatever potential it is believed to have, taking into account planning and zonal restrictions. In a small minority of cases, it will be greater than the existing use. In theory, all six cases in the matrix are possible but some do cause difficulties. For Capital Value/Existing Use there is the problem of vacant building sites. Their existing use may be nil, but it may be desirable to tax them to discourage the hoarding of land. A similar difficulty exists for vacant sites in the Site Value/Existing Use option. It is not a practical proposition to use the rental value to approximate the potential use value.

### *Site Value*

The site value basis is the value of the property as if cleared of buildings but ready for development, with the benefit of such services as exist. The development that is to be envisaged is either the same size and use as that actually existing or the maximum that could be legally built for which there is a demand.

### *Value of Improvements*

In the many countries in Africa, where the land is nationalized, there may be a conceptual difficulty in applying any of the bases above. In theory, the lessee is paying the full price for the land in a ground rent to the state and owns only the improvements thereon. In Ghana, the basis of assessment is the value of the improvements only. As the market does not in reality match this basis, the assessment is in practice calculated from the depreciated building cost. A disadvantage is that building costs do not reflect value. Building costs may be greater in the remoter locations compared to the more valuable central business district. The Ghanaian solution has been to apply different percentage rates to many different locations. A system based on market value avoids this necessity.

### *Artificial Bases*

An artificial basis is one that does not rely on value or cost but specifies a figure per square meter, or per room, or some other method. At first sight this option is attractive. It seems simple and does not require expensive professional expertise to apply. In practice, the simplicity may prove illusory. For instance, how do you define a "room"; or will all buildings, whatever the quality, have the same rate per square meter? The strongest reason against choosing an artificial basis is that it limits the potential of the tax. In most valuation lists, the most valuable 10 percent of the properties constitute perhaps 40 percent of the total value.

An artificial basis of value will not tap this potential. The potential yield is therefore reduced, and the tax becomes more regressive.

**(b) Who Pays?**

The law must state who is liable for the payment of property tax. The main options are the occupier or the landlord. In the UK (before 1990), the occupier is liable for rates whatever his/her legal status, and the rating system is a tax on occupation which fits well with a rental basis of assessment. The advantage is that it is simpler to trace an occupier who can be found at the property. Landlords can be elusive, especially where the land registration system is imperfect. From an administrative view, it is preferable to tax the occupier. There are political disadvantages in that there are more tenants than landlords, and it appears to tax the poor and less advantaged occupier while leaving the richer landlord unscathed. For these reasons, most African countries specify the landlord as the taxpayer. It is accepted that it may not be politically feasible to specify the occupier as taxpayer, however convenient that may be to valuers and collectors. The definition of who pays should seek to facilitate the collectors task; therefore, the taxpayers should be readily traceable. It should not depend on legal status. Registration of title and the legal status of the occupier are uncertain in many parts of Africa. However, the property tax system should not be held back by this. A suggested solution is that *the occupier should be primarily liable unless he/she is paying rent, equivalent of more than (say) 30 percent of the rack rent at the time of revaluation; in which case, the person liable would be whoever receives that rent in whatever capacity.* The liability still remains broadly with the landlord. The rationale behind the suggestion is that even where the occupier does not know the name of the landlord, he knows if he is paying rent and to whom. The reason for the suggested 30% limit is that in cases where there is a low ground rent, passing the liability should remain with the occupier. It would be unjust for a ground landlord to be liable for property tax when receiving only a low rent.

**(c) Plant and Machinery<sup>2</sup>**

The law should seek to define what is, and what is not, included as part of the property. In general, the aim should be to follow the practice of the market. All plants, machinery, fixtures, and fittings that normally pass with the property should be valued and form part of the assessment. Those that would normally be removed by an outgoing vendor or tenant should be excluded. The practice of the market will be influenced by the law of fixtures.

The difficulty can be illustrated in relation to air conditioning plants. The small, portable units would normally be removed. The large, central built-in units would probably pass with the property. If the law is to

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<sup>2</sup> Note: None of this section applies where site value is the basis.

follow this custom, the definition of what is included may have to prescribe tests to distinguish the two cases. Size and structural demolition may be the factors specified. If the plant can not be readily removed, because of its size or because a wall would have to be removed, it might be defined as forming part of the property. In most African countries, the English common law presumptions concerning fixtures prevail, little modified by statute law.

In general, there is rarely any difficulty for dwelling houses. For most commercial properties the problems and amounts of tax at stake are not great. For some large expensive properties, the difficulties are many and the money at stake considerable. Oil refineries, breweries, blast furnaces, steel mills, aluminum refineries, and cement works are examples of properties where most of the value is in the plant and machinery. There is no guidance to be had from the practice of the market since such properties are always owner occupied. In many instances, the property may form a significant percentage of the total assessed value for that area, and the definition of what plant and machinery is to be valued as part of the property will be of great significance to the authority.

The law in most African countries was framed before industrialization and will have to adapt to modern circumstances. Failure to do so will cause uncertainty and loss of revenue. Legal draughtsmen may wish to consider the practice in the UK and refer to the plant and machinery order. However, the practice in the UK is not beyond criticism, nor will such a complicated and legalistic approach necessarily be appropriate to Africa.

#### **(d) Exemptions**

The law should be written so that all property is liable for property tax, unless specifically exempt. Exemptions should be kept to a minimum. The common exemptions found in most property tax systems come under these headings:

- Religious (churches, mosques and other places of worship);
- Charitable (usually restricted to non profit making bodies);
- Social (e.g., public parks); and
- Public sector.

The first three headings cause few problems. The public sector exemptions are more debatable. It is generally undesirable for the public services such as roads, sewers, storm drains, bridges etc., to be assessed. It is also probable that water pipes, gas pipes, telephone lines, and electricity lines will all be exempt when on public land. But it is arguable that sewage works, water treatment plants, telephone

exchanges, power stations, and railways should be liable for property tax. However, such properties are difficult and time consuming to value. If the property is owned by the local authority, who is also the taxing authority, it may well seem like a pointless exercise.

Regarding other properties, such as offices and houses owned by central or local government, there is a strong argument for either the payment of property tax or making a contribution in lieu of the tax. The public sector everywhere is a profligate user of land and buildings. The payment of property tax is an encouragement to restrict the usage to what is needed, especially if the burden of property tax is passed down to the individual departments. It is, however, most unusual for central (or federal) government to be liable for property tax. They commonly pay (in theory at least) a contribution in lieu of property tax. The law should state whether government properties should appear in the valuation lists—probably under a separate section. In general, this is desirable because it is then possible to quantify the proper payment. (For military establishments security considerations may be a problem.)

**(e) Duties of a Valuation Officer**

It is recommended that the duly appointed valuation officer has the following personal statutory primary duties imposed on him/her:

- cause a valuation list to be created where none exists;
- carry out revaluations as the law requires; and
- maintain the valuation lists in a correct state by bringing in entries for new properties, altering the entries of existing properties where changes are made, and deleting the entries for properties no longer existing.

The valuation officer should be answerable to politicians and line managers for matters of policy, but *not* any matter concerning an individual assessment. He is answerable to the Valuation Court in respect of individual assessments.

**(f) Powers of the Valuation Officer**

The Valuation Officer and his staff require these powers to carry out their duties. (See an example from Lesotho, in Appendix K).

- *Inspection of Property*: powers to go on to private property within normal working hours, after due notice and having produced identity documents.
- *Returns of Market Evidence*: powers to require the completion of questionnaires about sales and leases.
- *Inspection of Books*: powers to inspect the accounts and records where relevant to the value of a property.

**(g) Appeal System<sup>3</sup>**

On a first appeal against an assessment, the system should be simple, cheap, quick, transparent, and readily accessible to the taxpayer in person. It should be manifestly independent. The format of the Court will be that of a local tribunal. The law must address these matters:

- (i) *The Composition of the Court or Tribunal.* A common formula is to provide for three tribunal members for any sitting: a legally qualified chairman or president, a "lay" member, and a member qualified or experienced in one of the landed professions (architect, planner, or surveyor for instance). None should have any connection with the public sector.
- (ii) *Rights of Appeal to the Tribunal.* In most African systems, the right of appeal is restricted to a period of one or two months from the deposit of the draft list or a change in the current list. It is recommended that rights of appeal should be widened. (See Chapter 6 about a political safety value.) It may be desirable that any appeal made after the draft list, or after a period of three months from the allocation of an assessment, be conditional on all property tax demands having been paid. Any subsequent reduction would then require a repayment.
- (iii) *Rights of Appeal From a Tribunal Decision.* In most countries there is only an appeal on a point of law.
- (iv) *Costs.* It is recommended that the tribunal should not have the power to award costs to the successful party.

**(h) Powers of Collection**

In addition to specifying how taxpayers will be billed and when payment is due, the law must give powers of enforcement. Some or all of the following should be considered:

- *Penalty:* an addition of a prescribed sum to unpaid bills. The amount specified must be well above the rate of inflation and more than it would cost to borrow the money from a commercial source.

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<sup>3</sup> Note: It is probable that a valuation court or tribunal would not be concerned with enforcement but only matters of assessment.

- *Distrain*: The seizure and sale of goods belonging to the taxpayer to satisfy the property tax debt.
- *Attachment of Rent*: an order to the tenant to pay his rent to the property tax authorities. The landlord must then accept the receipts as (part) payment of rent.
- *Charge on the Property*: the tax payer would be unable to dispose of the property until the debt had been settled. This remedy depends on a system of land registration.
- *Sale of Property*: the seizure of the property and sale of it to discharge the debt.
- *Imprisonment*: the detention of the taxpayer until the debt is paid.

The law must give what powers are considered necessary and politically desirable and set limits on those powers.

In general, the sanctions are listed in order of severity. It is likely that only the first sanction can be taken without a court judgement. It may be that only the first two sanctions can be enforced without a second court order. The law must be absolutely clear about enforcement matters. An example of Valuation and Rating Law from Malawi is attached in Appendix J.

**(i) Frequency of Revaluations**

The most commonly specified is every five years. It is desirable to increase the frequency. The ideal is annual readjustments of value as happens in North America, but this requires full computerization.

**(j) Indexation**

Indexation is desirable, and there must be powers in the law that make it permissible whether or not it is administratively feasible at the time.

**(k) Date of Valuation**

The law should state the date of valuation in respect of a valuation list. It can be the date when the list comes into effect. If this is the case, the Valuation Officer has to predict the level of values that will be current when the list comes into effect at the beginning of the financial year following its deposit. The work on a revaluation takes about two years and thus it is necessary to predict the level of values that will be current then. The recommended alternative is an "antecedent date" of, say, one year prior to the valuation list coming into effect. The valuer does not then have to guess future levels of value.



Whatever the valuation date, all subsequent amendments to that valuation list should be at values current at the date of valuation. The process becomes more complicated after indexation but prior to a revaluation. The valuation will be as at the valuation date but then increased by indexation to arrive at the assessment.

**(l) Altering the Valuation List**

There must be powers to alter the valuation list to reflect changes in circumstances. Supplementary lists are normally made at least once a year between revaluations. The rules should take into account the use of computers.

**(m) Valuation List**

One format of the valuation list is dealt with in Chapter 4. The law should provide the minister or other appropriate authority with rule-making powers concerning the format. The valuation list should be a public document, and the law must give the public the right to inspect the whole list (not just the taxpayer's own entry) at all reasonable times. It will be necessary to specify who holds *the* valuation list and who holds copies of it.

**(n) Setting the Rate**

The law must state who has power to set the rate. If there really is devolution of power to the local authority, they will have that unfettered power. In Africa, there are no examples known to the author of local authorities being able to set the rate without the agreement of the central government, or state government in the Nigerian Federal system.



## II. SETTING UP A VALUATION OFFICE

### The Chief Valuation Officer

A revaluation is a major task. It will not be completed without the right leadership. The appointment of the right person to the post of chief valuation officer is crucial. The selection of the right man for the job is the most important decision to be taken. He or she must possess these qualities:

- be a strong and determined leader;
- have a professional qualification in land economy/valuation/estate management, probably of a level equivalent to the R.I.C.S.;
- have at least ten years experience, part of which was in the public sector dealing with rating or property tax; and
- have good communication skills and a "presence" in public meetings.

In many countries in Africa, the public sector is underpaid, and the valuation staff have a low status in the hierarchy. The able valuers may tend to leave public service at a certain age. It is common not to be able to find a suitable candidate in the public sector. It may also be the case that no suitable individual can be recruited at the normal level of the public sector salary. It may be necessary to adopt one of the following ways of bypassing the restrictions in public sector pay:

- Short-term recruitment of an individual from private practice within the country.
- Engage a firm of valuers to provide a suitable individual and perhaps other personnel and equipment at a price tendered in the open market.
- Recruitment on the international market of a suitable expert<sup>4</sup>.

It may be desirable to link part of the remuneration/price to the successful completion of the revaluation. Box 2 presents the case of Lagos.

### The Staff

Figure 3 summarizes the skills required by the different grades of staff. Box 3 provides an overview of valuation training in Africa.

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<sup>4</sup> See Appendix E for Terms of Reference for Expatriate Valuer Assistance.

**Figure 3**

**Staff in a Valuation Office**

STAFF							
TRAINING	CHIEF VALUER	SENIOR VALUERS <sup>1</sup>	SENIOR VALUERS	VALUERS	SENIOR ADMINISTRATORS	SENIOR VALUATION TECHNICIANS	VALUATION TECHNICIANS
Full Professional	***	***	-	-	-	-	-
Some Professional	-	-	***	**	-	-	-
Full Technical	-	-	-	-	-	***	-
Some Technical	-	-	-	-	*	-	***
OTHER SKILLS							
Leadership	***	**	*	*	**	**	*
Administrative	***	*	-	-	***	*	-
Public Relations	***	**	**	*	**	***	**
Political	***	*	-	-	*	-	-
Communication	***	**	*	*	-	-	-

Key: \*\*\* Very important \*\* Important \* An advantage - Not Relevant

1. Senior Valuers in charge of zonal offices

## Organizational Structure

Appendix C illustrates an organizational structure suitable for a country of 10 million and a city of 1½ million. In general, the structure must reflect the geography of the city.

### Box 2

#### Lagos: A Private Sector Solution

Planning for a revaluation in Lagos began in the early eighties. The need had been apparent for some time. The last full revaluation of the then built-up areas had been carried out in 1955 on a rental value basis. Since then the city had grown considerably. In 1973, most of the newly built areas were brought into this rating system on a capital value basis. There were about 60,000 properties in the valuation lists, which was probably about half of the number there should have been. The tax base was well out of date and the percentage rate had not been raised commensurately.

The size of the task was daunting. Lagos had a population that was to reach about 5½ million by 1990, with almost every problem typical of rapid urbanization in a megacity in the developing world. There were, however, strengths on which a solution could be built. First, a sound system of street numbering and street naming existed which allowed properties to be uniquely identified. Second, the valuation profession was well established in Nigeria, and valuers were present in adequate numbers. Third, there was a tradition of achieving revaluations by contracting work to the private sector. This was the method selected ultimately for Lagos, although political changes caused many delays before the process started in earnest.

The first and most important step was the recruitment of a "Director of Valuation" on a 3-year contract. The successful candidate was Nigerian, a partner in an international firm of surveyors and valuers. Recruitment took place in 1988, although it was not until mid-1989 that satisfactory office accommodations could be provided. The valuation was to be effective by April 1991, and with a staff of 36 the only option was to use the private sector for the majority of the task.

Although there are one or two larger firms, most practitioners are in business on their own account with a few assistants and no partners. One hundred and sixty firms tendered for the work. In the event no fewer than 61 were used for the 71 zones. (Three zones were done in house and some firms did more than one zone). Supervision of progress, quality, and consistency was a difficult problem. Nine of the leading firms were selected to supervise teams of the other firms. In the event the main burden fell on the Director of Valuation. The contracts were let in late 1989. "Enumeration" (which means identifying and numbering) started in February 1990, and was concluded in May. Valuation started in June 1990, and was finished in October. Generally, the firms delivered the work on time, and the revaluation was completed on time: a remarkable achievement.

There are lessons to be learned. The first is that it is possible to get a valuation done very swiftly, even in adverse conditions, with the assistance of the private sector - but only if a strong private sector exists. The second lesson is that with this solution it is difficult to control costs. In the end in Lagos, the amount of money available with which to pay the private sector fees was cash limited by the amount of the World Bank loan.

**Box 3**  
**Valuation Training in Africa**

Any examination of opportunities to train in valuation is not helped by the many different titles by which the profession and academic courses are described. "Valuers," "appraisers," "assessors," "estate managers," "valuation surveyors," and "land economists" are all essentially different descriptions of one profession. The relevant academic courses have just as many titles.

There are opportunities to train in Africa, but in only a few countries is the supply of professionals sufficient to meet the demand. The latter applies to Nigeria where the profession has taken root and grown vigorously with six institutions now offering training. Entry to the profession requires a relevant academic qualification. In Ghana, the University of Science and Technology offers a long-standing course in estate management. The profession is well established here.

In Kenya, the course in Nairobi is always fully subscribed and supplies a vigorous and well-trained cadre of professionals. Zambia also has well-designed facilities that were originally meant to supply the training needs of the neighboring southern African countries.

In Tanzania, the ARDHI Institute is of interest because it is an example of how it is possible to develop the training facilities from indigenous resources. Originally, the Institute provided only basic training for surveying and valuation technicians. It now offers a 3-year Diploma in Valuation, and the facilities have resulted in a sufficient supply of valuers for the present needs of Tanzania. In Botswana, a valuation course has recently been established.

Although the profession is well established in Zimbabwe with well-qualified professionals, there are no full-time training facilities yet. The profession is in the process of creating correspondence study courses written by their own members. In Malawi, the profession is also well established but without any means of indigenous training.

Training facilities for valuers exist in the Republic of South Africa, but it is too early to judge whether the political changes will affect the opportunities to train professionals in the neighboring countries such as Namibia, Swaziland, and Lesotho, who may be too small to start and maintain courses of their own. There would appear to be a strong training need within South Africa where few of the valuers at present are black.

The training problems for the future are these:

- Providing training opportunities in Uganda, which is the largest Anglophone country with no facilities;
- Providing opportunities for distance learning in the small countries who cannot support their own courses; and
- Improving the standard of training for technicians in some countries.

**Box 4**  
**A Twinning Arrangement in Accra**

Although a well-established rating system had operated in the main urban areas of Ghana for some time, by the mid 1980's the tax base in Accra was well out of date. The last revaluation had been done in 1960. Inflation since then had been high. Probably almost half the properties were missing from the valuation roll.

Valuation was the responsibility of central government, while Accra City Council was responsible for collection. The Valuation Division had unsuccessfully tried to commence a revaluation but without sufficient resources. If they were to succeed, changes were required. The need was for some short term assistance and a fresh approach.

A twinning between the Ghana Valuation Division and the UK Valuation Office was the selected method. Ghanians received work experience and training in the UK. Three UK valuers joined the Valuation Division on a temporary secondment for a 2-year period from October 1985 to work on the revaluation. Although work did not fully commence on the revaluation of Accra until 1986, the revaluation of Accra (population 1 million) was completed by autumn 1987, and the new Valuation Rolls, containing 70,000 properties, were ready for the Financial Year 1988 in accordance with the revaluation plan made in 1984. The tax base increased 800 fold. One UK valuer remained in post for a further 12 months, but thereafter the Valuation Division had the resources and momentum to continue the revaluation process in other cities without external assistance (although with World Bank financial help).

The success built on other factors in addition to the twinning arrangement. The first was that the valuation profession is organized on sound lines through the well-established professional society, the Ghana Institution of Surveyors, where entry is by examination. Training facilities to degree level are available from the University of Science and Technology at Kumasi. The second key change was the formation of the "Land Valuation Board" to undertake all the valuation requirements of government. This made the public sector a more interesting and attractive place to work for young valuers. Third, the training for valuation technicians had been good for some years.

Why was the twinning arrangement the key to success even with the advantages above? The reason is that after 25 years the institutional experience and knowledge of organizing a revaluation had largely been lost. The expertise of another organization had to be brought in. The twinning arrangement proved a cost-effective way of doing so.

## **Valuers**

Valuers are normally educated to degree and diploma level on full-time, 3-year courses at University or Polytechnic Colleges. Some countries have their own indigenous courses. Information can be obtained from the CASLE who run an accreditation scheme for courses reaching a certain standard and list these courses and others of which they are aware. See also CASLE's "Education for Surveying and Land Economy" in which are published detailed standards for degree and technical education.

Courses include training in the following subjects:

- valuation
- property taxation
- elementary surveying
- building construction
- land law
- planning law
- taxation
- economics

Valuers are needed in both the private and public sectors which commonly have to compete with each other for an inadequate number of qualified valuers. It is usually difficult to consider the training and education of valuers for the public sector in isolation. In the long term, if it is to be an adequate supply of valuers for the public sector, it must be sufficient to meet all the needs of the country. It is unusual in Africa to find an adequate, indigenous supply of valuers who can be readily recruited into the public sector at the prescribed rates of pay.

### **Strategies to Make Up the Short Fall**

*Strategy 1.* Situation: an adequate supply of valuers exists, but there is difficulty in recruiting and valuing in the public sector.

- (a) Liaise with the universities to ensure that graduates are aware of the strengths and opportunities of the public sector.
- (b) Publicize the work of the valuation department. The graduate needs good work experience to build on his theoretical knowledge immediately after graduating. The public sector can usually supply this better than anywhere else. If this is the case, and known to be so, the public sector will benefit.
- (c) Ensure that the experience in the public sector is officially recognized by the professional society.
- (d) Provide the valuers in the public sector the best opportunities to continue to enlarge their knowledge by attending courses, seminars, and making up-to-date professional journals and other publications available. All professionals need continuous professional development.
- (e) Give young valuers challenging work that fully utilizes their newly acquired education and skills.

In summary, use career development and job satisfaction as ways of making up for uncompetitive rates of pay. It may be that the young valuers will stay only three-to- five years, but they can be very useful in that period.

*Strategy 2.* Situation: in the short- and medium-term, too few valuers exist. In some countries, the education facilities do not exist. In others, the supply has ceased.



*Short Term:* The short term gap must be filled. The options are:

- (a) Recruit indigenous, qualified valuers on a short-term contract at a special rate of pay. It is usually possible to devise ways of paying more than the scales by treating the individuals as short-term contracts;
- (b) Recruit some qualified valuers on the international market for short-term contracts; or
- (c) Contract with a private practice to supply the skills needed.

In all cases it is preferable to obtain the skills locally, if possible, since it builds up the pool of local expertise.

*Medium Term:* Send a few suitable candidates for education and training abroad. If possible, find training places in Africa. The cost is much less than in developed countries and training materials and applications are more region-specific. Equally important, the trainees are much more likely to come back at the end of their training. They should give an undertaking that they will return and work in the public sector for a period of, say, three- to five-years. They will return after the completion of the first general valuation but in time for the next one. When selecting the candidates, preference should be given to, first, those already employed in the valuation office, probably in the capacity of valuation technician, and second, those in the public sector.

*Ongoing:* Upgrading of some valuation technicians must fill the gap left by too few valuers. In-house, on-the-job training can not make them fully-qualified valuers, but specialization and experience may qualify them to value certain classes of property. Most of the training will come on a one-to-one basis—valuer to valuation technician— concerning a particular class of property. It may be supplemented by short work experience periods abroad in suitable valuation departments.

### **Valuation Technicians**

The valuation technician should have a working knowledge of the following:

- (a) The nature and purpose of property tax
- (b) Some knowledge of property tax law, particularly the basis of assessment, exemptions, the powers of the valuation office, the process of assessment, and the rights of appeal
- (c) Basic building construction
- (d) Measurement and plan drawing and map interpretation
- (e) The property classification system used in the office
- (f) Calculation of areas
- (g) Application of the mass appraisal techniques employed in the office.

Valuation technicians usually only work in the public sector. Since there are usually no facilities outside the public sector, a system of training must be set up by the valuation department(s), possibly on a modular system, perhaps of three-week periods every two or three months over a year. The training

of valuation technicians presents special difficulties for the smaller valuation departments in small countries. The small number of valuation technicians makes training very expensive in valuer time. A solution can be to purchase training from larger countries with spare training capacity. There exists a need for distance learning facilities with modular four to six week courses for international use.

## **Accommodation**

### *Locations*

The number of offices and the locations will be a balance between convenience for both staff and public and administrative efficiency. A larger number of smaller offices allows the locations to be near to the properties they serve. The staff travel time between office and site is minimal, and the valuation and collection offices are more accessible to the public they serve.

Transport and traffic difficulties are often severe in African cities. However, the problem should not be over emphasized. Work studies in the U.K. revealed that valuers spent on average only 6 percent of their time travelling. If the size of the area covered was doubled, the percentage of travel time did not increase by more than 1 percent if the location of the office was sensibly chosen.

Against this tendency to decentralize must be set the difficulties of running a lot of small offices. There are a number of reasons that make a larger unit more efficient. Leadership is often a limiting factor. It is unlikely that there will be a sufficient number of competent trained leaders available.

For valuation offices, a general recommendation is that zonal offices are unnecessary for any city of up to 1.5 million in population (perhaps 100,000 rateable properties). A compromise is to form some sub-offices which are in the nature of a site office under the daily supervision of the main office.

For collection offices there is a stronger case for a larger number of sub-offices to suit the convenience of the paying public. Perhaps up to 10 would be applicable in a city of 1.5 million, each manned by about 5 people with facilities only to receive and secure cash, with all the other functions performed by the main collection office.

### *Space and Layout Requirements*

It is unlikely that there will be sufficient office space available. The quality of the accommodation provided in the public sector will be low. It is possible that there will not be sufficient space to seat all employees if they were in the office at the same time. Valuation offices are often low on the priority list when space is allocated.

If the valuation offices and collection offices are to be effective, the accommodation must be of a certain minimum standard. It is false economy to fail to provide adequate accommodation. There may be a lot of money at stake. The valuation and collection offices may be the major source of local government finance. Typically, property tax can account for more than 5% of the total tax revenue of a county. The valuation/collection offices should be aiming to collect up to 50 times the expenditure incurred in running the departments. The records in a valuation office of a city of one million people may represent *100 man years of work*. The value of these records must be protected.

No one expects luxury if working in the public sector, but as a minimum, there must be:

- Facilities for safe, secure storage of the records. The loss of records is the loss of revenue and resources put into their collection. They are too valuable to lose;
- A clean and healthy work environment with adequate light and weather proof conditions;
- Maintenance of equipment. If computers are used, the conditions must conform to the manufacturers specification. This may mean air conditioning for part of the space;
- Adequate space to handle public enquiries; and
- Secure conditions for handling cash for collection offices.

### **Equipment**

- (a) It is stating the obvious to say that basic indoor office equipment such as paper, writing equipment, files, filing cabinets, tables, and chairs are a prerequisite for effective work. But many valuation offices in Africa do not have the required basic equipment and can not hope to succeed in their task. A city of a million in Africa, might have 70,000 to 100,000 separately assessable properties. Most of the records will be a single sheet or card, but this will still require about 100 meters of storage racks.
- (b) There is no need for special equipment for the outdoor work of the property inspector. He is a valuation technician and not a surveyor. Clipboards and tape measures are all that is required. Electronic measuring equipment is not necessary.
- (c) Transportation facilities are always high on the list of equipment needed by staff. The work cannot be done unless the valuers and valuation assistants can get to the properties. Clearly, the maximum use of any public transport facilities that exist should be made. It is most unlikely that this will be sufficient, and combinations of the solutions below will be necessary. They are listed in the order of cheapness.
  - (i) Bicycles are cheap and adequate for journeys of up to 7 km from the office. However, in some parts of Africa, bicycles are not part of the culture and may not be a feasible option.
  - (ii) Motorcycles are a cost-effective solution. About 10 motorcycles can be purchased for the price of a single car and running costs are cheaper. Security and control of unauthorized use is a problem. (Consider tachometers and locked compounds.) The type of motorcycle specified should be sufficient to carry two people and cope with rough roads. Ensure an adequate supply of spare parts.
  - (iii) The private sector can be used as a source of transport supply. This can take the form of contracts with taxi firms or the payment of transport allowances to staff who can make their own arrangements. Both solutions can be cheap and flexible.

- (iv) Some cars and also possibly transit-type vans are necessary whatever use is made of the preceding solutions. The desire for cars for status rather than the strict requirements of the job is universal and understandable. There are few legitimate advantages to working in the public sector. It may be correct to use this factor to retain key staff by the supply of cars, in full recognition that access to a car is an acknowledged benefit of the job.

## Computers

Computers are not essential. Revaluations were completed manually to high standards before computers were ever invented. Up to the 1980s the U.K. valuation office handled the records for 22 million properties manually and almost a million changes annually to the valuation lists. In the developing world, there is usually a ready supply of cheap, clerical labor, and it is not possible to justify the introduction of computers by any saving in costs, especially as they tend to retain the original manual system in parallel for security reasons.

### Box 5 Contrasts in Lesotho

A problem for those trying to make the rating system effective in the main towns of Lesotho is the contrast between what should happen in theory and what exists in practice.

A rating system had in theory existed for a part of Maseru, the capital, for many years. The law is soundly drafted, the basis of assessment being the market value. In practice little attempt was made to collect rates and in some ways this created a more difficult situation than one where no system has ever existed. Taxpayers came to believe that the system did not apply to them, and, anyway, the authorities would not enforce payment.

Lesotho has the advantage of a good mapping system; not a usual feature in Africa at present. There is a sound system of uniquely identifying plots under the control of the Surveyor General. But this contrast with the situation on the ground where there are no numbers marked on the properties and few named streets.

There is a sound system of land tenure. All the land is vested in the state, and leases of 30, 60 or 90 years are granted. But this apparent control contrasts with the reality of large, unplanned expansions of the urban areas often without defined streets and houses on large irregular plots.

The size of the problem is not large compared with some of the examples shown elsewhere. Maseru has a population of about 225,000. At 1st April, 1991, the valuation lists contained 6,900 entries in Maseru and a further 5,500 elsewhere in Lesotho with plans to increase the coverage by more than 20,000 by 1994. The staff used for rating assessment numbers only about 20. In some ways the small scale increases the problems because there are fewer economies of scale.

Notwithstanding these difficulties, a well-run Valuation Office has shown what can be done with modest resources. They work closely with the survey department and are housed in the same building. They have made ingenious use of micro-computers without any external assistance. They have shown that it is possible to extend the areas in which the rating system operates into the unplanned areas.

There are reasons for introducing some computerization into the process at an early stage:

- *Timescale.* A valuation list can take three months to type manually. This adds three months to the revaluation timetable, with the added complication of changes occurring during that period.
- *Flexibility.* A valuation list, which may contain 50,000 to 500,000 entries, is cumbersome to process manually. Computerization allows alterations to be made to individual entries with the minimum difficulties.
- *Transfer of Information.* Information on the valuation list must be transferred to the collection department. The information may be required by others, such as the water authorities. If the users of the valuation list have compatible computer systems, direct use can be made of the information with consequent speed and accuracy.
- *Standards.* Computers make their own discipline. Office procedures must be of a certain standard if the system is going to operate at all.
- *Probity.* Irregular or illegal removal and alteration of the records can be made more difficult with computerization.

With these advantages and the decreasing price of computers, the general recommendation is that some computerization should be considered even in smaller locations. (Lesotho valuations department successfully uses a PC system for valuation lists containing 7,000 properties.) Figure 4 summarizes the computer uses and priorities.

The strong advantages of early computerization of applications 1 to 3 are:

- The timescale for revaluations is shortened by three months:
- Accurate and up-to-date total rateable values are always available.
- Alterations can be made easily to the list.
- Reprinting hard copies of the valuation list as required overcomes the physical deterioration of valuation lists.
- Annual indexation is possible.
- Collection departments have much greater accuracy and control with an up-to-date system.

It is recommended that these applications are considered for immediate or early introduction. If the departments have little experience of computerization, it is unwise to go beyond applications 1 to 3 in the first instance.

**Figure 4**

COMPUTERS		
	Priority applications	Comments
1	Valuation list and index of properties	Compiled by the valuation department and the basis for the two uses below
2	Billing	Both these applications are for the collection department and use the information on the valuation list
3	Rate Book	
Secondary Applications		
4	Recording market information	Retrieval is simplified if there is a good classification system
5	Case registration and control work	A way of keeping track of the progress of work
6	Partial mass appraisal	The steps C and D would be computerized in Figure 8
Future Applications		
7	Full mass appraisal	Computerized regression analysis used (see section 4.3)
8	Specialist valuation programs	For instance residual valuations, ECV

It will probably be necessary to use independent consultants to guide the department through the process which involves:

- analyzing the present systems;
- specifying the exact process to be computerized;
- selecting suitable hardware;
- buying software or writing suitable programs;
- training;
- installation and commissioning; and
- back up for the first 12 months of operation.

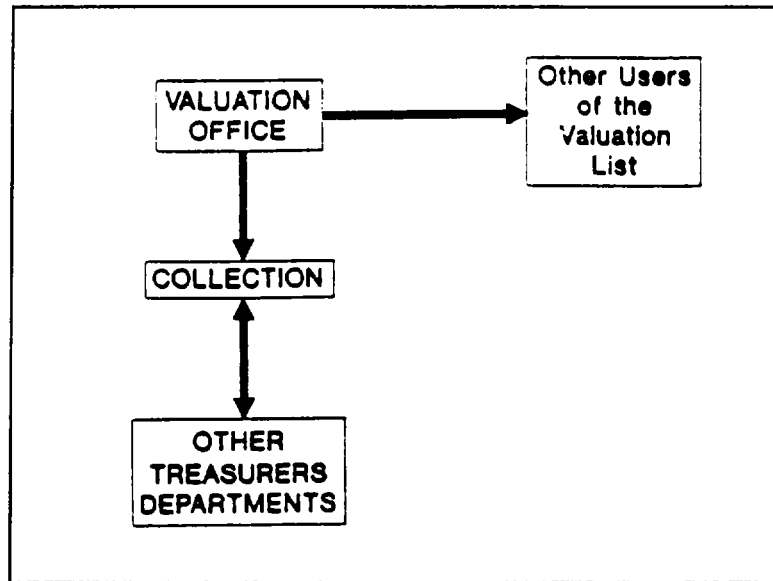
There are certain matters that should be addressed at the outset:

- Compatibility for easy transfer of information is essential. The valuation department transfer information to the collection department. The collection department will seek compatibility with the accounts office of the treasurers department.
- A common system of property identification used by all has major benefits for computerization. Although very difficult to achieve, it can be done, as Pakistan has shown.

- Lastly, computerization can not work unless the manual system that it replaces is logical and efficient.

Figure 5 provides a schematic overview for the flow of valuation information.

**Figure 5**  
**Information Flow**







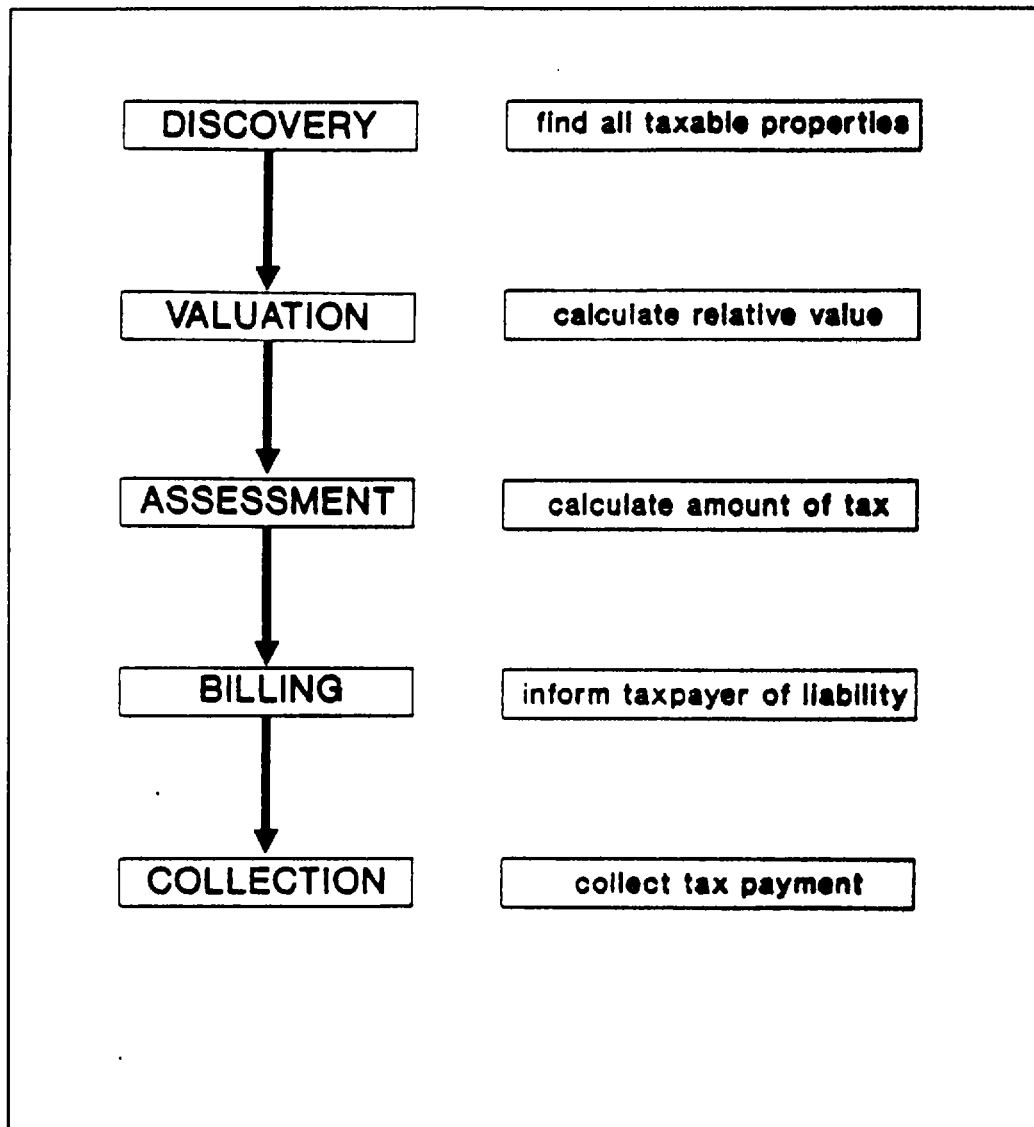
### III. COLLECTION

#### The Vital Link

Why does this chapter on collection precede those on valuation? The logical sequence is that shown in Figure 6. Why consider billing and collection before assessment? There are two reasons: The first is to emphasize the importance of the collection process. There is a danger that it gets overshadowed by the problems of discovery and valuation which require greater manpower and more special technical expertise. All the stages shown in Figure 6 are links in a chain. If any are broken the whole chain breaks.

Figure 6

#### Sequence of Property Tax Administration



## Early Improvement

The second reason to consider collection at this stage is that *improvements in the collection system must run parallel to preparation for a revaluation*. Unfortunately, it is too often the case that improvements in yield are not commensurate with the increase in the tax base following a revaluation because the collection departments are unable to cope. The extra burdens on the collection department come from three factors; the large additional amount of tax demanded, the increase in the number of taxable properties, and an increase in the collection efficiency. It is unrealistic to expect an unimproved collection department to be able to achieve an abrupt improvement in all three areas. It is also unrealistic to expect that the taxpaying public will accept both a sudden increase in the amount demanded following a revaluation and an improvement in collection efficiency at the same time. While the valuation department is working on the new list, the collection department should be improving their collection efficiency using a three- point plan.

- (a) Annual improvements in the collection performance.
- (b) Annual improvements in the percentage rate.
- (c) Strengthening the leadership and manpower as necessary.

## Collection Performance

If, for example, the collection efficiency is such that only 50 percent of the tax that should be collected is in fact collected, the improvement targets in the run up to a revaluation could be as follows:

Year -2	65% to be collected by the end of the tax year.
Year -1	80% to be collected.
Year -0	80% to be collected from a higher tax base. Revaluation in effect.

The first step in the process will be establishing the new discipline of calculating the collection performance. In most countries in Africa, this vital management information is not available. The percentages referred to above mean the amount actually collected in relation to the amount collectable (i.e., as if every taxpayer were to be correctly billed and paid all his tax). It does not mean the amount collected in relation to the amount budgeted which is a measure commonly quoted. There may well be difficulties in calculating arrears from previous years if the local government accounts are effectively on a cash basis.

## Political Will

The collectors can not do their job without two other essential elements:

- an adequate valuation list; and
- strong political backing.

If a valuation list exists (however imperfect) a test of the political will arises before the revaluation. In order to avoid, or at least lessen, the abrupt increase following a revaluation, it is usually advisable to raise the percentage rates in each of the two years prior to the revaluation. The quality and coverage of

the existing list will determine the extent of the increases. However, even small increases are worth implementing because it gets the public used to annual increases and demonstrates the political will. If aid agencies are involved, they should regard this as a crucial test of resolve.

### **Existing Expertise**

Collection has two advantages over valuation. The first is that the level of technical and professional knowledge required is not as great. The second is that there is always some existing collection expertise in the public sector in every country. Other taxes exist and are being collected. There should be less necessity to buy expertise from abroad. It should be possible to redeploy staff from other parts of the public sector.

### **Management Skills**

The collection process may not need the same level of professional skills as valuation, but it requires as much determination and a good level of management and computer skills. Training in these areas is necessary.

### **Privatization**

Debt collection is an occupation that exists in the private sector, and it is worth considering using private firms in some of the stages listed below. Stages D, E, and F, the Court summonses, the Court hearings, and the subsequent enforcement of the judgements, are particularly suitable. Fees can be paid on a success-related basis.

### **The Tasks**

The main collection tasks are summarized below:

	<b>Collection Task</b>	<b>Annual Timetable Months From Start of Financial Year</b>
A	Billing	0-2
B	Receipt of payments	Throughout year
C	Final demands	4-7
D	Court summonses	5-8
E	Court hearings	7-9
F	Enforcement of judgements	9-12

Brief notes on the above stages are set out below:

**(a) Billing**

A sample bill is shown in Appendix K. The wording of the bill should be checked by the lawyers. In most African countries bills must be delivered by hand, there being no reliable postal system.

**(b) Receipt of Payments**

In almost every country there will be an existing collection system. Accountancy advice should be sought on systems of recording payment. The two principal aims are the convenience of the paying public and the security of the monies received.

To make it easy for the public to pay, collection offices should be easily accessible. Consideration should be given to a system which allows payment by installments. The number of installments can vary from 2 to 10 per year. More installments increase the burden on the collection department and will have manpower consequences. Also, consider a system which gives an incentive to pay promptly in full.

In Africa, it is not usual to find that the banking system is used as part of the collection process to receive cash. It is more common in Asia and has many advantages. For instance, in Pakistan a system exists which is designed to avoid the collection staff handling cash. A three part bill is prepared. The property tax office retains a copy and two are issued to the taxpayer who makes payment at any branch of a commercial bank with whom arrangements have been made. The bank receipts one copy of the bill for the taxpayer and holds the other copy and accounts to the property tax office for the payment. In theory, the collection staff do not receive any cash directly.

**(c) Final Demand**

In all cases where full payment has not been made after about three months from the delivery of the bill, reminders must be served.

**(d) Court Notices**

At this stage, it will be necessary to incur the expense of a Court summons, the cost of which will be added to the bill. Personal service on the taxpayer will be required.

**(e) Court Hearing**

This stage in the process is the only one where the timing is not within the control of the collector. The Clerk to the Court has the responsibility of listing cases. There should be liaison with the Clerk to the Court so that he is aware of when the cases will come to him, as it will represent a large amount of work and occupy the Court for some days.

This is so even though most taxpayers summoned will pay before the hearing and only a minority of the remainder will appear or be represented. Meticulous attention to detail is necessary in the preparation of all supporting documents for the hearing. Even minor errors can result in the case being thrown out.

**(f) Enforcement**

Enforcement procedures must be strictly within the law. Remedies permitted under law can include the following:

- distraint on goods
- imprisonment of taxpayer
- attachment of rents
- charge on the property
- seizure and sale of premises
- interest on late payment.

In very few cases will any of these severe powers have to be used. In the beginning, tax payers may not believe the collection authorities are in earnest. One or two well-publicized cases may be necessary to establish that payment of property tax is inevitable. It takes a number of years to establish that payment of taxes is the norm.

**(g) Timing**

The success of collection depends on the annual cycle rolling on relentlessly. The collector will set a program and keep to it. Slippage is difficult to recover administratively and weakens the credibility of the department.

**Standards**

In spite of the difficulties, and the often poor record, there is no need to accept low standards of efficiency in collection. There are examples that show what can be done. Harare and Bulawayo both collect over 80% of the property tax due. Kampala has a good record of collecting "graduated tax," a form of poll tax which might be expected to be particularly difficult to collect (see Box 11).



## **IV. THE REVALUATION**

### **Making the Plan**

The initial general valuation, or revaluation after a lengthy period of neglect, is unlikely to take less than two years and may take three years. It will need careful planning if a whole series of steps is to be completed on time. Many of the tasks are interdependent, as is demonstrated by the critical path diagram Appendix A. The final plan should be made as a bar chart as shown in Appendix B. The basic information about the size of the task should have been obtained at the preliminary design stage. Adequate resources, that is, an equipped valuation office of a size to cope with the task, should be in place by the time work is to commence. The planning process will use the information on the size of the task, the resources available, and the work rates in Appendix G to compile a timetable that is feasible. It is not usually possible to plan the process exactly using the critical path methods. Some tasks will use more time and resources than others, and it is as well to be aware of this. Most commonly, for an initial general valuation or a revaluation after a period of neglect, it will be the task of "referencing". For regular revaluations where the records have been kept up to date, it will be the "valuations" which are the largest task.

The critical date is when the list must be completed. Start here and plan backwards along the presumed critical path. In the example in Appendix B, it might be calculated that the last three weeks are required to print the valuation list (assuming the use of a word processor). Prior to this, there could be a period of more than two years to complete the most time consuming task: referencing work. Using the knowledge of the number of references available and a work rate of, say, 1,200 properties per man per year, it is possible to see if the time scale is feasible. If not, the options are either extending the timetable or recruiting more references on a temporary basis by bringing in resources from the private sector. Note that property tax usually works in modules of financial years. If the deadline is missed, the law and the financial year necessitate adding a full year.

When the timetable is completed, it is then possible to break down the work to monthly or quarterly tasks for each section allowing control of the process and enabling the VO and all his staff to know if the task is on schedule and what each has to do to keep it so.

### **Identification and Discovery**

While Land Registration requires a very exact delineation of property boundaries and a certainty concerning the legal interest, the same certainty and exactitude are not usually necessary for property tax. In most Anglophone countries, property tax is not linked to the land registration process. The advantage is that it is not held back by the slower pace required by land registration.

Property tax requires only a method of identifying a property so that each entry in the valuation list can be identified on the ground, and vice versa, by staff in the valuation office, staff in the collection office, and the general public. The law may also require the name of the owner to appear in the valuation list.

Nevertheless, in most African countries identification will be a problem. It is usual for the local authority to have legal responsibility for naming streets and numbering properties. If they have succeeded in carrying out their responsibilities, the VO must use their system, especially if the local authority has the responsibility of collecting property tax. Generally, the local authority will not have kept up with identifying and numbering of new properties. Unplanned (squatter) areas cause particular difficulties.

There may be other authorities that have numbered and identified properties for their own purposes; for instance, central government or the water authorities. It is not uncommon to see two or three separate numbers on the same property. Box 7 cites an example from Ghana.

Box 6	
"Ten Commandments"	
1	Keep your objectives clear;
2	Keep your policy simple;
3	Strategically, focus on collection;
4	Keep operational procedures simple;
5	Establish correct incentives;
6	Only introduce innovations through pilot schemes;
7	Mobilize and maintain high level political support;
8	Mobilize strong leadership in your operational agencies;
9	Run effective public relations from day one; and
10	Resist the temptation of over-sophisticated technologies.

Roy Kelly of HIID offers the following useful criteria in Box 6 for planning a revaluation.

The following is a check list of issues to consider in the property discovery identification stage. The first step is to identify what information is available.

#### Identification Checklist:

- (a) Is there a local authority numbering system? Is it universal? Are the numbers visible on the properties?
- (b) Liaise with the local authority and ascertain their intentions. Find out the opinions of the local collection authorities.
- (c) What other numbering systems exist? For example, Land Registry, Water, Electricity, Income Tax. Are any suitable as they stand or with modification for use by VO?
- (d) What maps exist? Are they available? Are they up to date? Are there any aerial photographs available?<sup>5</sup>

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<sup>5</sup> Maps make an enormous difference to the efficiency and cost of property tax administration. It is hard to overemphasize their importance. It is also difficult to understand why more resources are not put towards basic mapping.



**Box 7**  
**Numbers Too Numerous**

A revaluation of Accra was completed in 1988. The tax base increased 800 times. It was an undoubted success. Although revenue increased 8 times in the 4 years, 1984-88, the improvement was not commensurate with the increase in the tax base. The cause was the difficulty in property identification which delayed the proper exploitation of the revaluation.

In the 1980's, there were no readily available modern maps of Accra. Only the main streets had names. The numbering systems in operation had to use a "block" system in conjunction with sketch plans. Numbers were painted or stencilled on the property.

A lack of large scale maps makes the property tax task more complicated. But the difficulties were not insuperable. The key problem arose because there were at least two systems of numbering in use.

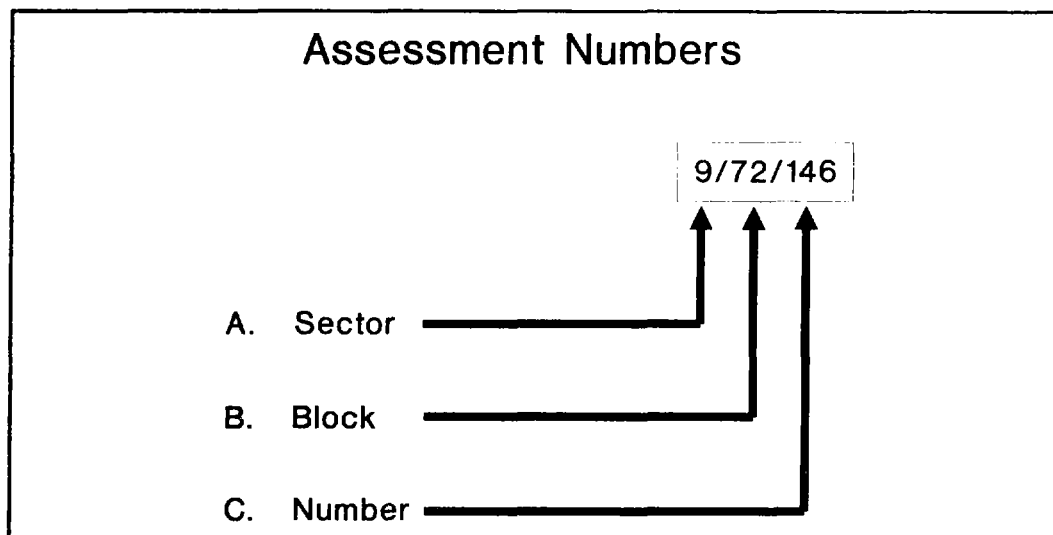
The central government Lands Valuation Board was responsible for assessment and had its own system. Accra City Council, which collected the rates, had another system. Both systems were in existence only to serve the rating system. Ideally, there should have been a single system. At worst the systems should have been compatible. Unfortunately, the efforts to achieve this only added to the confusion. Many houses bore two or three numbers whilst others bore none as they had been painted out by uncooperative property owners. Collectors had difficulty in identifying the valuation list entries on the ground.

The underlying cause was the deep organizational and cultural gap between two bodies who need to work closely together. The lesson to be learned is that unique property identification is a prerequisite for success and that there must be the political will at the highest level to impose a solution if necessary.

If there are no other systems that can be adopted by the VO, it will be necessary to create its own system. Generally, observe these principles:

- Borrow existing systems to minimize the work; but
- Do not rely on others because their failure could cause the failure to complete the valuation list;
- If sketch plans or adaptations of old maps or aerial photographs are used, the collection department and other users will need copies;
- The most common numbering system used has a format such as the one below:

Figure 7



- A. *Sector:* One town or city divided up in a few large sectors, probably corresponding to named suburbs of the city. There are unlikely to be more than two digits in this field.
- B. *Block:* The block will be an easily defined area, probably bounded by established roads. Certainty of identification is more important than consistency of size. This field is unlikely to contain more than three digits.
- C. *Number:* Each separately rateable property will be allocated a number unique within that block. Ideally, the number should be marked on the property. In any case, there should be a map of the block showing the location of each number. If no map is available, sketch maps must be made. The number of digits in this field will depend on the extent of the division created by the number of Sectors and Blocks. However, it is generally desirable to confine the size of the blocks to less than 1,000 units or three digits in this field.

## Mass Appraisal

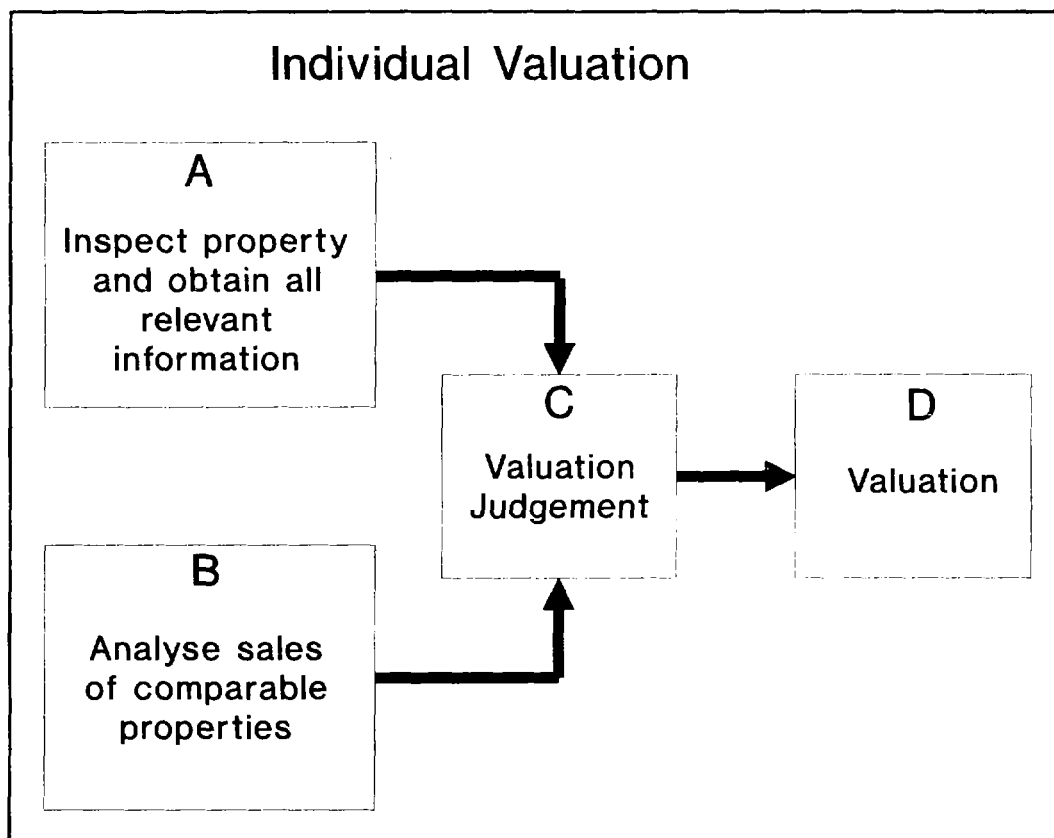
### *What is Mass Appraisal?*

Mass appraisal is a relatively new term, particularly used in the USA and Canada to describe the large-scale methods that must be used if a revaluation is to be completed. The term is now particularly associated with computerized multiple regression analysis, which is a very effective method of ascertaining the relative importance of the value-significant characteristics. However, although the term may be new the concept is not.

It has never been possible to value properties individually for property tax. There has to be a system of guidelines at the very least if the valuation officer, who has to put his signature to a list, can be sure that the work will be completed on time, and that the list will be consistent. He can have personal knowledge of only a small proportion of the properties. The work must be delegated. For most dwelling houses, all the tasks will fall to the valuation technicians who will need exact instructions.

The difference in procedures between individual valuations and mass appraisal work is illustrated in Figures 8 and 9. A more detailed note on valuation methods is attached in Appendix L for readers who are not valuers.

**Figure 8**

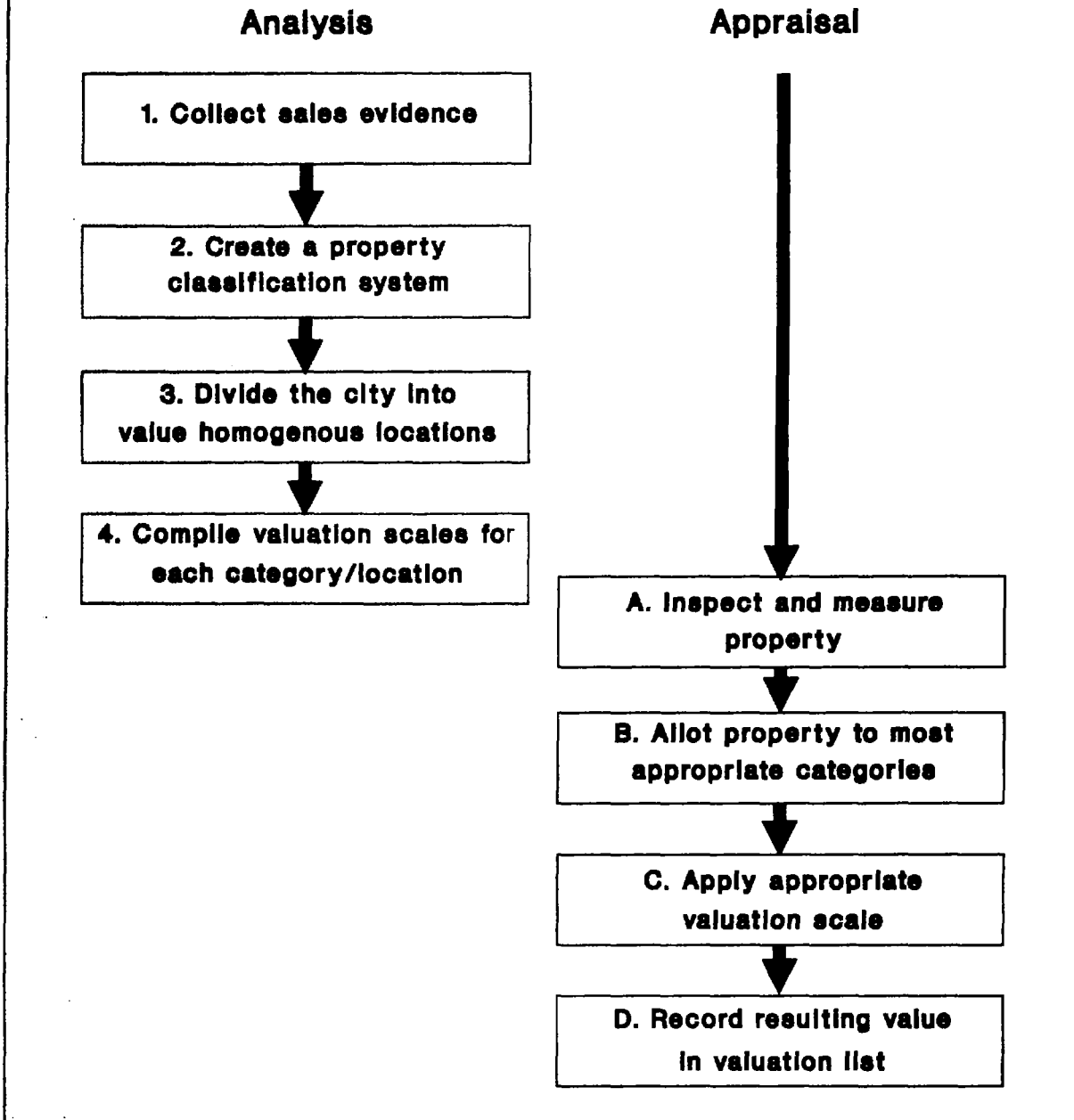


*Notes on Individual Valuation (Fig. 8)*

*Inspection (A on Fig. 8):* Inspections for property tax or an individual valuation are carried out in a similar manner. An individual valuation may require a more detailed inspection especially in those countries where litigations on professional negligence are common.

**Figure 9**

## **Mass Appraisal**



*Analysis (B on Fig. 8):* Any valuation must be supported by evidence to be recorded in the files (but not necessarily disclosed to the client). It may appear that this stage is omitted because the analysis has been done for previous work, and the valuer already knows the values for this type of property. It is nevertheless, good practice to record the evidence in the file especially in the public sector.

*Judgement (C on Figure 8):* As no property is identical to any other, the valuer will have to form a judgement of the correct level of value.

#### *Notes on the Mass Appraisal Process (Figure 9)*

##### *Sales Evidence (1 on Figure 9)*

The law should contain a section giving the Valuation Officer the power to collect the information. Sending out returns requiring owners or occupiers to disclose rents or sale prices is a major task. However, market evidence may well be scarce and difficult to obtain, which is a reason why full, computerized regression analysis may not be applicable.

##### *Classification (2 on Figure 9)*

The property classification system is the key to a good mass appraisal system. The most common sort of property will be dwelling houses. A classification system will need to divide them into at least six, but probably not more than fifteen classes. It is important not to make things too complicated in the first instance. Aim to classify 80% of the properties, it is impossible to cover 100%. Appendix D suggests a basis of a classification system that might be suitable in an African city. It is only an example and every city will require a purpose-made system.

##### *Valuation Scales (4 on Figure 9)*

If the property classification system contains ten types and the city is divided into twenty locations, there will be two hundred different combinations. It is, therefore, necessary to keep things simple. It is not practical to have two hundred different scales. Some will be applicable in several cases. For instance, the same rate per square meter will be used for a better house in a poor location as for a less good house in a better location.

##### *Methods of Measurement (A on Figure 9)*

It is important that methods of measurement are consistent. A Valuation Officer must ensure consistency within his own area. If there are no national codes, he will have to write his own guidance notes. It is, of course, preferable to have a national measuring code written by the professional societies themselves and adopted, after discussion, by government. It would be of assistance if an international code for Anglophone Africa was produced. Since there has already been a considerable amount of work done on this subject, it is not necessary to start from basic principles. Reproduced below in Appendix H is an extract from the RICS/ISVA "Code of Measuring Practice." It is produced for the U.K. and would clearly need adaptation for African countries.

##### *Classify Individual Property (B on Figure 9)*

This step will be the only area of judgement required. The valuation assistant will have to decide to which class the subject property is best allocated. If the system is good, the classification will be clear in most cases. In others, there will be an

area of doubt. In a minority of cases - 5% to 15% - the subject property will not fit into the system at all. The better the classification system the narrower the area for individual judgement, but no system can fit every case.

#### *Valuation by Scale (C on Figure 9)*

The application of the scale is now a mechanical process with little scope for individual judgement.

### **Index System**

A card index system should be created with one card for every property. This system will allow the Valuation Office to keep track of the properties identified, especially as identification may run ahead of the referencing process. The information on each card should be minimal. However, the card may well form the input document for the printing of the valuation list and should contain fields for all the columns of this valuation list and be suitable for subsequent revaluations. (See Appendix K for Ledger Card used in high density areas of Harare).

### **Surveying and Referencing**

#### *The "One Off" Task*

It is frequently the case that no revaluation has been carried out for some years and, more importantly, no supplementary Valuation Lists have been prepared. As a result, the property records do not show the changes that have taken place since the last revaluation. In the meantime, the city may have expanded considerably, and there will have been changes and alterations to the existing properties. The survey records will be incomplete and inaccurate.

In such cases, the surveying and referencing work required to bring the records up to date is usually the single most time consuming task. It is in the nature of accumulated maintenance. If the records are kept up to date in the future, it will not occur again (See below).

The manpower required for this special task in the first year may be two-to-five times the normal establishment of referencers and valuation technicians. Clearly, it is unwise to recruit sufficient manpower for this limited period on a permanent basis. A special strategy, or combination of strategies, is required. These are summarized in the table below.

Strategy	Comment
Contract the work to private firms	The difficulty may be that the firms are small, one-man bands with little support. The advantage is that this helps them develop. The disadvantages are the high cost and the possibility of a conflict of interest.
Recruit references on short-term contracts	The disadvantages are that there is a high training requirement the benefits of which are lost when they leave and there is no incentive for accuracy. They will not be there when mistakes are discovered. Additional quality checks are necessary. The advantages are that it is cost-effective and some useful permanent recruits may be picked up.
Temporary transfer of staff from another public sector.	A good solution but seldom possible. The other departments may send their worst people
Bonus schemes to buy extra productivity from existing staff.	Strongly recommended. It is good for the morale of the staff on whom the success of the revaluation ultimately rests. The difficulty may be the public sector terms of employment which do not allow for such schemes. The bonuses must be tied tightly to achievement with checks to ensure that quality and accuracy are not sacrificed. This method worked well in Accra.

### *The Referencing Work Required*

The referencing work required from the valuation technician in respect of property comprises the following stages:

Referencing Work	
Action	Comment
(a) Identify the property	Find the unique reference number for the property if it has one. If not create one.
(b) Gain access to the property	The law will give powers of access. It may be necessary for notice to be given. Identity documents should be shown.
(c) Make a sketch plan of the layout	An accurate plan is not required. The sketch should be sufficient to show dimensions
(d) Take measurements required	Houses will usually be measured externally to an accuracy of nearest 10 cm.
(e) Complete the survey sheet	See Appendix K for example.
(f) Classify the property	Place the property in the most appropriate classification.
(g) Calculate the areas	The end result will be a summary of the floor areas. The property is ready for the valuation.

If the valuation technicians are to complete these tasks satisfactorily, first, the team leader (at least) of each valuation technician team must have the technical training; and second, there must be clear instructions on how they carry out the above-mentioned tasks. As both require action before the referencing teams can commence work, and because the referencing work is the largest task and lies on the critical path (see Appendix A) urgent early management action will be required at the outset to :

- 1) set up crash training courses for valuation technicians, and
- 2) take the many necessary management decisions on methods of operations and set them down as clear instructions.

### *Methods of Work*

The referencing work is a large task and requires sound management methods and firm resolve.

Methods of Work	
Comments	
Action	Comment
(a) Planning:	Divide the area up geographically and assign an area to each team of valuation technicians (or private firm if applicable).
(b) Program:	Calculate monthly rates of work required to complete the task on time.
(c) Targets:	Set monthly targets for each team and keep them informed of progress.
(c) Control:	Set up methods to check the quality of work.

### **Office Records**

The valuation list is the most important document in the office, but is supported by a number of other records for every property.

Record	Purpose
1. Card of computer index of all properties	This record is essential when a valuation list is incomplete, but not every office maintains it thereafter. It serves as a place to record the existence of each property. It can also double as a computer input document.
2. Survey sheets	A record of the valuation with significant details of each property. See Appendix K for examples. It will include a sketch plan either on the rear or on a separate sheet. Some offices print them on card for durability.



3. Valuation sheets

The valuation must be recorded. Sometimes this is incorporated in the survey sheet which may be convenient in the short-term, but less so for subsequent revaluations. Survey facts may stay the same, but valuations have to be rewritten for each revaluation and there may be sufficient space. Some offices record the valuations in batches of 20 or 30 on double foolscap/A3 pages. An advantage is that comparisons are easily made. The disadvantage is that the survey information must be partly rewritten.

Appendix M expands on the importance of understanding the operation of local tenure systems. Other records of a more general nature will include the following:

Record

Comment

Maps

It is possible to complete a revaluation without maps. The absence of them is no excuse for failure. Maps are an enormous advantage. They facilitate the planning of the work. They make identification very much more simple and accurate. It is hard to know if properties have been omitted without them. They greatly help managers control the work.

Market Information

Information about sales, leases, building costs, and any transaction concerning land is "meat and drink" to the valuer. It is the basis on which he forms his judgements of value. There must be a system of recording and retrieving all information, even hearsay.

**Box 8**  
**Land Registration, Cadastre, and Information Systems**

There are few subjects more topical in the surveying world than those of Geographical Information Systems and Land Information Systems (GIS and LIS). This popularity and the inaccurate use of the term cadastre cause confusions among property tax administrators who need to keep their own objective clear if they are going to succeed.

*"Cadastre," in French and English, means a register of property to serve as a basis of taxation.* It is incorrect to use the term to describe systems where the primary purpose is the registration of title. Inaccurate use of the word can often lead to confusion about the primary purpose of a property tax system.

Confusion is understandable because cadastres in France and other parts of continental Europe have come to serve two purposes. Although cadastres were originally primarily for tax purposes, they became evidence of title and now serve the purpose of a land registry in the British system but with the advantage of 100% coverage. The two purposes fit neatly together provided there is a property tax system based on ownership and that the whole area is surveyed with the accuracy necessary for registration.

The use of computers to digitize the cartographic information allows the possibility for other users of such information to add their own data to the common base and all cooperating departments being able to use the pooled information. It is a vision that is particularly attractive to academics and the computer industry. New Zealand and South Australia have demonstrated that it can work. However, integration of registration and property tax is not necessarily applicable to every circumstance. England has had at least two cadastre. The first is the Domesday Book in the Middle Ages. The second was in 1910. Land registration remains separate, nevertheless.

In most countries of Anglophone Africa, it will probably be sensible to maintain this separation for the time being (South Africa and adjacent countries using their Roman/Dutch law system may be an exception.) The reasons are these:

- The surveying work for title registration has to be very much more accurate than that required for property tax. If the surveys have not been done, and this is the case in most African countries, this task will delay the progress of property tax.
- Property rating systems can, and frequently do, operate on systems other than ownership.

Generally, the advice is to keep the main objective of a sound property tax system clear. Do not be dazzled by the possibilities opened up by new technology. Do cooperate with other departments on a system of unique property identification numbers which, with good maps, lays a sound base for developments in the future.

## The Valuation List

Examples of the headings in valuation lists are shown in Appendix K. It may be that the law already specifies the headings required. In general, the policy should be to include the minimum necessary. All valuation lists will require at least these columns.

Summary Information for Valuation List	
Item	Information
a. Unique property reference	A number and/or address to identify the property on the ground.
b. Valuation list number	To find the entry in the valuation list.
c. Description	A brief description such as "house", "office", "factory".
d. Name of taxpayer	For the collection department.
e. Assessed value(s)	
f. Occupier	Where the owner is the taxpayer or the owner where the occupier is the taxpayer.
g. Classification	To be used as a trigger for differential indexing and the collection of statistical information.
h. A second reference number	If more than one system of property identification is in use.
i. Totals	An essential feature of any valuation list should be <u>TOTALS</u> . The total rateable value for the entire list and each section should be part of the list and kept up-to-date whenever changes are made.

The total rateable value of the list is an essential feature often absent from many lists in Africa. Traditionally, each page was totalled as this was the only way to keep control manually. With computers this may not be necessary. Without accurate totals, the Valuation Officer can not keep proper control; the collector can not do his job properly; the treasurer can not make a proper budget. Box 9 gives an example of difficulties of establishing a property rating system and some lessons learned.

### **Box 9**

#### **Success Second Time Around**

The Government of Benue State, Nigeria, decided in the mid 1970's that it would be desirable to introduce a property tax rating system in the major urban areas. The law was in place by 1976 using a rental basis of assessment. In 1979, five firms of valuers were employed at considerable expense to produce "draft valuation lists" as specified in the law, which were duly delivered on time. Had follow up action been taken, it would have been possible to start collecting the rates in 1980. But the state government had no experience of rating and could not be expected to be aware of what was then required to put the system into operation. In the event the fees paid for the draft lists of almost 1 million Naira were largely wasted.

Success did come with a subsequent attempt, and valuation lists for Makurdi and three other towns came into operation in 1991. They contain about 27,000 entries. Collection started at the beginning of the financial year.

It is worth considering why the second attempt succeeded, and which factors were absent in the 1979 failure.

- From 1983 onwards, the Government of Benue was receiving technical advice through the World Bank, and better understood the full rating process of "identification, assessment, collection, and enforcement" and how each is a link in the chain which is only effective when all are in place.
- An experienced Director of Valuation was employed to set up and control the work. A suitable candidate was recruited on a three-year assignment from the private sector. In 1980, there was no one with the relevant experience and qualifications in the state government.
- Although a large part of the work was again put out to contract with the private sector, at the second attempt the necessary assessment and collection departments were set up in the public sector.

In summary, this illustrates the difficulties of starting up a property rating and illustrates the need for expertise or advice that covers all stages in the process.

### **Defence of the List**

Property taxpayers will, for a certain period after a new list comes into effect, have a legal right of appeal. Even in cases where the legal right of appeal has lapsed, the valuation department will have to deal with rate payers querying their assessments. Such appeals and queries may be numerous, and are often a sign that the whole system is working well. It shows the taxpayers know their rights. It may indicate an acceptance of the tax in principle. It acts as a safety valve for the political pressures that must increase if property tax is attempting to collect a significant amount of revenue. (See the section on the political implications). The revaluation task does not end when the list is deposited. It starts a new phase which is difficult to plan for with precision because the level of appeals can not be predicted.

The flow of an individual appeal is as shown in Figure 10. Omitted from the diagram is the possibility of an appeal from the decision of the tribunal to a higher court.

The valuation department should have these points in mind:

**(a) Impartiality**

The duty of everyone in the department is to be impartial and fair to every taxpayer. The aim is to get to the *correct assessment*, not the maximum figure.

**(b) Records**

The facility with which appeals and queries are dealt with depends on the work done in the preparation of the list. Good survey sheets will readily show what the valuation office believes are the facts. The valuation will show how the assessment was made, but does not automatically prove that it is correct. It will be necessary in negotiation, and later if need be in the valuation tribunal, to demonstrate the market or rental evidence that formed the basis for the valuation. If the analysis of the market evidence has been carefully recorded, the task is simple.

**(c) Negotiations**

In the majority of cases the appeal or query can probably be settled by agreement without the necessity of a tribunal hearing. Discussions should be frank and open.

In some systems of law, alterations may have to be approved by the tribunal even when the Valuation Officer and the taxpayer have reached agreement as to what should be the correct figure.

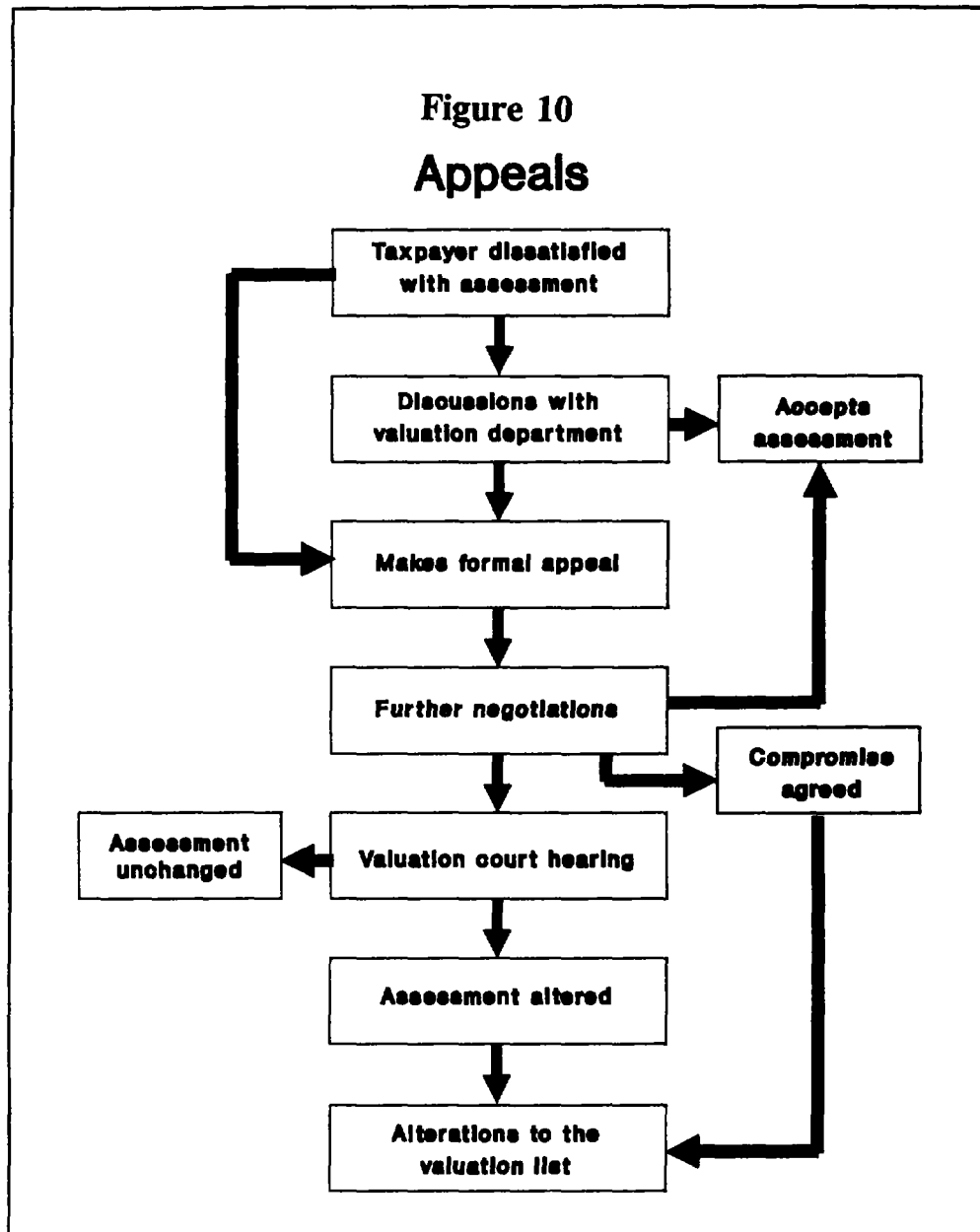
In the system common in Africa, where a "draft valuation list" is deposited and does not come into force until the tribunal has approved it, there will be difficulties fitting in discussions within the time allowed - often only one or two months. Nevertheless, an attempt should be made to discuss with all appellants.

**(d) Comparison**

In many instances, the taxpayer will compare his assessment with others. As the purpose of the valuation list is to get the relative size of each assessment right in comparison with others, this is quite acceptable. Relative correctness is as important as absolute correctness, which is often difficult to prove with precision.

Where there is an element of doubt and the valuation officer is contemplating reducing an assessment, he should consider the effect of doing so on other assessments. If the reason for the proposed reduction applies only to the subject property, the officer is much more likely to

**Figure 10**  
**Appeals**



concede the point than in a case where similar circumstances apply to hundreds or thousands of other properties which would need to be similarly reduced as a consequence.

**(e) In the Tribunal**

A tribunal hearing is open to the public. The Valuation Officer and his staff who appear in the court must seek to demonstrate their fairness and impartiality. They may well appear before the tribunal on many future occasions, and they need to establish their reputation.

The conduct of cases before a tribunal is a subject on which there are several publications written specifically for surveyors. This manual does not seek to cover this topic. Here are some brief points:

- Prepare your case with care and attention to detail.
- Understand the basis of the appellant's case and have your counter arguments ready.
- Ascertain the court procedures, for instance who makes the opening statement etc.
- Produce documents to support your case, i.e. your valuation, schedule of comparable properties, etc. Make enough copies for every member of the tribunal and the appellant and his advisors.
- In complex cases, particularly those where professional advisors are acting, as many of the underlying facts as possible should be agreed prior to the hearing. For instance, it is very undesirable to go to the tribunal with a dispute about the size of the actual floor area which can only be settled by measurement on site.





## V. RUNNING A VALUATION OFFICE

### The Next Revaluation

Described in the previous chapter is the major one-off task of completing a general revaluation after years of neglecting the information base. Much of the work is similar to accumulated maintenance. Just as a building needs routine regular repair if it is not going to deteriorate and collapse, so the information base needs continuous attention if it is not going to have to be painstakingly rebuilt. If this is done routinely, future revaluations will become part of the regular work carried out by the regular staff.

The Valuation Officer and his staff will always have work that requires immediate attention, such as the completing of supplementary lists and valuations for purposes other than property tax. But he must set aside a part of his resources to allow for work in preparing the next revaluation. Much of this chapter is about methods of *keeping-up-to-date*.

### Official Sources

In an ideal situation, the valuation office would obtain information on new properties and alterations to existing ones from other parts of the bureaucracy.

- The planning department should pass on copies of all permissions granted.
- The building department should notify the VO when the building work was completed following an inspection for building by-law regulations.
- The lands department would notify them of all plots sold or leases granted.
- Stamp duty offices and probate offices are also a source of information.

Unfortunately, none of these can be fully relied on. Alterations will be made without planning permission. Many changes in ownership will not be registered. Even in the best regulated and most law abiding societies, such systems do not work well unless institutional incentives are created for the bureaucracy supplying the information to benefit directly from the regular collection and maintenance of such an information system. For example, if the planning authority is the local authority which benefits from the increased rateable value, there is the incentive for a system to work. But even then it can not pick up the work done without planning permission.

Nevertheless, the VO should establish working contacts with other departments particularly "planning" and "lands" including:

- Arranging to make regular visits to them at a working level;
- Ensuring that those responsible for local areas know their counterparts in other offices;
- Providing counterparts with useful information in return.

## Continuous Referencing

The only completely reliable systems for the VO will be their own efforts. A regular system of reinspecting must be established. Some areas will need visiting more often than others.

- Established Areas: Aim to cover every part once every five years, thus one-fifth of the area per year. In most cases, it should be possible to establish if there has been any change by rapid external inspection.
- Expanding Areas: Inspect every year.

## End of Rate Year Deadline

In some rating systems, it is only legal to collect rates for a property from the beginning of the financial year in which it first appears in the (supplementary) valuation list. Even where it is legal to back date the demands, there are practical difficulties in doing so.

*The VO should make supplementary valuation lists to include all new or altered properties before the end of the rate year. This annual deadline should become part of the VO life.*

## Control of Work

Controlling current work is important. Managers need to know the number of cases proceeding through the system and what stage each case is at. Use a manual system in the first instance. A loose leaf register or card index system will suffice. Computerization can be considered later. The steps through which individual cases proceed are shown below.

CONTROL OF CURRENT WORK REGISTER		
Part of Register	Title	Comment
1	Pending	For building work in progress or about to start that will not be completed this financial year
2	For Inspection	All properties in this part must now be inspected in sufficient time for the remaining steps to be taken before the end of financial year deadline
3	Valuation	These properties are now ready for valuation and completion of all other columns for the valuation list entry
4	Supplementary List	Ready for typing out or printing supplementary lists

## **Delegation**

A feature of the valuer in the public sector, as compared with his private sector counterpart, is the volume of work that he is required to do. A Valuation Officer is personally responsible for all the valuations prepared by his office. He personally signs the valuation lists with perhaps more than 100,000 separate entries. In many countries, the Valuation Officer carries the personal *statutory* authority for every one of these valuations.

The Valuation Officer can not carry out every one of the 100,000 valuations personally. It is unlikely that he himself would have the time to be personally involved in more than 500 valuations in the year. He must, therefore, delegate work and responsibility but retain sufficient control to ensure that he is fulfilling his statutory function.

A second feature unique to valuation departments in the public sector is the large proportion of the staff who are not qualified valuers. Most of these will be trained valuation technicians. A few will be very experienced, but some will inevitably be new to the job. Work must be delegated down to the valuation technician level who can only operate within the instructions given to him/her, carrying out the inspection, measurement and calculation of areas, classification, and deducing the appropriate valuation from the scales of value provided.

Delegation and control in the public sector valuation office can not be left to day-to-day management. There must be a carefully worked out scheme. This is the Valuation Officer's prime task. He will spend more time designing and operating his methods of delegation and control than he will on primary valuation. Everyone in the office must know what level of work they are required to do. The responsibility must go down to the lowest level possible. Only then is it possible to cope with the volume of work.

A delegation check list:

**(a) Geographical Division**

For cities and towns above a certain size, it will be necessary to divide the area up geographically and apportion responsibility within the office to a section under the command of a senior valuer. He may well sub-divide responsibility so that, for instance, a group of a few individual valuation technicians have their own "patch".

**(b) Levels of Expertise**

Much of any town or city comprises ordinary dwelling houses, most of which will be "valued" by the valuation technicians using mass appraisal methods. Commercial properties will probably be referenced by the valuation technicians but valued by the valuers. The same may apply to the most valuable dwelling houses. Perhaps a few of the very valuable properties may get the personal attention of the VO. Whatever the scheme is, it must be carefully worked out and known throughout the office.

**(c) Quality Control**

There will need to be checks by managers at all levels to assess how well the work is being done and if it is up to the required standard.

**(d) Technical Control**

The VO retains technical control of the final valuations, not by checking each valuation but by laying down methods of property classification, exact methods of measurement, a classification of locations, and scales of value - all of which are sometimes known as mass appraisal methods.

**Market Information**

Market information is the life-blood of the valuer's professional existence. A revaluation requires a major exercise to collect market information, but the process does not stop there. It is a continuous activity. This manual does not purport to instruct valuers on the methodology of such a fundamental part of the job as the collection and analysis of market information, but the process must be organized on an office-wide and not a personal basis. There are broadly three aspects to consider when formalizing the process:

**(a) The Collection of Information**

There may be normal sources, such as the stamp duty office, but most will be acquired by personal contact.

**(b) Analysis (or Devaluation)**

Remember the dictum "As you devalue so you value". The methods of devaluation should be clearly shown so that other valuers in the office, now or later, understand the process.

**(c) The Resulting Values**

After collection of market information and analysis, the results are unlikely to be consistent. A judgement will have to be made on the quality of the underlying information. The valuer will form an opinion of the value of that class of property. It should be made available for the other valuers in the office to save them time in re-examining the evidence and to encourage some consistency of approach.

### **Box 10**

#### **Maintaining Standards**

It is probably true that the standards of property rating administration were better in 1960 in Africa than in 1990, but the task now is much greater. The urban areas have grown and there is the need for property rating systems to cover all major urban areas and not just the better suburbs.

An examination of the local government taxation system in Zimbabwe finds the standards of the administration better than any other Anglophone Sub-Saharan African country (excluding South Africa). The law is soundly drafted. There is a good system of property identification. The quality of the information on the survey sheets is very good. The collection performance is good. The whole system is settled enough to have acquired a body of case law. But all this applies only to the low density areas of the major cities formerly under the jurisdiction of the Urban Councils Act. The rating system did not formerly operate in the high density areas where the District Council Act had jurisdiction. There is a completely separate system of "rural rates" outside the major towns.

Under the "single city" concept, the rating system will now extend to all parts of the major towns and cities. The challenge is to maintain the high standards while considerably increasing the size of the Valuation Rolls. In Harare, the estimated size of the new Rolls (1990) is 108,000, of which 62,000 are high density properties brought in for the first time. A revaluation was completed using mainly private sector valuers.

Even greater problems face Chitungwiza, a town with a population of  $\frac{3}{4}$  million situated 20 miles from Harare, where 80% of the employed population find work. Apart from an excellent new shopping center and a small industrial estate, it is all high density, has never had a property rating system and no experience of operating one. Although the valuation profession is well established in Zimbabwe, the supply is not great enough to meet the demand, and the public sector finds it difficult to recruit and retain staff. Although it is possible to use the private sector on contract to compile the valuation list, expertise is needed within the public sector, as the example of Benue State, Box 7, illustrates. Chitungwiza, perhaps like many other high density towns in southern Africa has the difficult task of learning how to implement and operate a rating system. In the long term the solutions are these:

- Indigenous training opportunities leading to valuation qualifications;
- Improved and more formalized training for valuation technicians; and
- Simplified systems of property tax in the interim. Fortunately, high density areas fit well into formalized "non value" systems.



## VI. POLITICS AND PROPERTY TAX

### Political Difficulties

The local politician is powerless without reliable sources of revenue. Of the many locally raised sources available, property tax is often the most effective. It may be that only an effective property tax can balance the budget. The valuation problems are soluble. Collection requires only determination. Neither valuation nor collection depend on a high level of technology. Why then does property tax account for so small a proportion of tax revenue in many African countries?

The answer is that *property tax is political dynamite* in Africa, and throughout the world. The recent history of rating in the UK and Proposition 13 in California, are examples of the political difficulties and also cautionary tales of what not to do.

The reasons for the political sensitivity of property tax are:

- It is very *visible*. There is no easy way of collecting property tax, (unlike "pay as you earn" for income tax or a sales tax and other indirect taxes of which the taxpayer is less aware).
- It is effective and difficult to avoid.
- Annual action is required to keep property tax buoyant. This action always triggers a renewal of the political debate.

This chapter aims to outline the annual political cycle and suggest ways of making property tax acceptable. Before the beginning of the financial year the local politicians in power and their staff will go through this process.

Property tax becomes the balancing point between the desire for better services and the natural reluctance to pay any more in taxes than is necessary. To some extent this is a balance inherent in any tax but the visibility of property tax and the effect of gearing<sup>6</sup> magnify the difficulties. There are actions that can be taken to counteract this effect.

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<sup>6</sup> Gearing in this context implies that a small increase in the local authority budget can mean a big increase in property tax. If for instance a 10% increase in spending is required and property tax, which provides 25% of the revenue, is the only variable source of revenue it would require property tax to be increased by 40%.

**Box 11**  
**Accepting the Unacceptable**

Poll tax is not usually acceptable to the public, as events in the UK have shown. It is, therefore, surprising that in Uganda a modified form of poll tax known as "graduated tax" exists and that it yielded 250 million shillings in 1988 in Kampala, with a cost yield ratio of 3% and apparently a high success rate in collection. It is worth examining how an apparently unsatisfactory tax can perform so well.

The tax is payable by all males over 18, whether or not employed, and women over 18 in formal employment. The dues vary from a minimum of Sh300 per annum regardless of income to a maximum of Sh5,000 if the income exceeds Sh47,050. The upper limit is fixed at a comparatively low level that coincides with the threshold at which income tax becomes payable. Success is due to three factors:

- a large part of the tax is collected at source from employers;
- the graduated tax receipt is used as a form of indemnity document; and
- there is political involvement in the monitoring of the collection process at the local level.

The "grass roots" political organization is the "Resistance Committee" at level 1 or village level. The members know all the inhabitants of the small locality personally and can apply pressure to ensure payment.

There is, therefore, a simple and painless method of collection, an incentive for the taxpayer and local pressure to pay. However, notwithstanding the success it is probable that the performance of the tax is near its limit. This may be another reason for its success. The tax is not pushed beyond its capacity.



**Box 12**  
**Local Democracy: The Ideal**

For some people, property tax is no more than a taxation system that better enables local government to perform their functions. Others think that property tax has a wider significance because it forms a necessary component in local democracy.

The wider philosophy that underlies rates or property tax is of a perfect working model of local democracy. The electors grant local taxation and call to account their elected representatives, who are entrusted with executing the local services for which the taxation has been raised. Each year, when setting the rate, the elected representative has to balance the conflicting desires of the electors for better local services with their natural wish to minimize the tax liability.

Property tax provides a local tax unambiguously defined by the boundaries of the area in which the services are to be delivered. Both the tax and the democratic responsibility are linked by the bounds of the locality.

Local democracy and property tax can be seen as the links in a logical chain. Effective local democratic government requires independent administrative responsibility. Independent administrative responsibility needs autonomy in matters of locally-generated revenue. Locally generated revenue on a scale large enough to give administrative independence usually leads to property tax, if only by default of other suitable taxes.

This vision of perfect local democracy has hardly existed in reality. Some of the apparent models from the past were in societies where only the property owner had the vote. It will be difficult for it to exist in a pure form anywhere in the future because of the increasing cost and complexity of local government. Nevertheless, this ideal persists in the minds of many of those who administer local property tax. It is as well to understand this ideal if you seek to understand property tax and those engaged in its administration.

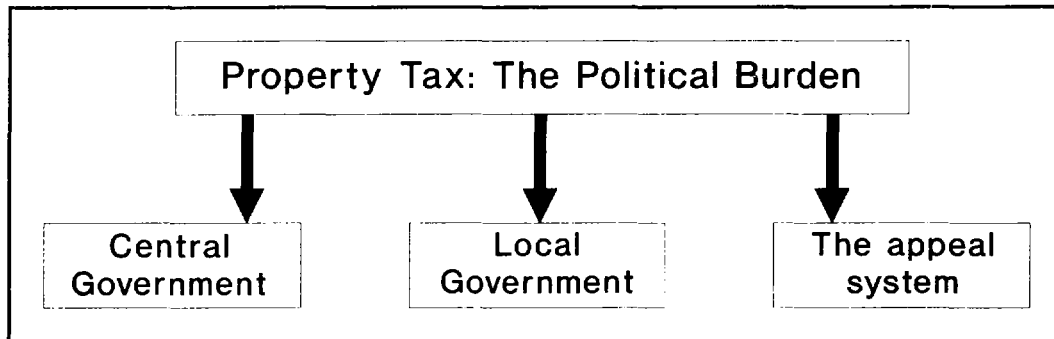
It may be that property tax will have a particular role to play in Africa as multi-party democracy seems to be gaining ground. It is possible that the best hope of multi-party democracy is at the local level. Democracy often more easily takes root at the local level where the issues are more readily understandable to the average voter, free from tribal and ethnic division. Such tribal and ethnic division commonly cause difficulties between central and local government. A political solution is the strengthening of local government, the key to which may often be the improved performance of a property tax as the only means of gaining any true measure of financial independence. It is possible to foresee in future years vigorous democratic local government underpinned by an efficiently administered property tax.

## Sharing the Burden

There should be three players in the property tax field: central government, local government, and the appeal system. All three should share the burden.

Figure 11

### Political Burden



Taxpayers will have three areas of complaint. They will dislike the design of the system - i.e. the law. They will disapprove of the level of spending - i.e. the percentage rate. They may object to their own assessment. They consider they are paying too great a share of the burden.

All those involved in the property tax system should be aware of the distinctions and divert the complaint in the correct direction. Central government (in many instances) is responsible for the legislation. Local government is responsible for the level of spending (or if it is not, it should be). But the most effective safety valve is an effective appeal system.

It is in the strong interest of politicians to have an appeal system that is readily accessible and well used. In many countries in Africa, the rights of appeal are restricted to those objections made within a period of one or two months after the deposition of the draft list. Where property tax is collecting only a small amount this may suffice. As more reliance is put on property tax the rights of appeal should be widened.

## Public Relations

Property tax is not difficult to understand. Nor is the concept of a balance between levels of property tax and the level of services received. There must be publicity to get across these messages:

- who is liable for property tax?;
- when it is payable?;
- the taxpayer's rights; and
- what they get for their money.

Newspaper announcements, posters, and television features all have their effect. The most effective method is local politicians making contacts in their own areas. In those countries where there are formal grass roots local organizations (e.g., Ghana and Uganda), they are a particularly effective channel.

### **Buoyancy**

Figure 12 shows the annual cycle required to increase the percentage rate to keep pace with inflation. It is essentially the system used in the UK. There are alternatives that avoid, or at least mask, this politically difficult process. In the USA, the assessments are increased annually (in theory at least). The percentage rate can remain unchanged. The public know the value of their properties, and are more inclined to accept an increase in assessment. In general, technical difficulties will exclude this preferred option in Africa.

Indexation should be an option. It involves an annual percentage increase of every assessment in line with either general inflation or increases in property values. The percentage rate remains the same. It can be more acceptable to the public if they associate the indexation with the rise in the value of their properties. On the other hand, increase in the percentage rate is always perceived as an extra burden and never related to levels of inflation. Indexation is the most probable, feasible solution to maintaining buoyancy at an acceptable political cost in Africa.

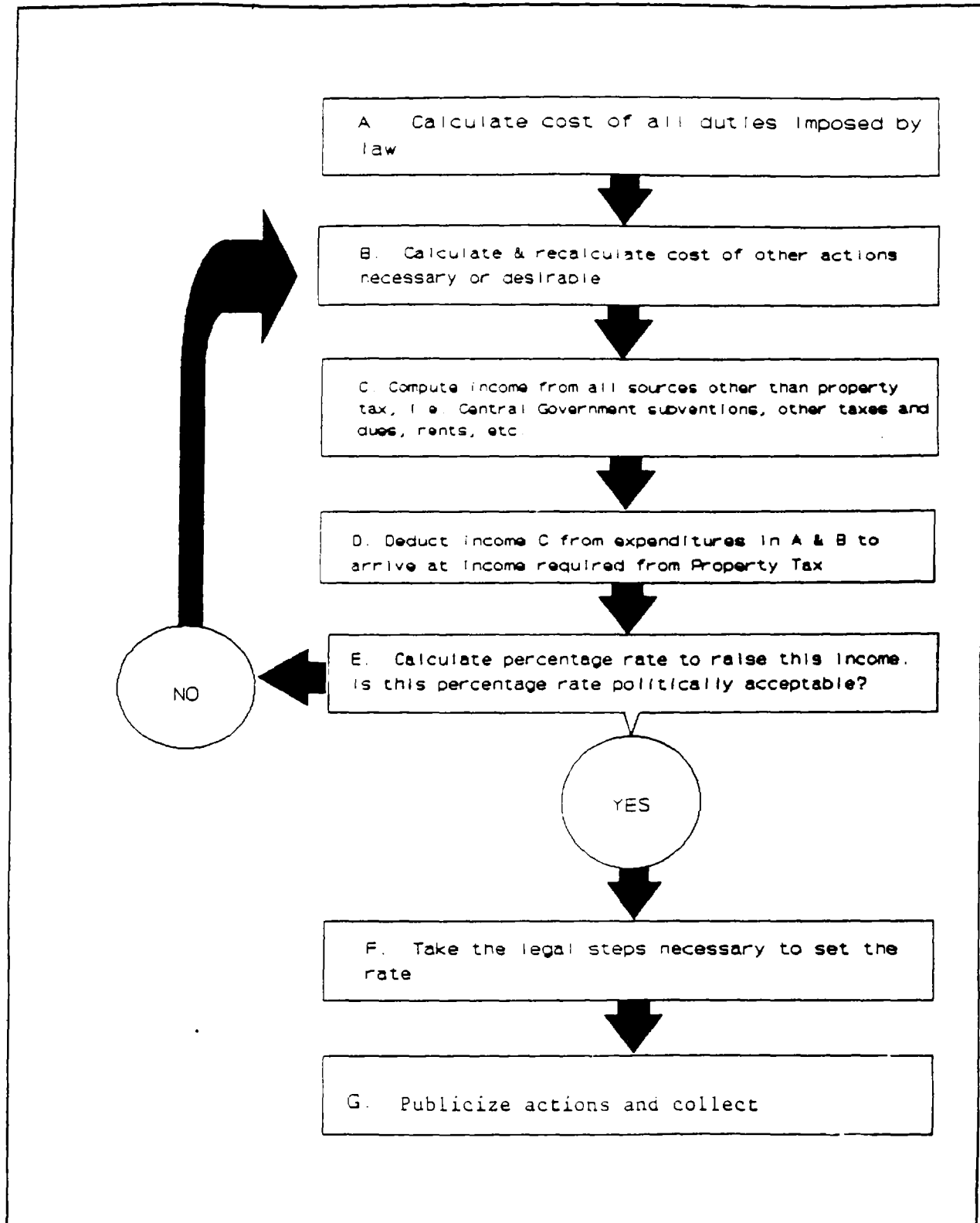
### **Property Tax and the Poor**

In most developing countries, there will be a wide range of house types from traditional rondavel to the luxury of dwelling house. Typically more than 40% of the dwellings will be of a rudimentary sort. (Types 1 and 2 in Appendix D). It may well be that more than half the population, and thus more than half the electors, live in this type of house. It is also probable that the assessed values of these dwellings amounts to less than 5% of the total assessed value. Thus, the poorest half of the population bear only 5% of the burden. The richer taxpayers who pay the greater part of the total tax and can afford to do so, will certainly be the most articulate in opposition to a revaluation or increase in the percentage rate. They have the most to lose.

The politician needs to ensure that the progressive nature of the tax is understood by those living in the modest dwellings. They may account for only a small portion of the tax paid, but each is a voter (or potential voter). They represent the majority. They have the most to gain from property tax and the most to lose if it fails.

Figure 12

## THE ANNUAL BUDGET CYCLE



## VII. CRITERIA OF SUCCESS

### How Do You Know If You Have Succeeded?

There are a number of accepted measures, some of which are listed below :

**(a) Real Increase**

Is there an increase in revenue from property tax measured in real terms?

**(b) Success Rate**

What is the percentage of property tax actually collected as a percentage of the total theoretically possible? (The total base times the percentage rate.) Aim to do better than 80%.

**(c) Cost Yield**

What is the *cost yield* percentage? The cost yield, which is the full cost of assessment and collection, compared with the total revenue actually collected. A cost yield percentage of less than 2 1/2% is the aim. Anything below 5% is acceptable. More than 10% is not acceptable, certainly not after a revaluation has come into effect. Prior to a revaluation, the tax base is unimproved but costs are at a maximum and the cost yield of a single year may be deceptive and, as a measure, should be used with care.

**(d) Comparisons**

What is property tax revenue as a percentage of total tax revenue from all sources - both national and local? Use international comparisons. A figure of 5% would not be surprising. Anything less than 1% might indicate that this source of revenue is under-exploited. If more than 10% comes from property tax there may be little room for further increase.

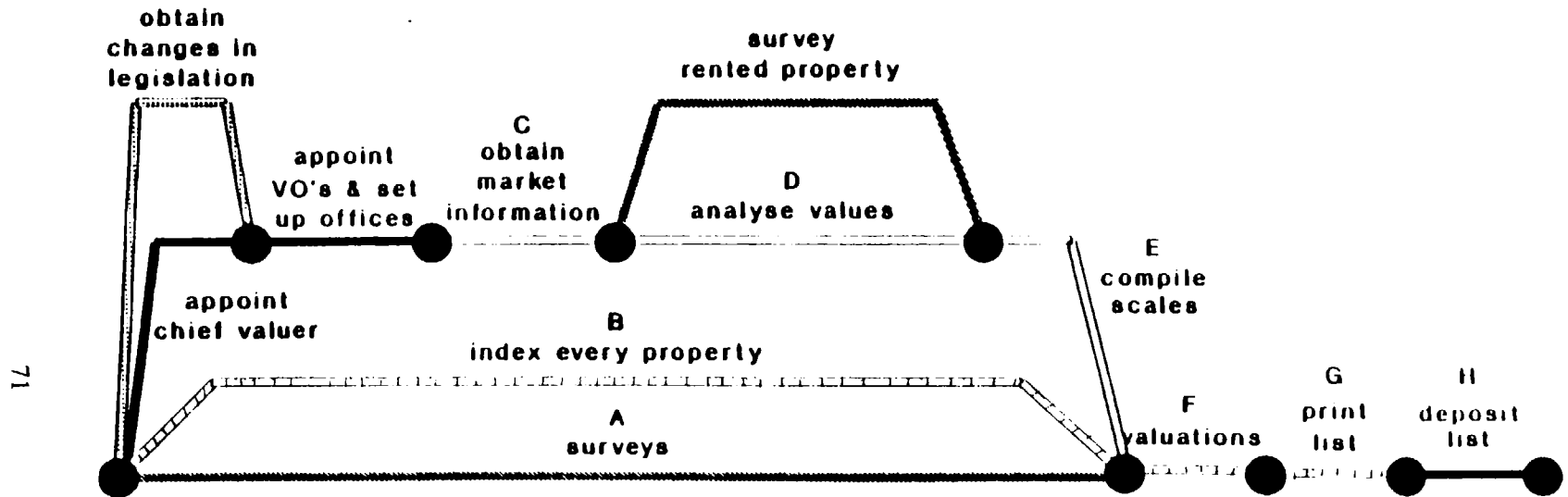


# **APPENDICES**





## Revaluation : Critical Path



Index:-

- Indoor Clerical
- Outdoor Clerical
- Valuer
- Lawyer
- General Admin

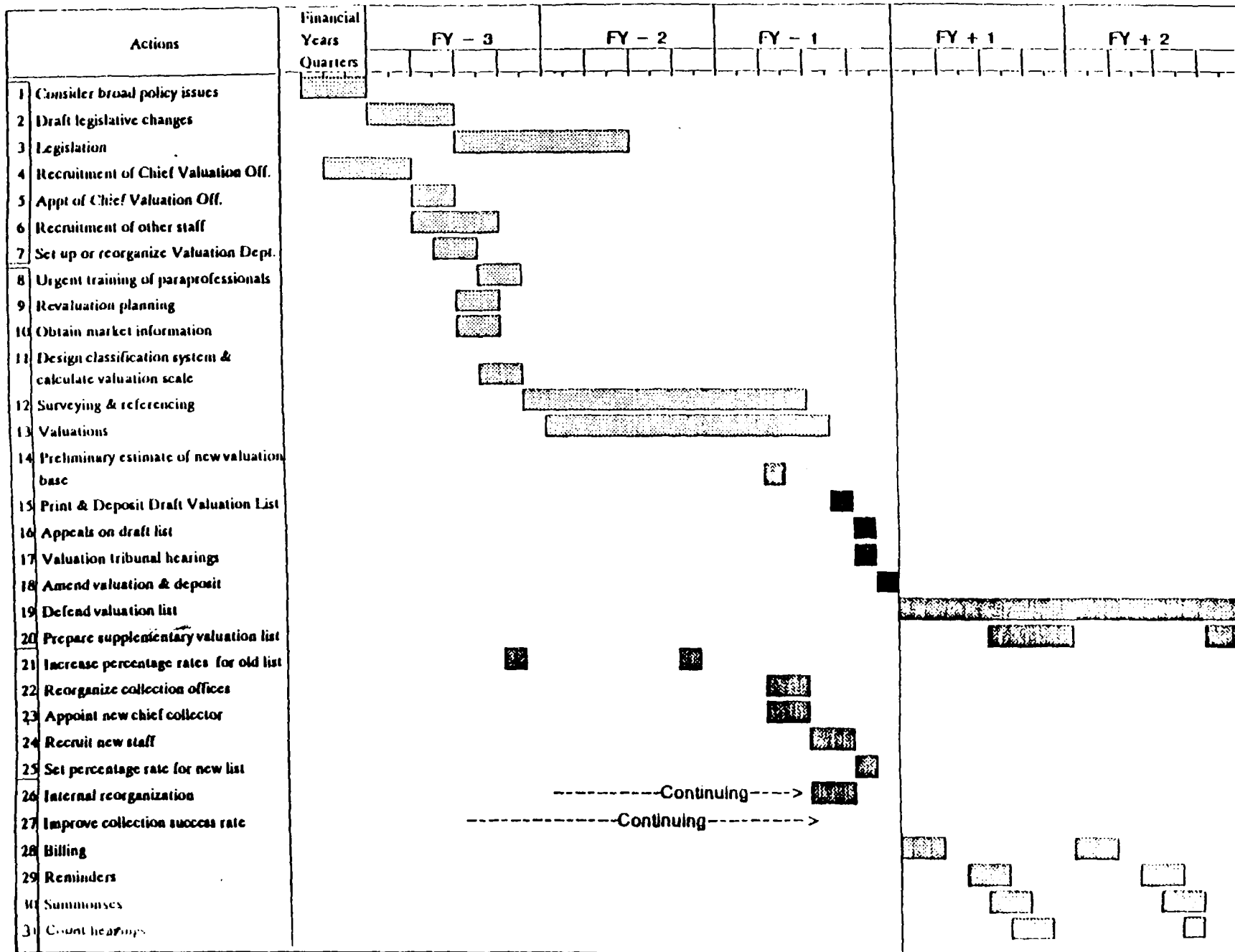
NOTE: Diagrammatic only and without time scale

The critical path is probably the bottom line.

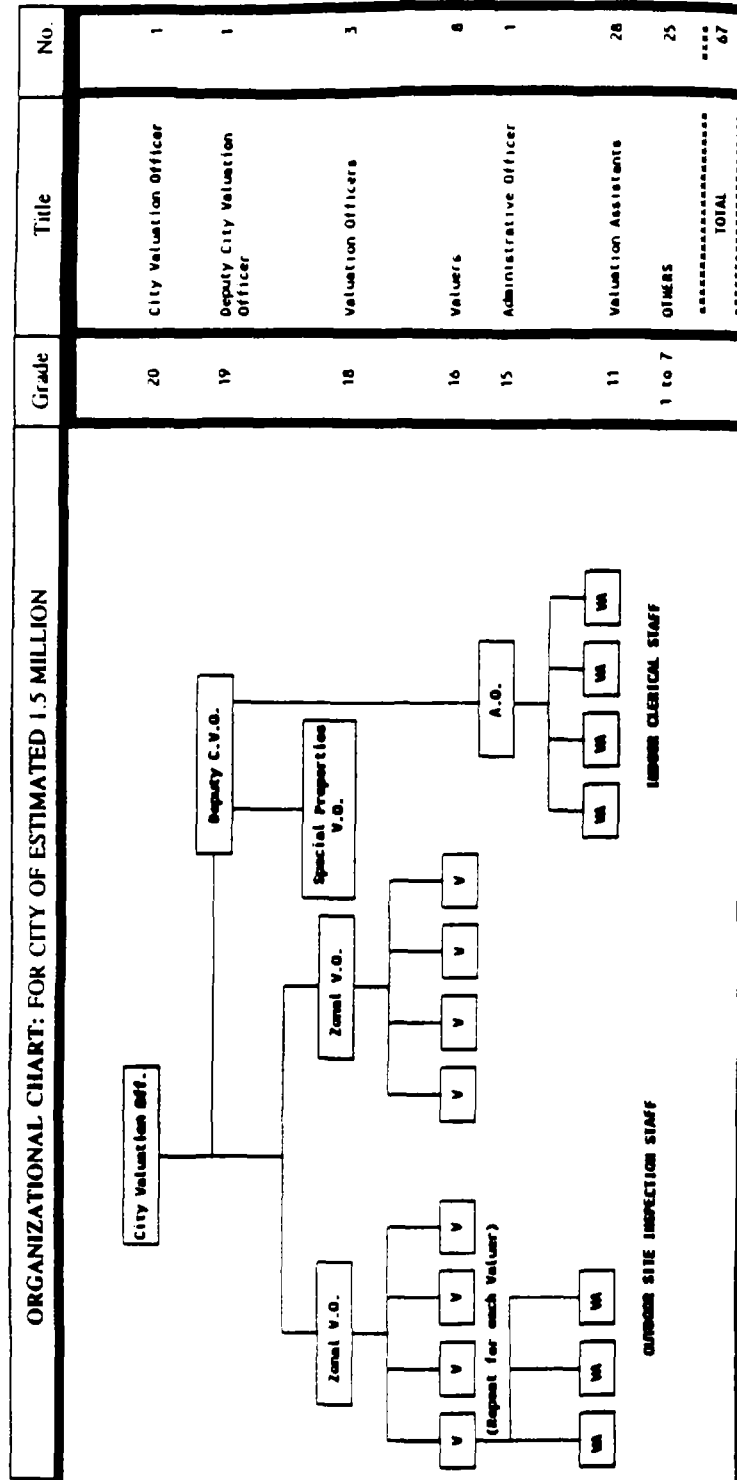


# REVALUATION

## TIMETABLE - VALUATION







ORGANIZATIONAL CHART: Country of 10 million estimated population				Grade (4)	Title	No
				22	Chief Valuation Officer	1
				20	Training Officer or Deputy CVO	1
				18	Area Valuation Officers	4
				16	Valuers	44
				14	Administrative Officer	7
				11	Valuation Assistants	250
				1 to 7	OTHERS (not shown)	300
					TOTAL (3)	607

NOTES

(1) Each area office has the same structure

(2) Specialist valuers in B.O.

(3) Some posts not shown

(4) An example of grades

VALUATION AND SITE INSPECTION STAFF

INDOOR CLERICAL STAFF IN ZONAL OFFICES

HEADQUARTERS STAFF

### Property Classification System

An example of a classification system for dwelling houses.

Type	Description
1. Rondavel	Traditional round mud brick and thatch dwelling. No services. Typical size: 30m <sup>2</sup>
2. Basic Dwelling	Mud brick walls, thatch or corrugated iron roof. Earth floor, access to stand pipe. Typical size: 70m <sup>2</sup>
3. Basic Bungalow	Breeze block walls and corrugated iron roof, concrete floor, water tap inside house. Typical size: 90m <sup>2</sup>
4. Rooming House	Breeze block and corrugated iron single story with about 10 rooms either side of a central passage. Communal kitchen. Single E.C. or W.C. Typical size: 120m <sup>2</sup>
5. Middle Income Bungalow	Breeze block walls and corrugated iron roof, concrete floor, plastered walls, water service inside house, bathroom. W.C. to septic tank. Perimeter fence. Typical size: 120m <sup>2</sup>
6. Bungalow	Brick or block walls with rendered finish, tile roof, concrete floors with tile or sealed, bathroom with all fittings, kitchen, garage, good perimeter fence. Typical size: 150m <sup>2</sup>
7. Good Dwelling	Brick or block rendered walls, tiled roof, plastered walls, good floor finishes, more than one bathroom, large well-fitted kitchen, servants quarters, garage, garden and possibly swimming pool. Air conditioning and all services. Typical size: 250m <sup>2</sup>
8. Best Dwellings	Large well-built dwellings with the highest standard of construction and finishes. Several bathrooms, servants quarters, more than one garage. All services and stand-by generator. Swimming pool and developed gardens. Good perimeter walls. Typical size: 400m <sup>2</sup>





## Outline of Terms for Expatriate Valuer Assistance

### *General*

The IDA funded Infrastructure Project for Uganda includes a rating and valuation component designed to increase locally generated revenue for Kampala City Council and other Local Governments. Technical assistance is to be provided from three valuers who will either be recruited directly on the international market or through a twinning arrangement with a suitable public sector organization or as part of a package from a contracting firm.

### *Tasks*

1. To set up a new District Valuation office for KCC
2. To initiate improved training methods
3. Identify all rateable properties
4. Carry out a revaluation of KCC
5. Replicate in other parts of Uganda

### *Posts*

- a. District Valuation Officer for Kampala carrying out all the valuation work required for local and central government within that area
- b. Training Officer to be in charge of valuation training throughout Uganda
- c. Deputy District Valuation Officer for Kampala

### *Qualifications*

All candidates should be qualified as Chartered Surveyors or equivalent with some experience in the public sector dealing with rating. Candidates for post "a" will have about 10 years' post-qualification experience and proven management ability.

Candidates for post "b" will have about 7 years post-qualification experience and an interest in education and training.

Candidates for post "c" should have not less than 4 years post-qualification experience.

While experience abroad is not essential, an ability to adapt will be important.

**Term:** 2 years.

**Salary and Conditions:** To be determined

### *Headings Not Covered*

- Applications
- Interviews
- References
- Commencement



### **Assessing Existing Property Tax System to Improve Yield**

This appendix is a step-by-step guide to analysis of an existing system and an estimate of the potential yield from an improved property tax. There are no short cuts. A soundly-designed system for the future must be based on an exact knowledge of what really exists, not what is purported to be the case.

#### *Records*

A preliminary examination of the records should reveal this basic information:

- the number of separately assessed properties; and
- the total assessed value.

Regrettably, in many cases this is not readily available, and it may be necessary to count the properties and total the assessments. (Use a sampling system if time or resources are not available.)

#### *Field Exercise*

The field exercise has the objectives of understanding the type of mix of properties in the city and ascertaining how reality in the field is reflected in the valuation office records. The method commences with the selection of at least 30 locations at random. This must be done from a map beforehand to be truly random. Each of these properties is then located in the field and from external inspection the following are noted:

- any visible identification number;
- the approximate dimensions or floor area;
- the type of construction and user; and
- services.

If the expertise is available, an estimate of value should be made in respect of both the existing valuation list and present-day levels of value.

#### *Matching*

The field information is compared with the records of those properties in the valuation office records. Some of the properties may not be there. The results allow a judgement to be made on the percentage of properties missing from the valuation lists and the accuracy of the records of those properties that are there. Further valuable insight will be gained into the effectiveness of the property-identification system, the competence of the staff, and the organization of the office.

#### *Other Sources*

Examine all other sources of information about properties and households. These may be official sources, such as the customer numbers of water or electricity users or economic or sociological studies. The purpose is to help estimate what the correct number of separately assessed properties should be. Other information about the number of households or number of properties is of use, but the difference in definition of what is a household and what defines a separately rateable property should be borne in mind.

### *Number of Properties*

The number of properties is *the* basic statistic. It is needed for the estimate of potential yield. It also it is the basis for the planning of the revaluation. The number of properties determines the resources and size of the work force needed.

In addition to the information gained from the steps above, it is possible to make a rough estimate based on the population. Unfortunately, this is not straightforward because the percentage of properties to population increases as economic prosperity increases. In the U.K., the percentage of separately assessable properties to population is 40% while an African city might have a percentage of about 7%. The following table gives examples:

City	Population	Number of Assessments	%
Lagos	5.8 million	240,000	4.1 <sup>1</sup>
Accra	1.1 million	70,000	6.4
Harare	1 million	108,000	10.8
Lahore	4 million	470,000	11.8 <sup>2</sup>
England and Wales	56 million	22 million	39 <sup>3</sup>

#### Notes:

<sup>1</sup> The definition of a single property allows the amalgamation of a number of properties into a single assessment.

<sup>2</sup> Includes many assessments not subject to tax.

<sup>3</sup> Before 1 April 1990.

The estimate of the number of properties will come from:

- the estimate of properties missing from the existing lists arrived at from the field exercise;
- as a percentage of the population; and
- by comparison with figures from other studies.

### *Potential Yield*

Any estimate made at this stage is only a rough approximation. Nevertheless, it is needed by politicians and administrators and any estimate of the sort of revenue that might be available is better than none.

The suggested calculation is:

The number of properties x average assessed value = PROPERTY TAX BASE

Property tax base x percentage tax x success rate = POTENTIAL YIELD

### Work Rates

This note concerns the number of units of work a manager may expect to achieve from his staff for different tasks in the rating and valuation department. It is a subject of importance because the reduction of the size of the public sector and the control of costs are an important part of improving economic performance. Performance can be monitored in general terms by reference to the indications in Chapter 7. The valuation officer must exercise control by setting targets and checking achievement by reference to rates of work that are known to be possible.

The U.K. valuation office has developed very sophisticated methods of measuring work and the methods suggested below are based on knowledge of their methods. The rates of work shown, which are derived from the U.K., are not necessarily applicable outside the country of origin. However, the figures shown may have to be used as a starting point where there is no assistance to be had from the records of performance.

The process should start with an analysis of the work rates actually achieved. There are three available methods. The first is the use of time sheets on which each individual records how he occupies every working day. It is unlikely to be a feasible option in Africa. It is in any case bureaucratic and expensive to process the results. The second method is the classic work measurement technique of observation with the clipboard and stopwatch. It is never popular and the results in rating and property context have little credibility because it is difficult to know if the work measured is typical. Properties vary greatly in their complexity even in respect to the basic work of surveying and referencing. On an estate of similar houses, a valuation technician may be able to complete the work for 40 properties in a day while his output on a low-density, high-quality area may be less than a quarter of this. The third method is activity sampling. Over a period of not less than one month, a sample of the staff record what activity they are engaged in at certain randomly selected points in time. These findings can be fitted with the known output to deduce the typical output figures. The method works well if the sample is big enough and the times are random and not known beforehand. The results will reveal that a high proportion of the time is spent on necessary background work not attributable to any one property and that the apparent output figures will not, therefore, be as great as those from method 2.

The illustrative figures in the table below are if the valuation technician or valuer was engaged solely on the stated task. In reality, this is never the case as each person will have several tasks.

<b>WORK RATE EXAMPLES</b>		
<b>Task</b>	<b>Grade</b>	<b>Units Per Year</b>
1. Surveying and referencing: ordinary dwelling houses where no records exist.	Valuation Technician	1000
2. Surveying and referencing: correction to existing records for ordinary dwelling houses.	Valuation Technician	1600
3. Surveying and referencing: ordinary commercial properties and high value dwellings.	Experienced Valuation Technician	650
4. Surveying and referencing: complicated commercial and industrial properties.	Senior Valuation Technician	250
5. Indoor clerical: case registration or recording sales evidence or creating index for property tax.	Valuation Technician	2000 to 5000
6. Valuation for property tax of properties too complex to fit into mass appraisal methods.	Valuer	600
7. Valuation and negotiations in respect of appeals for property tax.	Valuer	300
8. Valuations for property acquisition.	Valuer	200
9. Valuations for tax purposes (other than property tax).	Valuer	250

**Notes:**

- \* All the figures are typical averages that correspond to large bodies of work.
- \*\* More complicated cases take longer than simple ones. The more complicated cases will be dealt with by the more senior staff. The output in work units of the more senior staff will tend to be less.

**Example of the use of work factors to determine  
the number of valuation technicians required for a revaluation.**

Circumstances; those records exist but are out of date. All properties will have to be inspected and the records rewritten in part.

CASE:- Number of properties 100,000

85,000 ordinary dwelling houses @1200 = 71 man years

10,000 commercial, industrial and  
better dwelling houses @ 650 = 15 man years

5,000 complex properties @ 250 = 20 man years

TOTAL 106 man years

If the work is to be completed over a 2-year period, the work force required for this task only is 53. There are, of course, other tasks for which similar calculations can be made.





### Methods of Measurement

Since there has already been a considerable amount of work done on this subject, it is not necessary to start from basic principles. Reproduced below is an extract from the RICS/ISVA "Code of Measuring Practice" obtainable from the RICS, 12 Great George Street, London, SW1. It is produced for the U.K. and would clearly need adaptation for African countries. As noted in Chapter 4 it is important that methods of measurement are consistent. A Valuation Officer must ensure consistency within his own area. If there are no national codes, he will have to write his own guidance notes. It is, of course, preferable to have a national measuring code written by the professional societies themselves and adopted, after discussion, by government. It would be of assistance if an international code for Anglophone Africa was produced.

## Code of Measuring Practice

### Definitions and Recommended Applications

#### General Definitions

DEFINITION	INCLUDING:	EXCLUDING:	APPLICATION Principal (or sole)	SUBSIDIARY (if any)
<b>1. Gross External Area (GEA)</b>  Measurement of a building taking each floor into account.	Perimeter wall thicknesses and external projections.  Areas occupied by internal walls and partitions.  Columns, piers, chimney-breasts, stairwells, lift-wells, and the like.  Lift rooms, plant rooms, fuel stores, whether or not above main roof level (except for Scotland where for rating purposes these are excluded).  Open-sided covered areas (should be stated separately).  NOTE: Party walls are to be measured to their center lines.	Open balconies  Open fire escapes  Open covered ways or minor canopies  Open vehicle parking areas, terraces and the like  Domestic outside WC's and coalhouses  Areas with a headroom of less than 1.5m (5 feet) which should be stated separately for valuation purposes	Rating of houses and bungalows: and of Industrial and Warehouse Property in Scotland.  Computation of site coverage. floor ratio.  Planning.	Building costs estimation.  NOTE: The above exclusions should be separately calculated for building cost estimation purposes.

DEFINITION	INCLUDING:	EXCLUDING:	APPLICATION Principal (or sole)	SUBSIDIARY (if any)
<p><b>2. Gross Internal Area (GIA)</b></p> <p>Measurement of a building on the same basis as GEA except for exclusions shown.</p>		<p>Perimeter and party wall thicknesses and external projections and finishes thereto.</p>	<p>Building Cost Estimation</p> <p>Industrial and Warehouses (including ancillary offices) Agency, Valuation, and Rating Practice (including service charge apportionment, but excluding Rating of Industrial and Warehouse Property in Scotland)</p>	<p>Shop Agency and Valuation Practice</p>

## Code of Measuring Practice

### Definitions and Recommended Applications

#### General Definitions

DEFINITION	INCLUDING:	EXCLUDING:	APPLICATION Principal (or sole)	SUBSIDIARY (if any)
<p><b>3. Net Internal Area (NIA)</b></p> <p>The usable area within a building measured to the face of the internal finish of perimeter or party walls, ignoring skirting boards and taking each floor into account.</p>		<p>Toilets, toilet lobbies, bathrooms, cleaners, and the like.</p> <p>Lift rooms, plant rooms, tank rooms, other than those of a process nature, fuel stores and the like.</p> <p>Stairwells, lift-wells those parts of entrance halls, atriaum, landings and balconies used in common or for the purpose of essential access</p> <p>Corridors where used in common with other occupiers or of a permanent essential nature (e.g., fire corridors, smoke lobbies, etc.).</p> <p>Areas under the control of service or other external authorities.</p> <p>Internal structural walls, walls enclosing excluded area, columns, piers, chimney breasts, other projects, vertical ducts, and the like.</p> <p>The space occupied by permanent air conditioning heating or cooling apparatus and ducting which renders the space substantially unusable having regard to the purpose for which it is intended (where such apparatus is present its area may be stated separately for valuation purposes)</p> <p>Areas with headroom of less than 1.5m (5 feet) should be measured and stated separately</p> <p>Car parking areas: the number of car parking spaces should be stated separately.</p>	<p>Office and Shops - Agency, Valuation and Rating Practice (including service charge apportionment) other than ancillary offices referred to under G1A above.</p>	<p>Industrial Agency, Valuation and Rating Practice for Buildings and Multi occupation.</p>

### Paying for Valuation Office Services

This note follows on from Chapter 1 in which the institutional arrangements for supplying Valuation Office services are discussed. It is particularly relevant in cases where the valuation services required by all central government departments and local authorities and some parastatals are centralized and carried out by one body. Two common examples of such services are *property tax* where the valuation list is compiled and maintained for the local authorities and *acquisition of land* for trunk roads carried out for the Department of Transport. There are three ways by which the cost of these services can be paid for.

#### Direct payment

If, for instance, the Valuation Office is part of the Department of Finance, the costs will be part of their budget notwithstanding that most of the work will be done for other departments. In respect of property tax the arrangement is logical because the Department of Finance has a common interest with the local authority in maintaining an efficient tax base. If they do not, the deficit may have to be made good by central government. The Department of Finance has an interest in getting the task done well at the minimum cost.

In the case of the valuations and negotiations for the acquisition of land for roads the logic of the arrangement is much less clear. The Department of Finance will in effect be bearing costs that should really form part of the budget of the Department of Transport. They will have no control of these costs, and there is no reason why the Department of Transport should seek to minimise these costs.

#### Apportioned costs

It is possible for the Department of Finance to apportion the costs of the Valuation Office according to the use made of it and charge the user departments. There are practical difficulties. If the apportionment is to be done accurately, the Valuation Office must have systems of sufficient sophistication. Unfortunately, many valuation departments lack any management information.

There are disadvantages for the user departments who will complain that they have to bear the costs of the valuation department but have no control over these costs. If the user departments are tied, the Valuation Office has a monopoly position with no incentive to control its own costs.

#### Executive Agency

A solution increasingly used in the developed world is to make the Valuation Department into an "executive agency". (This is the term used in the U.K—other countries use different names.) The usual arrangement envisages that the agency is self-financing and maintains itself by charging for its services. The Valuation Office may charge what it likes but the user department is no longer tied to using only the services of the agency. The agency has to compete for work with

the private sector. In theory, this requirement to compete is the main discipline. The agency can be granted freedom to run its own affairs without the usual public sector restrictions. In practice, there is not usually complete freedom. In most executive agencies they are still required to abide by Civil Service rates of pay. They may not even have freedom to hire and fire.

In respect to the property tax valuations needed by the local authority, there may be little choice but to use the Valuation Department, at least in the main controlling position. The task is often beyond the scope of any one private firm. There are also other disadvantages listed in the chapter. But for work such as land acquisition, the system can work well for the user departments.

**Valuation and Rating Law in Malawi**

Extract from Local Government (Urban Areas) Act. Cap. 22:01. No legal framework is perfect but this is one of the best in Africa.

**115.** This Part shall apply only to those Local Government Areas or parts thereof not designated as Special Rating Areas under section 7. Application

**116.** For the purpose of this Part, unless inconsistent with the context: Definitions

"valuation court" means a court held in terms of section 131;

"improvements" shall include any building, structure or works ancillary thereto of a permanent or semi-permanent nature and shall also include any plant, or machinery installed in any building, structure or ancillary work for the purpose of heating, lighting, ventilation, safety, drainage, supplying water, protection from fire or movement of passengers or goods, but shall exclude any machinery or plant which is installed mainly for the purpose of manufacturing operations or trade processes;

"time of valuation" shall mean the date of the passing of a resolution of the Local Authority to cause a valuation to be made pursuant to section 118 or a date six months prior to the date of the signing of the valuation roll by the valuer, whichever shall be the later, and shall be the date at which all valuations shall be deemed to have been made for the purpose of any valuation roll and of every supplementary valuation roll prepared during the continuance in force of such valuation roll.

**117.** All land within a Local Government Area, not being a Special Rating Area, together with all improvements of every description situated thereon shall be assessable property within the meaning of this Act, save the following: Assessable property

- (a) all streets;
- (b) sewers and sewage disposal works;
- (c) land and improvements used directly and exclusively as a cemetery, crematorium or burial ground;
- (d) land and improvements used as a public open space.

**118.-(1)** Every Local Authority shall, from time to time, and in any event not less than once in every five years or such longer period as the Minister may approve, cause to be made and entered into a valuation roll for the Local Government Area a valuation of all assessable property within such area.

Preparation of valuation rolls of assessable property

(2) Such valuation roll shall take effect on the date of the commencement of the start of the next rate period following the date of such roll:

Provided that, where the interval between such dates would be less than three months, if the Local Authority so decides within the said interval, such valuation roll shall take effect on the date of the commencement of the next but one rate period following the date of the said valuation roll.

(3) A valuation roll shall cease to be current on the date on which a new valuation roll completed in pursuance of subsection (1) shall take effect.

**119.-(1)** A Local Authority may from time to time, and shall, not less than once in every twelve months, cause a valuation to be made-

Power to cause new valuations to be made and entered in a supplementary valuation roll

(a) of any assessable property or part thereof discovered to have been omitted from the last preceding valuation roll made under section 118;

(b) of any improvements or part thereof erected, made or completed since the completion of the preceding valuation roll made under section 118;

(c) of any assessable property which, from any causes particular to such property arising since the time of valuation relating to the last preceding valuation roll made under section 118 has materially increased or decreased in value;

(d) of any assessable property, the identity of which has, since the completion of the last preceding valuation roll made under section 118, been changed by subdivision, consolidation or alteration of boundaries by re-survey;

(e) of any assessable property brought, subsequent to the completion of the last preceding valuation roll made under section 118, within the Local Government Area by reason of an alteration in the boundaries of the Local Government Area;

and such valuation shall be entered in a supplementary valuation roll.



(2) When any property included in any existing valuation roll has been excluded from the Local Government Area by reason of an alteration in the boundaries of the Local Government Area, particulars of such property shall be included in a supplementary valuation roll and the valuation ascribed therein to such property shall be nil.

**120.-(1)** Every Local Authority shall, subject to the special or general directions of the Minister, appoint a person (in this Act referred to as the "valuer") to prepare valuation rolls and supplementary valuation rolls.

Appointment of  
valuer

(2) Notwithstanding any directions that may have been given by the Minister as to his appointment, a Local Authority shall pay all fees and expenses incurred by the valuer in respect of his duties under this Act together with such remuneration and other expenses-

(a) in the case of a valuer who is a public officer, as may be prescribed by the Minister;

(b) in any other case, as may be agreed between the Local Authority and the valuer.

**121.-(1)** Every valuation roll and supplementary valuation roll shall in respect of every assessable property include therein show separately:

Method of  
valuation

(a) the total valuation of the assessable property;

(b) the value of the assessable land; and

(c) the value of the assessable improvements situated thereon,

and shall also show what are, to the best of the knowledge and belief of the valuer, the name of the owner and the situation and area of the land and shall contain a description of the property in such a way as to provide adequate identification of the property and every supplementary valuation roll shall in addition show the valuation (if any) appearing in the valuation roll to which any entry in the supplementary valuation roll refers:

Provided that where in his opinion the total value of any assessable property is less than a sum as may from time to time be prescribed by the Minister by notice published in the *Gazette* the words "Minimum value" shall be inserted in the valuation roll or supplementary valuation roll as the case may be.

(2) The total valuation of an assessable property made under this Part shall represent the fair price or sum which such property would have been likely to realize if it were in existence and sold at the time of valuation by a willing vendor to a willing purchaser upon the usual terms and conditions on the assumption that such property was freehold and that there were no leases or mortgages in existence in respect thereof.

(3) The valuation of the land shall be made on the assumption that it was without improvements at the time of valuation:

Provided that account shall be taken:

- (a) of the nature of any improvement on neighbouring land;
- (b) of any public services available to the land and
- (c) of any provisions of or derived from any law relating to town planning as it affects the land or neighbouring land-
  - (i) in the case of a valuation made under section 118, at the time of valuation; or
  - (ii) in the case of a valuation made under section 119 at the date on which such valuation becomes effective under section 125.

(4) The value of improvements shall be the difference between the total value of the assessable property and the value of the land.

**122.** Every supplementary valuation roll shall be deemed for the purpose of this Act to be part of, and to be included in, the valuation roll last compiled in accordance with section 118, and where any entry relating to any assessable property appears in a valuation roll the former entry shall be deemed to have been deleted and superseded by the latter entry as from the effective date of the supplementary valuation roll as ascertained in accordance with section 125:

Supplementary  
valuation roll to be  
deemed to be part  
of and included in  
the valuation roll

Provided that where an entry is made in a supplementary valuation roll under section 119 (2) the entries in relation to such property shall be deemed to be deleted from the valuation roll.

**123.** A Local Authority may as often as it considers necessary cause a valuation roll or supplementary valuation roll for the time being in force to be altered for any of the following purposes:

- (a) to correct any clerical error not affecting any valuation;

Local Authority  
may alter valuation

(b) to correct any error as to, or to any change in, the name of the owner;

roll for certain purposes

(c) to correct any error in the description of any assessable property that there is no alteration in value;

(d) to correct the description of the situation of any assessable property in consequence of the naming or renaming of a street or through any other similar causes.

**124.** The valuer may include in any supplementary valuation roll an entry correcting any error in the valuation roll then in force and the effective date of the correction shall be that of the original entry.

Valuer may correct errors

**125.-(1)** Any assessable property included in a supplementary valuation roll made under section 119 (a) shall be liable to assessment upon the valuation shown therein from the date when the last preceding valuation roll made under section 118 became effective for the purpose of charging rates.

(2) Any improvements or part thereof included in a supplementary valuation roll under section 119 (b) shall be liable to assessment upon the new valuation shown therein from the date when such improvements or part thereof were first capable of being used or occupied.

Effective date of supplementary valuation rolls

(3) Any improvements or part thereof included in a supplementary valuation roll under section 119 (c) shall be liable to assessment upon the new valuation shown therein from the date on which the cause of the increase or decrease in valuation was effective.

(4) Any assessable property included in a supplementary valuation roll under section 119 (d) shall be liable to assessment upon the new valuation shown therein from the date of the Deed of Conveyance which effects the change of identity.

(5) Any assessable property included in a supplementary valuation roll under section 119 (e) shall be liable to assessment upon the valuation shown therein from the effective date of the alteration of the boundaries under which the property was included in the Local Government Area.

(6) Any property included in a supplementary valuation roll under section 119 (2) shall cease to be liable to assessment for rating from the date

of the alteration of the boundaries under which the property was excluded from the Local Government Area.

**126.-(1)** Every valuer, or his appointed assistant authorized in writing by the Local Authority under the hand of the Town Clerk, shall, for the purpose of making a valuation, have power to enter at all reasonable hours in the daytime into and upon any assessable property within the Local Government Area without being liable to any action or other proceeding on account thereof.

Power of entry of valuer

(2) Any person who wilfully obstructs a valuer or his assistant duly authorized in writing by the Local Authority from exercising the powers conferred upon him by this section shall be liable to a fine of £50 and to imprisonment for three months.

**127.-(1)** The valuer, or the Local Authority, may at any time:

(a) serve a notice on any person in apparent occupation or charge of, or upon the owner of, any assessable property requiring such person or owner to make a return containing such particulars as may reasonably be required to enable the valuer correctly to value such property;

Valuer require return of particulars and pose questions

(b) pose to any such person or owner questions upon all such matters as may be necessary to enable the valuer correctly to value such property.

(2) Every person upon whom such a notice has been served under subsection (1) shall, within twenty-one days after the date of such service, make a return in such form and in such manner as is required by such notice and for the purposes of this subsection a notice served by post shall be deemed to have been served within seven days of posting unless contrary is proved.

(3) If any person on whom notice has been served or to whom questions have been posed under this section fails, without reasonable excuse, to comply with the notice, or wilfully refuses to answer questions to the best of his knowledge and belief, he shall be liable to a fine of £25 and to imprisonment for one month.

(4) If any person on whom notice has been served or to whom questions have been posed under this section knowingly makes or gives any false statement or answer thereto he shall be liable to a fine of £100 and to imprisonment for six months.

**128.-(1)** Upon the completion of a valuation roll or supplementary valuation roll the valuer shall-

- (a) deliver to the Town Clerk the said valuation roll or signed and dated by him;
- (b) certify therein that the said valuation roll has been completed by him in accordance with this Act; and
- (c) specify therein the time of valuation.

Completion and  
deposit of valuation  
rolls for inspection

(2) As soon as possible after any valuation roll or supplementary valuation roll has been delivered to him in accordance with subsection (1) the Town Clerk shall publish in the *Gazette*, and at least one newspaper circulating in the Local Government Area, a notice stating that the said valuation roll is open to inspection in the offices of the Local Authority, and such valuation roll shall be so open to inspection.

(3) Any interested person may, without payment, at any time during which the offices of the Local Authority are open for business, inspect such valuation roll and copy information therefrom.

**129.-(1)** Any person (including the government, the Local Authority or any person generally or specifically authorized in that behalf by the Local Authority) who is aggrieved:

- (a) by the inclusion of any property in, or by the omission of any property from, any valuation roll or supplementary valuation roll; or
- (b) by any value ascribed in any valuation roll or supplementary valuation roll to any assessable property, or by any other entry made or omitted to be made in the same with respect to any other assessable property, may object to the Town Clerk at any time before the expiration of twenty-eight days from the date of publication of the notice referred to in section 128 (2).

Objection to  
valuation rolls

(2) Any objection given under subsection (1) shall be in writing and shall specify the amount of valuation which it is alleged should be substituted for the amount entered in the valuation roll or supplementary valuation roll and specify briefly the grounds of the objection and such notice shall, as nearly as may be, set forth the particulars to be given by, and be in the form set forth in, the Second Schedule.

(3) On receipt of an objection under subsection (2) the Town Clerk shall forthwith-

- (a) send a copy thereof to the valuer;
- (b) send a copy thereof to the owner of the property to which the objection relates if such person is not the maker of the objection.

(4) No person shall be permitted to lodge any objection against any entry in a valuation roll or supplementary valuation roll or to appear before the valuation court unless he has complied with this section.

**130.-(1)** If, on the expiration of the period of twenty-eight days referred to in section 129 (1), no objection has been received, or if all objections duly received shall have been withdrawn prior to the date fixed for the sitting of the valuation court hereinafter referred to, the Town Clerk shall endorse upon the valuation roll or supplementary valuation roll and sign a certificate to that effect.

Uncontested  
valuation roll

(2) The Town Clerk shall publish a notice that the valuation roll or supplementary valuation roll has been signed and certified under this section.

**131.** If the provisions of section 130 have not prevailed the Town Clerk shall publish in the *Gazette* and at least one newspaper circulating in the Local Government Area a notice announcing the day, the hour and place fixed by a Resident Magistrate for the Area on which he will hold a valuation court for the purpose of hearing and determining any objections of which notice has been given under section 129.

Notice of sitting of  
Court

**132.** Upon the day and at such place and hour appointed under section 131, the magistrate shall hold a valuation court, the proceedings of which shall be conducted as nearly as may be in conformity with the law and practice for the being in force relative to the conduct of civil actions in a subordinate court, the objector being regarded as the plaintiff and the valuer as the defendant and shall hear all objections of which proper notice has been given in accordance with section 129, which may be urged to any valuation by the Local Authority or by any owner occupier appearing before such valuation court on his behalf or on behalf of the Local Authority and shall inquire into the merits of such objections and may, in respect of any particular objection, make such

The hearing

alterations or amendments in the valuation roll or supplementary valuation roll either by way of reduction, increase, addition, or deletion as it may think just:

Provided that:

(a) the said valuation court may be adjourned from time to time upon the application of any person being a party to the proceedings who shall show reasonable grounds for not being ready with proofs, or for the purpose of obtaining further evidence in regard to any case which shall have been partly heard;

(b) the onus of proving that some alteration or amendment in or to the valuation roll or supplementary valuation roll ought to be made by the court shall rest upon the party objecting; and

(c) in its determination of any matter the valuation court may take into consideration any evidence which it considers relevant to the subject of the objection before it, notwithstanding that such evidence would not be admissible under the Statute or Common Law relating to evidence.

**133.** The decision of a valuation court shall be noted in writing upon the notice served as provided in section 129 and shall be signed by the magistrate, and such notice shall be kept on record in the office of the Town Clerk, and shall, at any time during which the offices of the Local Authority are open, be open to inspection by any of the persons affected by such decision.

Decision of Court

**134.-(1)** Any person aggrieved by the decision of a valuation court may appeal to the High Court against such decision, and such appeal shall be conducted as nearly as may be in conformity with the law and practise for the time being in force relating to appeals in civil cases from a subordinate court. The High Court may confirm, rescind or vary such decision as it thinks fit, but every determination of the High Court on any matter of fact shall be final and conclusive.

Appeals

(2) The Resident Magistrate holding a valuation court may state a case for the opinion of the High Court on any question of law arising out of an objection to the valuation roll or supplementary valuation roll or any entry therein which may be brought before him, and such case may be stated upon or in the absence of any application to the magistrate to do so.

**135.** Those valuations on assessable property shown in a valuation roll or supplementary valuation roll published in terms of section 130 or those valuations in respect of which the decision of a valuation court has been noted in terms of section 133 shall, for the purpose of this Act, be conclusive evidence of the value of all properties included in such valuation or supplementary valuation rolls.

Valuation rolls to be conclusive evidence

**136.-(1)** In every financial year a rate shall be made and levied by a Local Authority to meet all liabilities falling to be discharged out of the general fund for which provision is not otherwise made.

(2) Every rate shall be made and levied upon the assessments appearing in the valuation roll, and subject to section 137 the amount of any rate shall be subject to the prior approval of the Minister, which shall be sought not less than twenty-one days prior to the date on which the rate becomes due.

Duty to levy rates

(3) Any rate may be made and levied separately upon the valuation of land and upon the valuation of improvements and such rate may, as regards such separate valuations, differ in the amounts made and levied thereon.

(4) Notwithstanding subsection (2) a Local Authority may, with the approval of the Minister, differentiate between areas within the Local Government Area as regards the amount of such rate.

(5) The minimum charge for any financial year in respect of any rateable property in respect of any rate made and levied under this section shall be ten shillings and this sum shall be charged in respect of every property to which a minimum value has been ascribed under section 121.

**137.** Notwithstanding section 136, when a Local Authority intends to make and levy a rate the amount of which does not exceed such amount as the Minister may by notice published in the *Gazette* from time to time prescribe or the amount levied in the previous financial year, the approval of the Minister shall not be required.

Dispensation with Minister's consent

**138.** Every rate shall be made in respect of a period commencing either-

(a) immediately after the expiration of the last preceding period in respect of which a rate was made; or

Period of rate



(b) on a date approved by the Minister,

and terminating on such date as may be fixed by the Local Authority, and, in the case of the last rate to be made in any financial year, the date so fixed shall be the last day of such year.

**139.** Every rate shall become due on the first day of the rate period and shall become payable on a date in the financial year to which it relates as shall be fixed by the Local Authority:

Date on which rate is payable

Provided that the Local Authority may authorize the payment of any rate in arrears by installments on such dates during the rate period as it may specify.

**140.** Notice of the making of every rate shall be given by the Local Authority not less than twenty-one days, or such shorter period as the Minister may approve, before the date on which it becomes payable, in the *Gazette* or in a newspaper circulating in the Local Government Area and in such other manner, if any, as the Local Authority may, by resolution, direct and such notice shall specify the instalment dates, if any, upon which such rates may be paid, and the date of termination of the rate period in respect of which it is made:

Notice of rate

Provided that such notice shall not be given until approval to the annual estimates in terms of section 97 has been given by the Minister.

**141.-(1)** Every Local Authority shall remit in full the payment of rates on-

Remission or reduction of rates

(a) vacant, unalienated public land;

(b) land and improvements used exclusively for public religious worship;

(c) land and improvements used directly and exclusively as a public library or museum;

(d) land and improvements owned by a club, society or other organization not established or conducted for profit and used wholly or mainly for the purposes of outdoor sport not conducted for profit other than

improvements used primarily for activities not directly connected with the outdoor sport.

(2) Every Local Authority shall remit not less than one half of the amount due in respect of rates on-

(a) educational institutions;

(b) hospitals or other institutions for the treatment of the sick:

Provided they are not conducted for profit and any remission shall not apply to any separate building used as residences for the staff of the institution.

(3) Every Local Authority shall have power, subject to the prior approval of the Minister, to remit or reduce the payment of any rate.

**142.** No rate (save such contribution as is provided in this section) shall be made or levied in respect of assessable property of the Government:

Provided that there may be payable from moneys provided for the purpose by Parliament a contribution in lieu of rates on assessable property of the Government.

Government  
property and  
contribution in lieu  
of rates

**143.-(1)** When a Local Authority has given notice under section 140 of the day on which any rate levied or instalment thereof will become payable, it shall be the duty of every person liable to pay such rate, or instalment thereof, to pay the amount of such rate or instalment thereof to the Town Treasurer on or before such date.

Payment of rates

(2) It shall be lawful for any Local Authority to resolve to make a surcharge of not more than seven and one half per centum on any rate remaining unpaid two months after the date on which such rate becomes payable and such surcharge shall be added to the amount of the unpaid rates and may be recovered accordingly.

**144.-(1)** The person who at the date the rate becomes due is the owner of any assessable property shall be liable for the payment of the rate:

Provided that joint owners of assessable property shall be jointly and severally liable for the payment of the rate.

Liability of owners  
and occupiers

(2) In the absence of any agreement to the contrary, the owner shall be entitled to recover from the late owner any rate paid by or recovered from him in respect of the ownership of the property by such late owner.

(3) When the rates levied on any assessable property remain unpaid thereon for three months after the day on which they become payable the Local Authority may within a further period of one year after the said rate becomes payable:

(a) serve upon any person in occupation of the assessable property, or any part thereof, a notice stating the amount of such arrears, which may include any surcharge calculated in accordance with section 143 (2), and requiring all future payments of rent (whether the same have accrued due or not) by the person paying the rent to be made direct to the Local Authority until such arrears and surcharge, if any, shall have been duly paid, and such notice shall operate to transfer to the Local Authority the right to recover, receive and give discharge for such rent; or

(b) demand such proportion of the amount of the arrears which may include any surcharge calculated in accordance with section 143 (2) as accrued since the date of his occupation, and on non-payment thereof may, after fourteen days from the date of such demand, recover the same in accordance with section 145. Subject to any agreement to the contrary the occupier shall be entitled to deduct from any rent or other amount payable by him to the owner of the assessable property so much as was paid or recovered from him.

**145.** Any person liable to pay any rate levied under this Act who fails to pay such rate within twenty-eight days of it becoming payable shall be guilty of an offence and shall on conviction be ordered to pay such rate together with any surcharge levied in accordance with section 143 and any costs the court may, in its discretion, determine; and at the time of such conviction may be sentenced in default of payment to imprisonment for two months:

Failure to pay rates

Provided that nothing in this section contained shall be deemed to prevent a Local Authority from recovering such rate by civil process.

**146.** All rates made and levied upon the value of assessable property shall be entered in a book or some form of permanent record, to be prepared and maintained by the Town Treasurer, and such book or other record shall be known as the rate book and, in addition to any other matters which may be entered therein, shall show in respect of each assessable property-

Rate book

- (a) the plot or street number and situation;
- (b) the name and address of the owner;
- (c) the valuation shown in the valuation roll in force of the land and of improvements; and
- (d) the amount of rates made and levied.

**147.** In any proceedings to levy or recover rates or consequent on the levying or recovering of any rates, the valuation rolls and rate books and all entries made therein and extracts or certified copies thereof signed by the Town Clerk, and also all copies of any notice required under this Part, shall, upon production thereof, be *prima facie* evidence of all levying of such rate and the contents of such extracts, certified copies or notices:

Evidence of rate

Provided that it shall be competent for any person proceeded against to offer evidence to prove that the requirements of this Act have not been complied with.

**148.-(1)** Notwithstanding anything to the contrary contained in section 144, in every case in which a rate has been made and levied upon any property, such rate shall without registration under any law relating to the registration of charges upon land, be a charge upon such property, and the whole amount thereof shall be recoverable from the person who was the owner of such property at the time such rate was made and levied, or from any subsequent owner of such property:

Rate to be a charge upon property

Provided that a subsequent owner shall become liable for rates due for any period prior to the date of issue of a rates certificate only for the amount stated in the certificate or the amount due whichever is less.

(2) The Town Clerk shall under his hand, on request by the owner and on payment of a fee to be fixed by the Local Authority with the approval of the Minister, give a statement setting out in respect of any property the amount of the rates outstanding on the property at the date of issue and such statement shall be known as a rates certificate for the purposes of this section.

**149.** If any sum due for any rate levied on any assessable property remains unpaid for a period of three years after the date upon which such sum became payable-

(1)(a) A Local Authority shall publish a notice in at least two consecutive issues of the *Gazette* and a newspaper circulating within the Local Government Area requiring the owner to pay the arrears with three months of the date of the last publication and stating that in default the property will be sold.

Premises may be sold upon three years' default

(b) If the arrears are not paid within the period stated in subsection (1) (a), the Local Authority may resolve, after notice to any mortgagee, to sell the property by public auction in satisfaction of the rate due.

(c) The Local Authority shall give notice of the sale by advertisement once in the *Gazette* and a newspaper circulating within the Local Government Area not earlier than twenty-one days from the date of the resolution.

(d) The owner may claim the property by paying all arrears and expenses incurred by the Local Authority at any time before the sale.

(e) In the event of sale the Local Authority is entitled to retain out of the proceeds the amount of arrears and expenses and shall deposit the balance (if any) with the Administrator General, who shall, on application being made, pay out the same to the person or persons appearing to him to be entitled thereto.

(2) Nothing in this section shall prevent the Local Authority from taking proceedings for recovery by ordinary action in the court."



## HARARE: A LedgerCard Used in the High Density Areas

[illegible]

..... Lilongwe: Part of a Four Page Return Requiring Information



Government of Lesotho  
Ministry of Interior  
Return for Rating Purposes

<p><b>DATE OF ISSUE</b></p> <div style="border: 1px solid black; display: inline-block; width: 150px; height: 20px; margin-top: 5px;"> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="width: 25%; height: 15px; border-bottom: 1px solid black;"></div> <div style="width: 10%; text-align: center;">-</div> <div style="width: 25%; height: 15px; border-bottom: 1px solid black;"></div> <div style="width: 10%; text-align: center;">-</div> <div style="width: 25%; height: 15px; border-bottom: 1px solid black;"></div> </div> </div>	<p><b>TO:</b> _____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>DATE RETURNED</b> .....</p> <div style="border: 1px solid black; display: inline-block; width: 150px; height: 20px; margin-top: 5px;"> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="width: 25%; height: 15px; border-bottom: 1px solid black;"></div> <div style="width: 10%; text-align: center;">-</div> <div style="width: 25%; height: 15px; border-bottom: 1px solid black;"></div> <div style="width: 10%; text-align: center;">-</div> <div style="width: 25%; height: 15px; border-bottom: 1px solid black;"></div> </div> </div>
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1. By virtue of section 6(1) of the Valuation and Rating Act 1960 you are hereby required to deliver a return for rating purposes.
2. This form should be completed and sent back within 28 days of the date of issue to the address shown below. If it is sent through the post in an envelope marked "Rating Return - on Government Service" then it will be carried free of postal charges.
3. Your attention is drawn to sections 6(6) and (7) of the said Act which read as follows:
  - (6) "If any person on whom a notice has been served under this section fails without reasonable excuse to comply with the notice, he shall be guilty of an offence and shall be liable to a fine not exceeding five hundred Maloti and to a further penalty of ten Maloti for each day during which the default continues after conviction."
  - (7) "If any person knowingly makes or causes to be made a return required under this section which is false in any material particular, he shall be guilty of an offence and shall be liable to a fine not exceeding five hundred Maloti and to imprisonment for a term not exceeding three months."

PRIVATE BAG A 121  
MASERU 100  
LESOTHO.

for VALUER



# LAGOS STATE GOVERNMENT

## INSPECTION LETTER

LSV0/02

*Reference to be  
quoted in all  
communications*

Lagos State Valuation Office

Telephone:

To:
-----

Dear Sir,

.....  
.....  
It is necessary to inspect the above property for rating valuation purposes and it will be appreciated if

M .....  
an officer of this Office/Consultant firm to this Office, may be given facilities for doing so on.....

Personal credentials will be presented when the officer calls.  
Unless I hear to the contrary, it will be assumed that the above date is convenient.

Yours faithfully,

*Director of Valuation*

**HARARE:** Part of a four page form on stiff card used to record all the relevant information, including a sketch plan

Appendix K

**VALUATION CARD**

STAND No				ADDRESS			
LAND AREA				PLANNING SCHEME <small>1:10 GROUP 1:200 1:500 1:1000 1:2000 1:5000 1:10000</small>		SUBURB	
MAIN BUILDING YEAR BUILT				OUTBUILDINGS			
CONSTRUCTION	EXTERNAL FINISH	ROOF		CONSTRUCTION	SERVANTS	GARAGE	CAR PORT
Brick	Plastered	Tile		Brick			
Concrete Block	Rough Cast	Corrug		Plastered			
W. Brick	Fine Brick	Concrete		Fine Brick			
Plaster	Stone	Aluminium		Concrete Block			
Asphalt		S.R.		Tile			
				Car Port			
				Car Attached			
				Car Alumin.			
				S.R.			
				Car. Port			
				Car. Port			
ACCOMMODATION STATE OF REPAIR FINISHES DESCRIPTION				GENERAL REMARKS			
	SI	RE	DATE				
Hall							
Passage							
Lounge							
Dining Room							
Study							
Kitchen							
Scullery							
Pantry							
Bedrooms							
Bedrooms							
Showers Room							
W.C.							
Other Rooms							
Veranda							
DATE OF TRANSFER	PRICE	TRANSFER		LOCATION			
INSPECTED BY	DATE	INSPECTED BY	DATE	INSPECTED BY	DATE		

113

## LAGOS STATE VALUATION OFFICE

LSVO/04

VALUATION SHEET - NON RESIDENTIAL PROPERTIES

<u>Rating Area.</u>		<u>Analysis Code</u>	<u>Assessment No.</u>
<u>Occupier</u>	<u>Owner</u>	<u>Situation (Address)</u>	
<u>Rental Information</u> Rent Paid ..... Date ..... Period ..... Responsibility for: (1) Insurance ..... (2) Repairs: (a) External ..... (b) Internal .....		<u>Site</u> Frontage ..... Depth ..... Area .....	<u>Construction</u> Walls ..... Windows ..... Doors ..... Floors ..... Ceiling .....
<u>Accommodation</u> Floor Area: Type:	<u>Development</u> Storey Bas	<u>Services</u> Drainage      Water Electricity	
Office, Factory, Shops, Restaurant, Warehouse/ Stores, etc.		<u>Repairing Condition</u> Good ..... Fairly Good ..... Medium ..... Poor .....	
		<u>Sundries</u> WCS      Lavatory Basins Lifts      Central Air Condition	
<u>Additional Survey Information</u> ..... ..... ..... ..... .....		<u>General Remarks</u> ..... ..... ..... ..... .....	

Date of Inspection .....

Inspected By .....

**SURVEY AND VALUATION SHEET (HOUSES)**

Plot No.	
Road and Town	Hectares
Owner	
Occupier	

AGE	CONSTRUCTION		
FLOORS	Ceilings	Tile	
FIREPL.	ROOF	DRAIN	
REPAIR	WATER	ELECTR.	
SEWERAGE	MAIN ROAD	DAMS	FENCE

ACCOMMODATION	OUTBUILDINGS ACCOMMODATION AND CONSTRUCTION
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## Valuation Methods

A note for readers who are not valuers.

There are three main methods of valuation for property tax. They are listed in order of preference:

- The comparative method
- The profits method
- The contractors test.

The comparative method is by far the most common. The other two are used only when the comparative method is not available because of the lack of evidence. In all cases, the concepts underlying the methods of ascertaining value are simple. Complications set in when applying the simple concept because:

- No property is exactly similar to any other. Each has a unique location and even properties apparently similar on the exterior will have minor differences that the occupiers consider advantageous or disadvantageous.
- There is an element of chance in the property market. No one can predict with certainty the selling price or the rent of a property because it will depend on supply and demand and the number of purchasers and vendors of similar properties on the day. Any examination of market evidence, whether sales or rents will reveal that there is a scatter of values. The more unusual the property the greater the scatter. A correct valuation could lie anywhere within a certain bracket.
- Values seldom stand still. The increases or decreases mean that the valuer is trying to hit a moving target.

### Comparative Method

The valuer assembles the sales or rental evidence of a group of similar properties and, by analysis, finds a way of reducing the price to a formula that allows comparison one with another.

The most common way is by floor area, e.g., £40 per m<sup>2</sup>, \$100 per ft<sup>2</sup> etc. The market price of shops, factories, and warehouses is commonly analyzed by reference to the floor area. But of course, life is not so simple. There are many other factors. For example, for dwelling houses the quality of the property will greatly influence the price per metre. In factories the headroom is important. For offices the services such as lifts and air-conditioning influence the value. The points to bear in mind are these:

- The analysis (or "devaluation") precedes the valuation method. The most satisfactory method of analysis becomes the method of valuation. Furthermore, the test of what method is correct or incorrect is strictly pragmatic. Does it work in practice?
- However confusing the evidence, the valuer is required by law to come to an exact figure, and there is an element of judgement in the first instance. (see 4.3 on mass appraisal methods on how the room for judgement can be reduced). The valuation list may have to be more consistent and more logical than is the market.

### **Profits Method**

This method is applicable only where:

- the comparative method fails through lack of evidence;
- the occupier is trading for profit; and
- there is a large element of monopoly in the occupation of the site.

Such elements are uncommon, and the method in its pure form is rarely used. The traditional example is a privately owned toll bridge. A more modern example might be the duty free shop at an international airport (if not rented at a rack rent).

The method starts with the actual accounts over a three year period and arrives at the average gross profit. The rental value is taken as a certain proportion of the gross (or sometimes net) profit which the notional tenant could afford to pay to the notional landlord.

### **Contractors test**

This method works on the hypothesis that a prospective purchaser or tenant would have the option of obtaining another site and building their own premises instead of renting or purchasing the premises to be valued. The value will not be any greater than the cost of doing so.

The process, in outline, is:

- First, estimate the cost of building the equivalent accommodation.
- Second, deduct an allowance for physical and functional obsolescence.
- Third, add the site value of the land and thus arrive at a deposited replacement cost. If the rental value basis is in use, the resulting figure is then rentalized.

The contractors test is commonly used for the valuation of such premises as educational establishments, the operational premises of statutory undertakers, oil refineries, cement works, breweries, and many others. There are a number of difficult questions of judgement to be made when using the contractors test. There is always plenty of room for argument about what is the correct figure. There are good reasons why in Britain it is known as "the method of last resort."



## **Local Tenure Systems**

### **General**

Property tax must reflect the property market and land tenure system. The purpose of this note is to emphasise the need to understand the local land tenure system when designing a system of property tax. Land tenure systems are always complicated. They tend perhaps to be more complicated in less developed countries. There is almost always a difference between the law and practice in reality. It is not possible to give general rules as any country has its own law and unique practices. However, most of the notes below are applicable to many countries.

### **Customary Tenure**

The methods of customary tenure that existed in Africa before colonialism reflected the type of society that existed in any particular locality and may be best understood within a longer time span. The hunter-gatherer has little sense of territory and no sense of permanent occupation. The grazier has more sense of territory. Shifting agriculture brings temporary rights of occupation. Permanent agriculture brings a need for longer term occupation of land, but usually not a sense of permanent ownership. Urbanization needs outright ownership and an ability to sell land. Every location had its own particular land tenure system which reflected society at that time and would no doubt develop as the society developed. They are usually centred on the chieftaincy system and originally without written record. In many instances, customary tenure is now codified in the law. In other instances, custom may continue to fill a vacuum left by the deficiencies of the law and the official administration. The demand for plots is often so great that occupiers despair of the official system and turn to the chiefs who grant rights of occupancy in the traditional manner - often illegally. Property tax must then reflect the actual situation.

### **Government Land**

It was a universal practice in the colonial era for the colonial government to declare all unoccupied land to be "crown land". This usually constituted a large proportion of the land. After independence crown land became "state land" and governments granted rights - usually leasehold - to individuals and companies. In theory, the allocation of land should keep pace with demand. In most African countries land has been "nationalised" since independence. It is not difficult to understand the apparent logic that led to this step. In many locations, society and customary tenure reflected a strong belief that although an individual might occupy his land permanently and bequeath that right of occupation to his heirs he did not own it. Ownership of the land was vested only in the tribe. This concept adapted well to Marxism and the state owning the means of production. It fitted the usually existing practice for the administration of state lands in granting only leasehold titles.

The failure of all such systems is a separate important topic, it does affect the administration of property tax in that the over-large bureaucracy of land administration competes with the valuation department for scarce professional resources. When drafting the law for the basis of assessment and liability for property tax, care must be taken to reflect that norm.

**Freehold**

Freehold property is rare in Africa and usually exists only in the long-established colonial locations. It is in effect an imported concept.

**Rent Control**

It is more common than not for a system of rent control to exist in law in African countries. Generally the provisions of the law are ignored. This does, however, pose great difficulty for any property tax system based on rental value. The question is whether assessments should be based on the rack rent the tenant actually pays or the lower rent that the law, in theory, stipulates. The former reflects reality but is based on an illegal payment. The latter will result in a very much reduced tax base. The difficulty is greatest where the landlord pays property tax. The law-abiding landlord can find himself paying more in property tax than he is receiving in rent. There is no satisfactory answer in such circumstances, but where the tenant/occupier pays property tax, the conceptual difficulties are less. In such cases, it is a tax on occupation of land and buildings, and the restrictions on the amount of rent paid are not relevant.

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