

Communal Land Acquisition and Valuation for Compensation in Nigeria

Sule, Abass Iyanda

Department of Estate Management, Federal University of Technology Minna, Nigeria

Abstract- It is debatable that the Nigerian Land Use Act of 1978 has not absolutely transferred ownership of land to the Governor of states in Nigeria. It is argued that the citizens have no rights or interest over the land beyond their occupation because such rights or interest has been taken over by the virtue of section 1 of the Land Use Act, which provides that subject to the provisions of the Act, lands in each State of the Federation is vested in the Governor of that State and such land shall be held in trust and administered for the use and common benefits of all Nigerians. No doubt, the procedure for compulsory acquisition requires adequate notice to be given to the owner, compensation to be paid and the acquisition must be for "public purpose". This article seeks to dwell on the valuation for compensation aspect of the three requirements for compulsory acquisition. The data for this write up is basically secondary data source. Findings show the truism that current provisions of the Act cannot guarantee adequate compensation. It therefore, recommends an amendment to the present Land Use Act of Nigeria to reflect realities as regard ownership and transparent methods of assessment for compensation.

Index Terms- Land Use Act, Compulsory land acquisition, Compensation, Valuation

I. INTRODUCTION

There is no land without owner; the ownership may be individual, corporate, communal or nation at large. Everything depends on land, houses are built on land, food comes from land, and the ultimate relationship between Man and land is that man's remains are committed to land after death. Hence, life's basic needs are expressed to be food, clothing and shelter therefore it is true to assert that there is only one fundamental need of life and that is land because food, clothing and shelter are entirely derived from land. Statutory definitions of land in Nigeria include the following:- "Land includes land and everything attached to the earth and all chattels real." Further, "Land includes land of any tenure, buildings or parts of buildings (whether the division is horizontal, vertical, or made in any other way), and other corporeal hereditaments; also a rent and other incorporeal hereditaments, and an easement, right, privilege or benefit in, over or derived from land." Furthermore, the word "land", according to Justice Andrew Obaseki (retired Justice of the Supreme Court of Nigeria), "is a species of property. Property has been defined to mean ownership or title and sometimes the res over which ownership may be exercised. The land comprised in the territory of each state of the Federation is the res over which the governor exercised ownership in trust in

accordance with section 1 of the Land Use Act of 1978. It is an immovable property". The Land Use Decree was promulgated on 29 March 1978 following the recommendations of a minority report of a panel appointed by the Federal Military Government of the time to advise on future land policy. With immediate effect, it vested all land in each state of the Federation in the governor of that state (Federal Republic of Nigeria, 1978).

The Decree distinguishes throughout between urban and non-urban (hereafter 'rural') land. In urban areas (to be so designated by the Governor of a state), land was to come under the control and management of the Governor, while in rural areas it was to fall under the appropriate local government. 'Land Use and Allocation Committees', appointed for each state by the Governor, were to advise on the administration of land in urban areas while 'Land Allocation Advisory Committees' were to exercise equivalent functions with regard to rural land. This paper is focus on the provisions of the ACT, section 28 and section 29 relating to compulsory acquisition and compensation. However, the following objectives are critical to achieve the aim of this paper:

- (i) what are the provisions of the ACT relating to acquisition and compensation
- (ii) what are stands of the ACT as regard valuation for compensation
- (iii) Why compensation have been a subject of litigation

II. CONCEPTUAL AND LITERATURE REVIEW

Compulsory acquisition or purchase is the process by which local and national governments obtain land and premises for development purposes when they consider this to be in the best interest of the community. The process of valuation for compensation in compulsory acquisition of land takes place within distinct legal; cultural; socio-economic; political and historical environments which influence the delivery of the process by key actors in it. The basic principles are perceived to be quite similar even though the practice may vary in different nations or regions, the assessment of compensation is usually influenced by local and national statutes, enactments or laws that provide the basis upon which existing professional standards and methods may be applied (Kakulu, Byrne and Viitanen, 2009). The main statute governing land acquisition and the assessment of compensation in Nigeria is the Land Use Decree No.6 of 1978 (hereinafter called the Act). These have been found well documented by Otubu (2012), section 28 and 29, provided that:

(1) It shall be lawful for the Governor to revoke a right of occupancy for overriding public interest.

(2) Overriding public interest in the case of a statutory right of occupancy means

(a) the alienation by the occupier by assignment, mortgage, transfer of possession, sublease, or otherwise of any right of occupancy or part thereof contrary to the provisions of this Act or of any regulations made there under; (b) the requirement of the land by the Government of the State or by a Local Government in the State, in either case for public purposes within the State, or the requirement of the land by the Government of the Federation for public purposes of the Federation; (c) the requirement of the land for mining purposes or oil pipelines or for any purpose connected therewith.

(3) Overriding public interest in the case of a customary right of occupancy means

(a) the requirement of the land by the Government of the State or by a Local Government in the State in either case for public purpose within the State, or the requirement of the land by the government of the Federation for public purposes of the Federation; (b) the requirement of the land for mining purposes or oil pipelines or for any purpose connected therewith; (c) the requirement of the land for the extraction of building materials; (d) the alienation by the occupier by sale, assignment, mortgage, transfer of possession, sublease, bequest or otherwise of the right of occupancy without the requisite consent or approval.

(4) The Governor shall revoke a right of occupancy in the event of the issue of a notice by or on behalf of the (Head of the Federal Military Government) if such notice declares such land to be required by the Government for public purposes.

(5) The Military Government may revoke a statutory right of occupancy on the ground of (a) a breach of any of the provisions which a certificate of occupancy is by section 10 deemed to contain; (b) a breach of any term contained in the certificate of occupancy or in any special contract made under section 8; (c) a refusal or neglect to accept and pay for a certificate which was issued in evidence of a right of occupancy but has been cancelled by the Military Governor under subsection (3) of section 10.

(6) The revocation of a right of occupancy shall be signified under the hand of a public officer duly authorised in that behalf by the Governor and notice thereof shall be given to the holder.

(7) The title of the holder of a right of occupancy shall be extinguished on receipt by him or a notice given under subsection (5) or on such later date as may be stated in the notice. Section 29. (1) If a right of occupancy is revoked for the cause set out in paragraph (b) of subsection (2) of section 28 or (c) of subsection (3) of the same section, the holder and the occupier shall be entitled to compensation for the value at the date of revocation of their un-exhausted improvements.

(2) If a right of occupancy is revoked for the cause set out in paragraph (c) of subsection (2) of section 28 or in paragraph (b) of subsection (3) of the same section the holder and the occupier shall be entitled to compensation under the appropriate provisions of the Mineral Act or the Mineral Oils Act or any legislation replacing the same.

(3) If the holder or the occupier entitled to compensation under this section is a community the Governor may direct that any compensation payable to it shall be paid (a) to the community; (b) to the chief or leader of the community to be disposed of by him for the benefit of the community in

accordance with the applicable customary law; (c) into some fund specified by the Governor for the purpose of being utilised or applied for the benefit of the community.

(4) Compensation under subsection (1) of this section shall be, as respects (a) the land, for an amount equal to the rent, if any, paid by the occupier during the year in which the right of occupancy was revoked; (b) building, installation or improvements thereon, for the amount of the replacement cost of the building, installation or improvement, that is to say, such cost as may be assessed on the basis of the prescribed method of assessment as determined by the appropriate officer less any depreciation, together with interest at the bank rate for delayed payment of compensation and in respect of any improvement in the nature of reclamation works, being such cost thereof as may be substantiated by documentary evidence and proof to the satisfaction of the appropriate officer; (c) crops on land apart from any building, installation or improvement thereon, for an amount equal to the value a prescribed and determined by the appropriate officer.

(5) Where the land in respect of which a right of occupancy has been revoked forms part of a larger area the compensation payable shall be computed as in subsection (4) (a) above less a proportionate amount calculated in relation to that part of the area not affected by the revocation but of which the portion revoked forms a part and any interest payable shall be assessed and computed in like manner.

(6) Where there is any building, installation or improvement or crops on the land to which subsection (5) applies, then compensation shall be computed as specified hereunder, that is a respects (a) such land, on the basis specified in that subsection; (b) any building, installation or improvement or crops thereon (or any combination or two or all of those things) on the basis specified in that subsection and subsection (4) above, or so much of those provisions as are applicable, and any interest payable under those provisions shall be computed in like manner. For the purposes of this section, "installation" means any mechanical apparatus set up or put in position for use or materials set up in or on land or other equipment, but excludes any fixture in or on any building.

In the existing body of literature it is noted there are a number of observable problems associated with compulsory acquisition and valuation for compensation in different parts of the world. Nuhu (2008) noted that the land use act is silent on the question of "disturbance and injurious affection" which implies that dispossessed land owners are not compensated for certain losses such as goodwill. However, Kortey (2003) and Larbi (2008) as cited in Famuyiwa et al (2011) opined that the manner by which the governments in many developing countries exercise the rights of compulsory acquisition undermines tenure security because often, little or no compensation is paid, which then have negative impacts on equity and transparency. Observations on the invocation of Public Land Acquisition and Payment of Compensation in Nigeria have resulted in controversies, lapses and disputes in the past. Such as listed; inadequate revocation notices, inadequate compensations, illiteracy of the claimants, inadequate funding of compensation exercise, non-payment of interest on delayed payments, problem of conflicting claims, use of low rate for economic trees and crops, non-enumeration for some crops/economic trees, resistance to allow surveyors to

represent claimant, non-payment for undeveloped land, corruption of Government officers were among the problems reported of a study by Nuhu (ibid).

The laws dealing with land acquisition are not clear and there is ambiguity with regards to who is entitled to compensation, what items to be included in the compensation, and what is meant by adequate compensation. The absence of clear explanations is a hindrance to uniform and consistent interpretation and so valuers tend to flout the provisions contained therein. This is partly responsible for the existence of multiple interpretations of its contents by key actors in the process (Kakulu et al., 2009). Moreover, Alias et al., (2010), noted that the main issue of land expropriation is the quantum of compensation that is perceived by the respondents as inadequate to fulfil adequate compensation notion under the spirit of the constitution. They noted that adequate compensation is not defined in the statute of Malaysia and the determination of compensation is based solely on the discretion of the various authorities. Therefore, Omar and Ismail (2009) recommend reviews to include payment of all genuine losses, common agreement on any amount of compensation between landowners and land administrators, quick payment, value plantation separately and the payment of solatium to the affected land owners, as more detailed elements of adequate compensation. Solatium is a provision for a sum of money to be paid to an injured party by the party responsible for the injury, over and above compensation paid for damages for injury to feelings.

Nuhu and Aliyu (2009) studied court cases on revocation of communal land title by the governor of Niger State in Nigeria within the beam of statutory procedures for just and fair acquisition of communal land and payment of compensation. Among the disposed of cases, it was reveal that "Private convenience" does not translate to "public purposes" hence, acquisition of communal lands for "private purpose" becomes void. The research also raised the question whether the formula of valuation for compensation, if ever used, was just? But this was left in an illusory state. Therefore, this write up consider looking into the valuation scenarios for compensation.

3.1 Scenario 1:

3.1.1 Acquiring Communal Land with this type of House and Grains Storage Structures (see below);



Plate 1: mud house in the village
Source: adapted from (Saheed, 2012)

III. VALUATION FOR COMPENSATION

The valuation of payable compensation is usually a function of the provisions of the Acts, Decrees and other relevant statutory enactments guiding the process. This framework usually specifies the basis and methods of assessment, as well as procedures, heads of claim and roles of respective parties. It is influenced by the level of socio-economic development of particular nations; their development needs, cultural norms and land-use patterns. Also influential is the level of development of the appropriate national professional body (Viitanen & Kakulu, 2009). It should be noted however that valuation for compensation is not only expected to satisfy professional standards of valuation but in addition, constitutional provisions and international requirements for just, fair, adequate and equitable value must be met. In what Nuhu and Aliyu (2009) refers to as faulty assumption of replacement cost method of valuation is not based on the requirement of the valuation method thus; the Depreciated Replacement Cost (DRC) method is accepted as a legitimate approach for the valuation of properties for which there is no ready market due to their specialised nature. On this, all valuation standards agreed. Three elements are required for the performance of DRC calculation

- (a) The value of the land in its existing uses;
- (b) The gross replacement of the building; and
- (c) The appropriate deductions from gross replacement cost for all types of obsolescence.

The calculation of DRC lies within the realm of the valuer (Aluko, 2012). Therefore, it is not the DRC that exclude value of the land from the calculation as noted in Nuhu and Aliyu(2009) rather, section 29(4a) of LUA no 6 of 1978 required.

Apart from the requirement of the LUA no 6 of 1978, that recommend DRC approach for valuing buildings, installations and other improvement on land these kind of scenarios could be obvious;



Plate 2; mud house



Plate 3: Mud Rhombus with stone grillage foundation floor assembly and thatched roof
Source: adapted from (Adejumo & Raji, 2007)



Plate 4: Thatched Rhombus with tree stem columns, showing tree stem external support
Source: adapted from (Adejumo & Raji, ibid)

The question is how do you justify using investment method of valuation for this house and other improvements on the farm land? Where is the comparables? Where is the rent? Even, undeveloped land here, how do you use market value here? Where is the data? Where is the market survey?

Plate 3 category: The cost of construction ranges between N6000 –N10, 000, and it basically depends on the capacity, location and availability of materials. However, **Plate 4 categories:** Construction cost is between N2, 000 and N 8,000. They usually have external support ranging from 6 – 16 units depending on the size of the rhombus. (Adejumo & Raji, ibid)

3.2 Scenario 2

Nuhu and Aliyu (2009) observed that the valuation methodology for the valuation of crops and economic Trees for compensation under the Act is not spelt out at all. However current practice is based on the arbitrary fixing of prices for Crops and Economic Trees compulsorily acquired by the so-called Land Officer. Though evidences were not given but it suffices that, it is professionally suicidal to be fixing arbitrary prices for such. Kwache, (2007) listed such tree crops as mango; citrus, (orange) cashew; cocoa; kola nuts, gum Arabic, guava, ogbono, coconuts, rubber, coffee, sheanuts.



Plate 5: Coconut tree



Plate 6: Mango Tree

The price of these economic trees should not be fixed arbitrarily because this is an investment compulsorily acquired by government and it should be treated as such. Farmers that have these economic trees are secure for life because these trees produce forever. Therefore, the valuer should categorise them as investment and prepare the valuation on that basis.

3.2.1 Experiment:

THE INCOME CAPITALISATION (INVESTMENT)

APPROACH: This is based on the principle of anticipation. The principle states that the value of any property (interest) may be defined as the present worth of future benefits. Formula is;

Capital Value = Net Income \times Year Purchase

Category A; Economic Trees (Mango, Orange, Coconut, Palm Tree etc)

Net Income of the farmer on economic trees will be; how many number of these economic trees available on land multiply by price of each per annual (local market retailers buys each economic trees and harvest it themselves or hire somebody) then appropriate yield applied.

Category B; Economic Crops (Maize, Cassava, Yam, Pepper etc)

Net Income of the farmer on economic Crops will be; Local retailers buy these in hectares, acres or per number of heaps at a harvest time, then appropriate yield applied.

IV. FINDINGS AND DISCUSSION

Findings reveal among others the followings;

- That all land in Nigeria belongs to the government Section 1 of the Land Use Act No 6 of 1978 of Nigeria (LUA), therefore bareland compulsorily acquired by the government is not compensated Section 29(4a) of the LUA. This is widely reported in the literature, but observations from the unreported disposed cases from Niger State High Court (NSHC) cited by Nuhu and Aliyu (Ibid) shows that bareland is being compensated. See: *Sule Ahmadu Dogo and 7 Others v. Hon. Commissioner Ministry for Lands, Survey and Town Planning and 2 Others* The plaintiff claimed that no compensation was paid at all and this was defeated because the defendants provided evidence which convinced the court that compensation was actually paid. Contrary to this was the case of *Hassan Doma Bosso v. Commissioner of Lands and Anor.*, failure by the defendants to challenge the claims advanced by the plaintiff left the court with no option than to hold that no compensation was paid at all to the plaintiff and the subsequent grant was void *ab initio*.
- The method of valuation provided by the LUA may be useful in some cases (special properties such that does not change hand in the property market e.g shrine,

religious houses) but it is inappropriate to be mandated for all kinds of valuation for all building improvements or installations as contained by section 29(4b).

- Arbitrary fixing of value for economic crops or trees is being practised because the LUA did not provide for methods of assessment rather left it in the hands of appropriate officer, while appropriate officer is not defined in the Act. Section 29 (4c), apparently appropriate officer should be an Estate Surveyors and Valuers and anything contrary is a misplacement of professionalism.

V. CONCLUSION AND RECOMMENDATIONS

The provisions of the Land Use Act no 6 of 1978 of Nigeria on compensation is completely faulty and it requires total reform as many have called for the same. Of important note, the de facto of communal land cannot be denied so section 29(4a) of the Act cannot stand by virtue of recommending compensation of an amount equal to the rent paid if any during the year the right of occupancy is revoked. Government need to have aerial survey or rural land use Map for the government to know where there is virgin land rather than create injury or disturbance to their subjects except in the case of urban area (built environment).

However, what is advocated for world over is an adequate, just and fair compensation whenever land is appropriated by government of any Nation. A review of compensation aspect of Nigeria land use act seems not adequate by the provision of section 29(4b) which left no option to the assessor than Depreciated Replacement Cost. To be fair, this should be expunged and the method of valuation should be determined by the assessor (Estate Surveyors and Valuers) who had been licensed to carryout valuation for all purposes in Nigeria by the Estate Surveyors and Valuers Decree No 24 of 1975. Furthermore, this suggest that for compensation litigation the court is not to determined the value and in lieu of this court can have Land Arbitration Panel where a neutral Estate Surveyors and Valuers will be a member to inspect and evaluate the process of value claim if there is no ambiguity regarding ownership which is determined by the lawyers.

Also, professionalism and value ethics is necessary. All professionals involve in land administration must contribute their expertise professionally and this can only be improved and achieved through training, retraining, workshops and conferences where new techniques are discussed.

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AUTHORS

First Author – Sule, Abass Iyanda, Department of Estate Management, Federal University of Technology Minna, Nigeria
Suleabass76@yahoo.com; tel.: +2348039734156