

Education of Valuers – Experiences in Developing Cambodia

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ABSTRACT

The paper discusses experiences from Land Valuation Adviser's mission in the "Cambodia Cadastral Project". The mission took place at the General Department of Cadastre and Geography (GDCG) of the Ministry of Land Management, Urban Planning and Construction in Phnom Penh during four months in the year 2001.

The mission was a first step in long-term land valuation development work among the Cambodian authorities. The main task of the Land Valuation Adviser was to carry out a base study for land valuation determining the existing formal and informal procedures and functions, the present needs and possible users etc. Based on this base study the Adviser was expected to start the development, demonstration and documentation of a "land valuation system" for Cambodia.

On the basis of the base study the Land Valuation Adviser made proposals for developing the valuation legislation and organizing the valuation tasks in the Cambodian public sector. The education of the authorities was seen as one of the most effective ways to start the progress. Some presentations and learning material was given to the staff of the GDCG. The feedback from the participants showed that in the beginning the lectures should be as simple as possible, even if the questions and problems may be complicated. Especially the valuation methods should be introduced carefully. Spontaneous practicing such as collecting and analysing market value data for "price maps" was seen as one effective way to motivate students also in the future.

The author hopes that the experiences together with the learning material from Cambodia will help other advisers in their development work.

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1. INTRODUCTION

Creating a land valuation system for a developing country has become a current challenge to many experts and advisers in the last decade. Especially the East European countries have been under discussion. Cambodia is an example of development in South-East Asia. After a dramatic recent history this nation is rising rapidly towards becoming a market economy. The prerequisite for this is a functioning land ownership system. The Cambodia Cadastral Project supports this development and also the development of a land valuation system.

The purpose of this paper is to share the experiences of the author in the Cambodia Cadastral Project with other land valuation experts. With this paper the author also wants to take part in the work of the Joint Commission 2 and 9 Working Group "Education of Valuers" chaired by Professor Kauko Viitanen (Viitanen 2001).

2. DESCRIPTION OF THE PROJECT

2.1 Cambodia Cadastral Project

The mission of the Land Valuation Adviser was a part of the still continuing "Cambodia Cadastral Project". The project is financed by the Finnish International Development Agency (FINNIDA) and monitored by the National Land Survey of Finland (NLS). The work in practice is carried out by FM-International FINNMAP Ltd.

Since 1997 this project has developed a methodology for systematic parcel by parcel land registration and concepts for digital cadastre and cadastral map in co-operation with the General Department of Cadastre and Geography (GDCG) of Ministry for Land Management, Urban Planning and Construction in Cambodia. The overall objective of the project is to facilitate and accelerate the introduction of security of tenure on land thus creating a cornerstone to the rehabilitation of the fragile society of Cambodia. The purpose of the project is to introduce a fair and just land registration system benefiting the poor majority of Cambodians (see <http://www.finnmap.com/txsea.html>).

2.2 Land Valuation Advisor's Mission

The Land Valuation Adviser's mission was carried through during the periods 2.1.2001 – 28.2.2001 and 1.5.2001 – 30.6.2001. The work took place at the General Department of Cadastre and Geography (GDCG) in Phnom Penh.

The expected result of the mission and the activities in order to reach it were defined in the Project Document (2000) as follows:

Result: General Department of Cadastre and Geography has a land valuation system

"Cambodia lacks a clear procedure for public acquisition and the determination of fair compensation. The transfer tax is often collected based on falsely reported process. For these

and many other purposes a methodology for land valuation has to be developed. A functioning system can also serve the public on an assignment basis and collect income from the services it provides.”

Activity 1: Land valuation base study

”The project carries out a base study for land valuation determining the existing formal and informal procedures and functions, the present needs and possible users, proposes avenues to move forward and finally considers the cost recovery aspect of such a system.”

Activity 2: Land valuation method development

”Based on the study the project develops, demonstrates and documents a land valuation system for Cambodia. Apart from the methodology the costs, pricing, duties and potential customers will be defined.”

In other words the Adviser was supposed to carry out a base study for the present valuation activities in Cambodia and on the basis of this study also suggest measures to develop a land valuation system for the Cambodian authorities.

The base study was done with the assistance of a Junior Adviser (a Finnish student) and the staff of the GDCG. In the base study an effort was made to collect all material possible dealing with valuation, compensations and land markets etc. Written material, especially in English, was a curiosity. Therefore the interviews with different authorities and other actors (banking, estate agents etc.) in the field of valuation were of critical importance in the data collection.

In addition to analysing the base study and giving recommendations for the future activities, the most essential part of the Adviser’s mission was to create educating material for the GDCG and the training itself.

Finally the Adviser was supposed to combine all the above into a Consultancy Report (Heinonen 2001).

2.3 Results of the Base Study

The interviews showed that in the private sector there were no valuation oriented professionals in Cambodia. The ”valuation” was mainly just real estate brokers’ ”opinions” of the prices. As the reliable registration of ownership has been missing, the use of real estate as security for loans is quite exceptional. This explains also the undevelopment of the valuation for mortgages.

However, the main target of the base study was the valuation among the authorities of Cambodia:

In Cambodia there are two forms of land taxation: a) Registration Tax on Land (also called Transfer or Seal Tax) and b) Tax on Unused Land. Without going into details of these taxes, let us just mention that they are based on the market value of land. From a viewpoint of valuation theories the valuation procedures in the both cases are undeveloped anyway. In both cases a significant part of tax revenues fails to get. There are problems especially with the Registration Tax, because the buyers seldom declare the real selling prices to the authorities. Lack of reliable sales price data is of critical importance from the point of view of all valuation in Cambodia.

There is no actual expropriation and compensation system in Cambodia. Although the private ownership of land and land owner's right to receive fair and just compensation (if the property is needed for the public interest) is guaranteed in the Constitution (1993), there are no further regulations for principles of compensation. For the present a common expropriation legislation is missing. In Cambodia there are some current activities, which seem like expropriations: "The Roadside Resettlement" activity is connected with the improvement work of Cambodian main roads. It includes the idea of compensation, but the connection between compensations and market based fair values, at least in the base study, remained unclear.

The education of valuers, for both private and public valuation tasks, was also missing in Cambodia. The enthusiasm and also the capability to learn among the authorities was strong anyway!

2.4 Starting the Development

On the grounds of the base study some recommendations for future activities were given. The preparation of expropriation legislation and starting the education were regarded as the most important subjects of development actions. Some advice for organizing the "official" valuation sector was also given.

The functioning expropriation legislation, which would make the principles of the Constitution concrete, would create more trust in the authorities and also in the permanence of land ownership in society. The concepts of "fair" and "just" value would also become better known, especially the legislation would contain references to universal valuation methods. This way the expropriation legislation would form a basis for the development of a valuation methodology for all valuers in Cambodia.

The need for education of valuers was a natural conclusion of the Adviser. The education of common valuation methods and compensation principles was started already during the Adviser's mission. The training material (texts, transparencies etc.) was made and some occasions were given by the Adviser.

The training was directed to the personnel of the GDCG. This department is focusing on technical issues concerning land ownership, land surveys, maintaining registers etc. and it was seen as a potential pioneer unit also in the field of valuation in Cambodia. For example it could act as Official Consultant for taxation authorities, which means producing advisory Market Value (zone) Maps and maybe other instructions connected to valuing the tax base. It could also act as an Expropriation Authority, which means responsibility for all kinds of Expropriation Surveys. One task of the GDCG could be to maintain an Official Sales Price Register. Giving Expert Opinion about land values in different cases for different authorities could be a natural addition to the tasks mentioned above. In a situation like the Cambodian, where the valuation know-how is practically nonexistent, the concentration of development activities in one neutral authority was seen fit to begin with.

3. ADVISER'S EXPERIENCES

3.1 General

Some of the Land Valuation Adviser's experiences are listed below. One reason for showing them is that the first "experience" of the mission period was that there were not available so many guiding texts or "models" on how to carry through a mission like this.

3.2 Setting a Goal

It must be underlined at first that a "land valuation system", at least for a whole country, is not a compact package which can be created in a project lasting only a few months. A land valuation system for expropriation purposes alone is a comprehensive whole, composed of advanced legislation, generally accepted roles among the authorities, generally adopted valuation theories and methods, knowledge of real estate markets etc. Only when all these sectors are functioning, it can be said that a country has a "land valuation system" in that particular area.

The only way for making sustainable progress is to take small steps and try to move to the right direction! The Base Study is the first and essential step in getting the development work started. Doing this properly and thoroughly will later pay back all the efforts.

3.3 Understanding Backgrounds

The circumstances of a developing country certainly differ from the circumstances of the adviser's home country – almost in every way if comparing Finland and Cambodia! It would be useful to acquaint oneself with the culture and habits of the target country beforehand if possible. Understanding these things will make the adviser's work with the local professionals easier. Listening to the advice of more experienced advisers is recommended!

The political and historical background of the target country must be taken into consideration. The previous or present political system can have a major influence on embracing the concept of value or market-based valuation. The concept of private land ownership is the basis for market values! Compared to former communist countries in East Europe, this concept is quite fresh in the memory of the Cambodians', which made things easier in this project.

The Adviser's own professional background can be both an advantage and a disadvantage; the latter at least if he or she has experience only of one national system and legislation. Enforcing a certain system on a country is not the right way to act!

3.4 Some Practicalities

There are some practical things, which have to be mentioned. The best way to make progress with a base study is to make contacts with local professionals. If possible they should be the key persons. There may be a lot of bureaucracy between the Adviser and the key persons or decision-makers. Often the questions are also expected to be sent beforehand. This the Adviser must come to terms with.

The translation problems are also predictable. Misunderstandings will delay the interaction. The existing written material (the laws etc.) in a developing country is in the local language and needs to be translated. Likewise the material of the Adviser must be translated into the

local language. It would be best to have local multilingual assistants (professionals, students etc.), who already know the basics or are trained by the Adviser.

3.5 Educating and training

The education of the authorities is seen as one of the most effective means to start the progress. The feedback from the participants (personnel of the GDCG) showed that in the beginning the lectures should be as simple as possible, even if the questions and problems may be complicated. Especially the valuation methods should be introduced carefully.

The responsibility for the future tasks awakens an interest in learning in the participants. So, there must be real duties waiting for them! Also spontaneous practicing such as for example collecting and analysing market value data for “price maps” was seen in the project as an effective way to motivate students also in the future.

The existing educating material (literature in English etc.) in the field of valuation is rather difficult to understand and use at least in a situation like the Cambodian. Learning material of their own must be made (some examples have been given in the presentation). Hopefully the starting development work in FIG (Education of Valuers) will help in the future.

3.6 Continuity

The continuity must be guaranteed. It is recommended that the development projects are long enough or there are check-points and co-operation in the future, too. As mentioned above, real responsibilities must be created for the local personnel. Active local counter-parties and “future names” must be found in the beginning of the development project.

Real valuation work makes the personnel learn most effectively. Some of them could also work or study abroad and bring know-how to their home country, especially before the own education system has been built.

4. FINALLY

The mission of the Land Valuation Adviser in the spring of 2001 was just the first step in the long-term land valuation development work among Cambodian authorities. The beginning is promising! The legislation, land management system and consequently the economic life are developing fast. The officials (especially at the GDCG) are absorbing new information with enthusiasm, also in the field of valuation.

The author hopes that the experiences shown above will be of help to others in their development work and that co-operation increases for example within the FIG. The author is willing to share experiences!

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