

# Real Property Valuation Reform in Serbia

PARTNERING FOR BUSINESS GROWTH

***The Importance of the Law, and the key principles that guided the process of development and drafting of the legislation governing the valuation profession and real property valuation practice.***

[www.bep.rs](http://www.bep.rs)

Sandra Rodic, USAID BEP  
April 21, 2017, Belgrade

## Real Property Valuation Reform in Serbia **Background**

- There was no Law that governed the profession of real property valuers in Serbia.
- There was no complete and systematic infrastructure for sound and reliable real property valuation.
- Consequently, the **primary aim** of this reform was to improve the **quality of valuation**, and ensure that all **real property valuers** have the **appropriate level of expertise**.

## Real Property Valuation Reform in Serbia **Reasons for Adopting the Law**

The key reasons that led to the creation of the new Law:

- Harmonization with the requirements of the EU Mortgage Credit Directive;
- Maintenance of financial stability and avoidance of systemic risk;
- Better access to finance and greater economic growth.

The Government of Serbia envisaged the enactment of the Real Property Valuers Law as one of the urgent measures under the national NPL Resolution Strategy.

## Real Property Valuation Reform in Serbia **Significance of the Law**

Real Property Valuers Law's significance is in helping build a sound financial system in the long run.

Over time, this reform will yield results, including:

- **Reducing the practice of over-collateralizing loans**, which prevents otherwise bankable SMEs from getting credit. This will be done by enabling skilled professionals to conduct realistic and reasonable valuations;
- Helping **decrease the level of non-performing loans**, since risk assessments will be based on sounder and better grounded valuations of real estate.

## Real Property Valuation Reform in Serbia

# Timeline of the Real Property Valuers Law

- Understanding the need for such a regulation, **Ministry of Finance established a Working Group** tasked with drafting a set of National Standards for Real Property Valuation, together with the Law itself and accompanying bylaws, created in order to establish and regulate the profession.
- Throughout the drafting process, a high level of **transparency** was maintained, as the process was extremely inclusive and encompassed opinions of the profession, existing associations, and all relevant governmental authorities.
- **USAID BEP provided key technical assistance** to the Ministry of Finance in designing the reform, drafting regulation, and managing the enactment process. USAID BEP stays closely involved in the implementation of this regulation and establishment of the profession.
- The **Real Property Valuers Law** was **adopted** by the Government of Serbia in **December 2016**.
- With that, **the first real estate valuers** are expected to **receive** their **licenses** in the **fall of 2017**

## Real Property Valuation Reform in Serbia

# State of Play and Key Principles of the Law

This reform focused first and foremost on education and improvement of the quality of profession, in accordance with the national standards.

Some of the key features of the Law include:

- Introducing **National Standards** and **Code of Ethics and Professional Conduct** for licensed valuers, in line with international standards;
- Setting **initial licensing** and **license extension requirements** for real property valuers, introducing **mandatory professional training, licensing examination, and continuing professional development**;
- Establishing an independent and impartial **Professional Committee**, which provides the knowledge and skills required for **prescribing the content of professional training, examination curricula, offers examinations, and approves of the topics** which will be a part of the **continuing professional education**.

## Real Property Valuation Reform in Serbia **State of Play and Key Principles of the Law (2)**

Valuers that successfully pass two examinations will be licensed by the Ministry of Finance.

Such examinations include:

1. The **first examination**, in a form of a test, which is required at the end of the mandatory training. This mandatory training is fully in line with the best international practice, and will be provided by a professional training provider who meets the requirements set by the Law. This provider will also be in charge of offering the test examination
2. The **second examination – national licensing examination**, will focus to a greater extent on the candidates' professional qualifications, and will involve solving a practical case. This examination, unlike the previous one, will be offered by the Professional Committee itself, which primarily is made of independent Serbian expert in the area, and established by the Ministry of Finance.

## Real Property Valuation Reform in Serbia **State of Play and Key Principles of the Law (3)**

Furthermore, other aspects of the Law include:

- **Oversight of real property valuation** and introduces **mandatory audit** to assess valuer compliance with the National Standards and Code of Ethics;
- Abiding by the provisions of this Law is mandatory for entering into agreements on mortgage-secured loans, establishment of property value in case of bankruptcy, and sale of property in out-of-court settlement proceedings;
- Requirements for the **court experts** (who currently perform real estate valuations) to **undergo professional trainings and pass the needed examinations** not later than 18 months after this Law was set into effect, if they wish to continue practicing real property valuations as Licensed Valuers.



## Real Property Valuation Reform in Serbia

# Used Concept : Rationale and Limitations

Limitations of the concept used to establish the real property valuer profession in Serbia include:

- **Limitations imposed by the institutional framework** (including restricted ability to delegate public authority; “de-agencification” process)
- **Limitations caused by lack of resources** (including the lack of budget funds and institutional capacities of the Government to establish the profession and develop institutional framework; desire not to unduly burden the emerging profession)
- **Lack of tradition of self-regulation for similar professions**

## Real Property Valuation Reform in Serbia **Used Concept : Key Decisions**

- **National licenses issued by the Ministry of Finance**
- **No Public Oversight Body**
- **Co-regulation**
- **Auditing compliance with the National Standards and the Code of Ethics**
- **Zero (initial) licenses**
- **Mandatory professional training**

## Real Property Valuation Reform in Serbia **Used Concept : Questions Raised**

- Most comments, recommendations, and suggestions received during public discussion were related to the status of court experts under this Law, and the recognition of international licenses, such as REV, MRICS, and MAI.
- Why a valuer need not be a civil engineer?
- Why will only foreign qualifications be recognized for “zero” licenses?
- What is the scope of auditing of professionals?

PARTNERING FOR BUSINESS GROWTH

**THANK YOU!**

[www.bep.rs](http://www.bep.rs)

Sandra Rodic, USAID BEP  
April 21, 2017, Belgrade