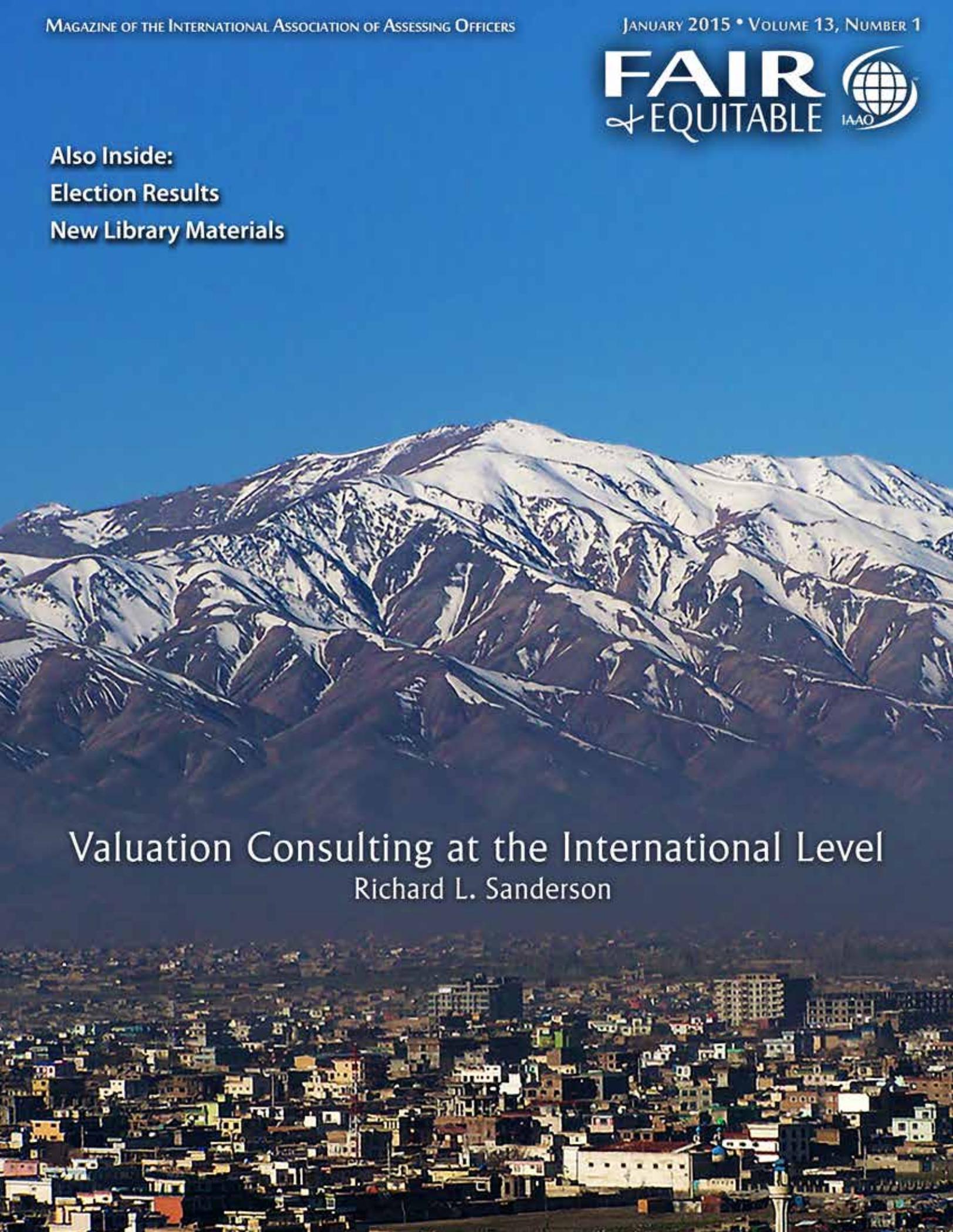


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Valuation Consulting at the International Level
Richard L. Sanderson



Valuation Consulting at the International Level

Richard L. Sanderson

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I knew this assignment was different. The e-mail reply from my in-country contact confirmed our meeting time the morning after I arrived but also included in closing, “Oh, and remember your body armor.” I knew right away things were going to be different in Kabul, Afghanistan.

My career to this point had brought me face-to-face with threatening farm dogs and lots of angry citizens. Many times I had inspected new construction while wearing a hard hat. And early in my career when I worked in Midland, Michigan, and visited the facilities of The Dow Chemical Company plant, there were real dangers of exposure to toxic substances. But on a routine basis nasty paper cuts were probably my biggest threats to success before this assignment.

My friends and family had the hardest time understanding why anyone would take a consulting assignment in Afghanistan while the country was an active war zone. My reasons for accepting a consulting assignment in Afghanistan were straightforward. For me, working outside of the United States is exciting and challenging. Having gotten a taste for working internationally on an assignment in 2005 in Macedonia, I wanted more. That first assignment was taken more out of

curiosity than career advancement, but I quickly learned the challenges and benefits of these assignments.

In this article first I describe my experiences in Afghanistan, and then I discuss the differences in conditions that should be taken into consideration in determining whether to accept an international consulting assignment.

Consulting in a War Zone

As part of preparing for my assignment in Afghanistan, I researched the economy and other factors affecting property valuation. The following key points from the U.S. Central Intelligence Agency *World Factbook* offer a sense of conditions in Afghanistan:

- Afghanistan’s economy is recovering from decades of conflict. The economy has improved significantly since the fall of the Taliban regime in 2001 largely because of the infusion of international assistance, the recovery of the agricultural sector, and service sector growth.
- The unemployment rate is 35 percent (2008 estimate).
- The commercial bank prime lending rate is 15 percent (2012 estimate).

- The international community remains committed to Afghanistan's development, pledging over \$67 billion at nine donors' conferences between 2003 and 2010. In July 2012, the donors at the Tokyo conference pledged an additional \$16 billion in civilian aid through 2015. Despite this assistance, the Government of Afghanistan must overcome a number of challenges, including low revenue collection, anemic job creation, high levels of corruption, weak government capacity, and poor public infrastructure. Afghanistan's growth rate slowed markedly in 2013. (<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>, accessed December 1, 2014)

From a real estate valuation and information perspective, Afghanistan's 30 years of conflict and political change have devastated land ownership records and map information and have prevented the real estate market from maturing.

With U.S. troop withdrawals planned in 2014, many domestic and foreign investors are uncertain of the future of the Afghanistan economy. According to The World Bank, about 97 percent of Afghanistan's gross domestic product is derived from spending linked to foreign forces and the donor community (http://www.nytimes.com/2012/07/21/opinion/afghanistans-economic-challenges.html?_r=0, accessed December 1, 2014).

An overseas consulting assignment is generally an opportunity to sample the food and daily life of the local community. Not so in Afghanistan. The security situation and other assignment conditions in the conflict zone made it impossible to sample Afghan cuisine or visit cultural monuments and religious and cultural locations in Kabul.

My stay in Kabul was limited. A project security detail provided security advice and travel logistics. I stayed at a secure base camp in Kabul that provided life support to international contractors. The living and dining facilities were within the walls of the secure base camp, which had a 24-hour dedicated armed security detail of professionally trained former military European and Nepalese Gurkhas.



Afghan policeman carrying a military rifle (photo by Stuart Armstrong, January 2007)

During my 2014 stay in the secure base camp in Kabul, contractors from 25 countries were represented. Activities outside of the secure base camp were discouraged, except when assignment conditions required me to work off-site. During my first visit to Kabul in 2013, the project that I worked on had a secure office compound about 20 minutes from the secure base camp. In 2014, project offices were within the secure base camp, but there was also a regular work site at an Afghanistan ministry office 40 minutes away.

Traveling through the streets of Kabul proved to be an adventure each time we went out. In spite of the obvious safety concerns, local conditions and routine systems continue, even in a war zone.

Working off-site required bringing along body armor, a security detail that transported us in an armor-plated heavy-duty four-wheel drive vehicle, a driver, and security personnel. In addition to body armor, I carried a *to-go bag* containing a change of clothes, passport, project cell phone, and miscellaneous items that might be needed for two or three days if things went very wrong. Of the 20 assignment days I spent in Kabul during my last visit, trips outside of the secure base camp had to be canceled on four separate days because of security issues.

Traveling through the streets of Kabul proved to be an adventure each time we went out. In spite of the obvious safety concerns, local conditions and routine systems continue, even in a war zone. During morning rush-hour traffic on Kabul's busiest streets, sheep and goat herders moved their flocks along the medians or down the streets among the cars and trucks. Many of the delivery carts for local merchandise are still horse-drawn. Street bazaars and markets were at full capacity, and street vendors sold ice cream, soft drinks, and balloons from pushcarts.

During my first visit to Afghanistan I came away with two vivid personal memories. The first was the streetscape where our project office was located—one- and two-story buildings all with razor wire along the fences, gates, and balconies, and a man selling brightly colored balloons with a pushcart that played Happy Birthday. The second was the smell of camel dung fires in the early morning at the secure base camp after nomadic tribes had passed during the night on their traditional migration paths through Kabul.

**Working Internationally
Types of Assignments**

As with all professions, a variety of consulting assignments can be performed under the broad topic of property tax as-

assessment administration. The three primary differences in performing consultancy services related to real property valuation for tax purposes are the valuation services performed, the type of consulting assignment, and the type of client.

Valuation Services

Valuation services performed as part of the assignment can include single-property appraisal, mass appraisal of a specific group (or groups) of properties, or valuation theory concerning nonspecific real property or the mass appraisal of a nonspecific group or groups of real property. An example of valuation theory for the mass appraisal of a nonspecific group of properties would be evaluating the current valuation practices of an assessment office for compliance with IAAO standards.

Some valuation assignments, in which appraisals or review appraisals are to be developed and reported for specific properties, may require adherence to the *Uniform Standards of Professional Appraisal Practice (USPAP)* of the Appraisal Foundation or *International Valuation Standards (IVS)* of the International Valuation Standards Council. Adherence to such standards may be required contractually or as a result of professional ethics (for an individual or through membership in a professional organization). This issue should be examined closely before an assignment is accepted.

Type of Consulting Assignment

International work can be in the form of various types of consulting assignments. As with single-property appraisal, for each consulting assignment a written agreement specifies the objectives of the assignment (scope of work) and the deliverables expected by the client. Assignments typically fall into one of two categories depending on duration. A short-term assignment is less than three months, typically two to six weeks. Long-term assignments are longer than three months, typically one to three years. These definitions vary by client. The important things to know are that independent consultants usually perform short-term assignments and international development companies usually hire people as contract employees for long-term assignments.

Types of Clients

There are many ways for a consultant to enter the world of international work. In the past, most consulting opportunities for international property tax assessment have been made possible by donor organizations like The World Bank or the U.S. Agency for International Development. While it is possible to contract directly with these donor organizations, it is more likely that a primary international development company that has been awarded a contract by a donor organization hires an individual as a consultant to work on a project.

Donor organizations like The World Bank make many property tax assessment projects possible. Most projects have the

goal of either implementing a property tax system in emerging countries without such a system, such as former Soviet Union countries, or improving an existing system in which increased transparency or similar improvements are needed.

Most projects have the goal of either implementing a property tax system in emerging countries without such a system, such as former Soviet Union countries, or improving an existing system in which increased transparency or similar improvements are needed.

A typical consulting project originating with a donor organization may follow this international development process:

1. The donor organization entertains bids for an identified international development project that is consistent with its mission.
2. The donor organization awards the contract to a primary international development company to complete the project for the donor organization.
3. The primary international development company that is the successful bidder may subcontract with other international development companies to provide a portion of the project, employ its own staff of specialists, contract with consultants to provide technical assistance, or arrange a combination of these tasks.
4. Finally, a national, regional, or local government agency likely is the beneficiary of the project. For property tax projects, national ministries of finance or taxation or regional (state or provincial) and local government tax offices are typically the beneficiaries.

Some property tax consultants may obtain assignments by responding directly to requests for proposals from potential international clients (ministries of finance or taxation), but these are rare and very difficult to find.

Impressions of the Country

Assignment Conditions

As a former city assessor I have found that assignment conditions indicate the most obvious differences between typical property assessment administration work and working internationally. Differences in assignment conditions can be numerous; the following are a few key areas as examples.

Timing

Rather than an assessment cycle of at least one year, short-term assignments can range from a few weeks to a few months. This timing affects the scope of work for the project

and requires a focus on the critical objectives of the assignment. Often this means a greater amount of preplanning and effective client communication as the assignment begins and progresses toward completion.

Shorter assignments require thoroughly defining the key tasks for each objective of the specific assignment. Problem identification and problem-solving techniques need to be expertly executed and likely include well-timed communications with the client and project stakeholders.

Because property valuation and taxation are so dependent on identifying property rights, property zoning and use restrictions, and tax laws, these should be some of the first considerations when an assignment is being contemplated.

Staffing and Cooperation

Unless it is a long-term assignment, fewer staff members will be available to assign work to. In a developing or emerging country, local personnel may be less experienced, and there may be far less assistance and cooperation from other agencies and departments within the benefitting government agency. When governmental functions and policies are changing, there may be less cooperation between agencies until things are more stable. For example, a central tax office at the national level may not cooperate fully in providing real property tax maps and property characteristics data to provincial offices until there is a clear and strong mandate in the law.

I have had the pleasure of working with very talented and professional local staff in several emerging and conflict-zone countries. Because of external circumstances, however, many of them have not had sufficient preparation and training, or been sufficiently exposed to mature real estate and economic markets, to meet international valuation standards in all areas.

The existing public relations reputation of the benefitting government agency must also be contended with. If one objective in the scope of work is to increase compliance or public outreach, existing conditions may make achieving this objective more difficult. Identifying the current situation for existing programs and features that must be improved or enhanced can establish baselines for improvement.

Inadequate Property Maps and Property Data

Developing or emerging countries may not have adequate property tax maps. A major challenge in setting up a new real property tax system is the lack of existing property characteristics data. Moreover, developing and emerging countries may not

have a mature real estate market in which transfer documents are recorded or ownership records are available or reliable.

Some economies and circumstances may preclude the local collection of property characteristic data. For example, if there are no local government funds to staff a data collection effort, a data mailer to property owners may need to be used so that owners can self-declare property characteristics and a pilot program can be used to randomly check the accuracy of the program. In Afghanistan data collection for the mapping effort by land surveyors was impossible in warring regions.

Laws and Regulations

Many assessors in the United States have relocated to other states and found it trying to adapt to differences in state tax laws. Trying, but not particularly difficult, because most states have commonalities in the way they assess and tax real property. The exceptions that come immediately to mind are the frequency of reassessment and tax exemptions or incentive programs. But they are more similar than they are different. In developing and emerging countries, enabling legislation for a property tax may not be in place.

Large international development projects for many former Soviet Union countries had property tax components that were part of a larger government reform project. Political and law reform had to be included in the earlier phases in order to provide the necessary enabling legislation for the later property tax component of the project.

Because property valuation and taxation are so dependent on identifying property rights, property zoning and use restrictions, and tax laws, these should be some of the first considerations when an assignment is being contemplated. For example, some emerging countries may have a real property tax system but not a clear definition of *defined value* with the courts still considering the definition of market value.



Three men and a donkey on the main road from Kabul to Mazar Sharif (photo by Stuart Armstrong, September 2006)

For many international development projects the greatest amount of documentation from the client and benefitting government agency is in the form of laws and regulations. As a result, consultants need to be able to read and understand this documentation quickly and act upon it. Actions may include obtaining further clarification from the client's legal staff, formulating extraordinary assumptions or hypothetical conditions, or taking other appropriate actions consistent with the assignment.

Cultural Differences

Cultural differences are expected when working in another country, and most are both eye-opening and welcomed learning experiences. However, they also mean different assignment conditions. It may be culturally acceptable to show up to meetings 15 to 20 minutes late. It is important for the consultant to

1. Discuss the local customs relating to working and the assignment conditions prior to accepting the assignment.
2. Voice assignment expectations with the client before accepting.
3. Discuss assignment expectations with any staff who will be working at the assignment location as soon as possible after arrival.
4. Keep the client informed of any difficulties that may affect project performance.

For long-term assignments, many international development companies, and all U.S. government agencies with overseas missions, provide some cultural training. Short-term consultants do not receive these benefits but should take the time to ask anyone in their network about any cultural differences they should know of and do a quick search of the Internet. Before going to Afghanistan, I found several reliable websites about important cultural differences when working in Islamic countries.

When in doubt (and there will always be those moments), observe how others are acting or reacting to the situation; be courteous, be respectful, and be humble. The consultant is working in their country and trying to help by doing good work. The consultant may be an expert in his or her subject area, but is a guest in someone else's country and culture.

Language Challenges

Language is really part of cultural differences but deserves its own subheading. If consultants are not fluent in the native language, they will likely be working with local staff who have limited English-language skills, so they should be thoughtful

in their communications. Trying to speak a foreign language is hard. Choose words carefully to not be too wordy, avoid professional jargon, and do not be sarcastic or funny (as neither translates very well and are the last things a language student develops about another language).

If the scope of work or deliverables includes written materials or presentations, determine what needs to be translated into another language. While I was working on a six-week project in a non-English-speaking country, all the written materials for a valuation manual and the presentation materials for a workshop had to be completed by the third week in order to allow time for translation.

For a large project, enabling legislation would have been adopted in the official or native language and translated into English by the client who employs translation specialists. The consultant may then consider these laws in the assignment for his or her portion of the project by developing written



Unidentified man in Kabul on a cell phone illustrates the blend of modern conveniences and traditional practices in many developing countries. (photo by Stuart Armstrong, September 2006)

information or training materials, which require translation back into the original official or native language. The term *lost in translation* is very real in these situations.

Security

Not all international assignments are dangerous, but security issues can still affect assignment conditions. Having the client walk me through a typical workday while on assignment reveals time and effort details I need before accepting the assignment and in developing the scope of work. If I'll be traveling by transportation provided by the client company, I need to know how much time it will consume of my otherwise productive day. I also ask other assignment-related questions, such as can most work be performed off-site, say, at my living quarters? If I'm required to work on-site, what is the security routine? Will I need to set aside time the first day to be issued a badge, e-mail login, and so forth?

I also carefully read the consulting or contract-for-services agreement between me and the client so I know all the security concerns and confidentiality issues related to the as-

signment. Many client companies have proprietary software or processes that must not be divulged to others.

Scope of Work

In general, the client provides a scope of work for the assignment. The degree of detail varies by client, assignment type, and specific project goals. The scope of work frequently is a general statement of the primary project tasks or goals without execution details. Before accepting the assignment, I want to be sure that I understand all the scope of work as described, and I ask pointed and focused questions when terms or conditions are not clear. I usually approach the scope of work in two phases: preliminary clarification and project conceptual agreement.

Preliminary Clarification

During this phase I am deciding whether the assignment is something I can do for the client, or whether I should refer it to someone who can better address the client's needs. I prefer to concentrate on assignments in key areas in which



Former Presidential Palace in Kabul (photo by Stuart Armstrong, September 2005)



I believe I do my best work. To meet *USPAP* requirements for competency, a consultant must be sure he or she can deliver the results the client expects for the assignment being considered.

In this phase I also ask the client to further describe or clarify any of the written scope of work items. I ask questions that help me determine whether I'm the right person for the job and whether the job fits my own criteria for a project I want to work on. Life is too short for assignments that are boring and use only a small portion of my talents. For example, if the scope of work includes interviewing several members of property tax appeal boards in pilot program cities throughout the country, I want to know how many members in how many cities need to be interviewed. Can a representative sample of the members in a representative sample of pilot cities be developed, and if so, what percentage? I may not want to consult on an assignment in which the majority of my time is spent traveling to pilot cities and conducting interviews that need the assistance of an interpreter.

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At this point, if I am not the best person to perform the assignment or I am not interested, I immediately inform the client. Once international development projects have been awarded, they move quickly, and the client appreciates a timely response. If I can refer a colleague who may be interested, I pass this information on to the client. Otherwise, I continue my consideration of the scope of work by going on to the next phase.

Project Conceptual Agreement

Assuming it's an assignment I can perform and want to pursue further, I move on to the second phase of consideration of the scope of work. Here, I ask even more pointed questions related to carrying out the assignment and determining client expectations. Examples are quantifying and qualifying specific details, even in the areas in which the client may have provided information that satisfied my preliminary clarification phase. If the scope of work states

that data collection forms will be designed for use by the benefitting government agency, are forms needed for only residential properties or for all classes of properties? Do client expectations include development of the data collection forms through a joint effort with the benefitting government agency, or will the client field-test the forms and expect my feedback on their use and accuracy?

Another example in the scope of work is an educational workshop on property valuation. Does the client envision this to require two hours or three days, or is the consultant to determine the required time requirement based upon specific topics to be covered? If the latter, I inquire about the level of detail expected or request a profile of the anticipated audience, so I know whether beginner, intermediate, or advanced training is needed for each topic.

This phase of my review of the scope of work leads to my acceptance of the assignment, assuming the client is still interested, and my use of the scope of work outline for my own project execution plan.

My detailed project execution plan considers the donor organization and benefitting government agency as primary stakeholders in the project, but my greatest concern is meeting or exceeding the expectations of the client company. The client company is my client. Their expectations should be stated in the scope of work, consulting services agreement, and my discussions with them and documented in my project work file.

Summary

As with most decisions, my decision to pursue work in Afghanistan also included some personal reasons. I wanted to add another international development company to my list of clients. The U.S. Agency for International Development gives greater consideration to the rates charged clients during the three-year period prior to the current project under consideration. I also enjoy unusual and challenging assignments, which certainly was the case when I was in Afghanistan. But I'm already looking forward to my next international assignment.

Where Will Your Career Lead?

We all have different career expectations and aspirations. I've mentioned several reasons why I enjoy working internationally; it's certainly not for everyone. Because IAAO is an international organization, I encourage members to take time to consider the international perspective of property assessment administration. Assessment professionals can learn

a lot from each other. For me, each international assignment has been an intensive learning experience that I could not have been able to accomplish otherwise.

Suggested Reading

Read IAAO Topics of Interest: International Topics (seven full-text articles with an international perspective since 2010).

http://www.iaao.org/wcm/Resources_Content/Pubs/Topics_of_Interest_Collection/International.aspx (accessed November 28, 2014)

Follow the actions of the IAAO International Committee.

http://www.iaao.org/wcm/About_Us/Committees/wcm/About_Us_Content/Committees.aspx?hkey=126c77a1-a887-49b5-ad21-13fb4b66dd9d (accessed November 28, 2014)

Read the 2014 IAAO publication *Guidance on International Mass Appraisal and Related Tax Policy*.

http://docs.iaao.org/media/Standards/International_Guidance/index.htm (accessed November 28, 2014)

Read the IAAO *Assessment Info* bimonthly electronic newsletter; the feature *Around the World* highlights international property assessment administration news.

http://www.iaao.org/wcm/Resources/Publications_access/Assessing_Info/wcm/Resources_Content/Pubs/Assessing_Info.aspx?hkey=08246645-1085-42d5-8551-1139028777af (accessed November 28, 2014)

Check out the excellent services and materials in the IAAO library.

http://www.iaao.org/wcm/Resources/Research_Library/wcm/Resources_Content/Library/Research_Library.aspx?hkey=9ba9c5cb-403b-4a13-b6ee-dc10d6cb8968 (accessed November 28, 2014)

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