

Professional Valuation in Russia: Its Past, Present, and Future

by A. I. Artemenkov and I. L. Artemenkov

Recently, professional valuation in Russia celebrated its fifteenth anniversary.¹ The year 1993 conventionally has been chosen as zero hour for the Russian valuation profession, i.e., when it put down visible roots and prevailed in installing competitive pricing and valuation processes on the national capital markets.

From the very outset, the founding fathers of the Russian valuation profession pursued the international pattern, and worked to integrate the Russian capital market into the global framework. In March 1993, the Russian Society of Appraisers was founded; it was the first professional valuation organization and brought together the few valuers that were in practice at the time. In just one year, it translated and embraced the International Valuation Standards as well as a number of the best American textbooks on valuation methodology, and it began running a network of educational programs for would-be valuers across Russia. Gerald Gaige, MAI, who until his retirement saw distinguished service with Ernst & Young—Russia, was one of the pioneers in these early efforts to establish recognition of the profession and to spread the corpus of knowledge for the profession.

Undoubtedly, these efforts bore fruits over time. In its own unsung way, the valuation profession was a major and effective catalyst in getting national capital

1. The date chosen for the anniversary celebration is somewhat arbitrary and symbolic. The real estate appraisal industry was thriving before the October 1917 revolution. In the 1950s, there was also a revival of valuation and investment thinking in the framework of the SOFE doctrine particularly with respect to efficiency assessment of investment projects and pricing for new machinery. (SOFE stands for the "System of Optimally Functioning Economy," a common way to refer to pioneering research that started to appear in the mid-1960s on the pages of *The Economics and Mathematical Methods*, the Russian Academy of Sciences journal.) Many research centers, such as the Central Economic Mathematical Institute (CEMI) in Moscow, were founded in the 1960s to further the ends of such research. However, practical implementation stalled for the most part and cutting-edge investment methodologies similar to discounted cash flow lived mostly on paper and in economics periodicals, rather than in everyday practice. Before becoming openly hostile, the central planning authorities paid only lip service to the new thinking. By the beginning of the 1990s, following the market-oriented economic transition, the industry experienced discontinuity and generational shifts: people that went on to develop the industry in its present institutional form came mostly from unrelated backgrounds and were more inclined to start with the clean slate.

ABSTRACT

This article describes the forces that have continued to drive the evolution of the Russian valuation profession. Appraisal practice in Russia and the United States are compared, and it is argued that the Russian valuation profession has been widely influenced by the American model. Views on the course the profession might pursue in the future are suggested and supported by a discussion of the profession's methodological underpinnings. The future of the profession will depend on its general stance toward the economic positivist/normative split of its functions and regulatory opinion as to its role. The article suggests that the present economic crisis leaves a vacuum in market advisory services into which the profession might expand.

markets off the ground. The profession had to confront formidable difficulties in the absence of observable markets to fall back on to reflect prices. The inevitable pricing role of the valuers was never as perceptible as in those early days.

The initial, vast scope of the profession in Russia was also its distinguishing mark. In the United States, professional valuation grew out of the real estate business and was slow to encompass under its purview other types of capital. For example, the American Institute of Real Estate Appraisers was established during the Depression, but until 1990 remained affiliated with the National Association of Realtors. In Russia, however, professional valuation saw its emergence without a specific linkage to any particular type of investment, property-related or otherwise. Professional valuation was perceived as a universal type of economic measurement for exchange transactions, serving the primary interests of the market-oriented economy and manifesting or developing its capital prices. Real estate capital was its particular burgeoning niche—especially as the property boom and property lending took off—but never to the exclusion of holistic concerns with business valuation, investment-financial valuation, and the assessment of investment projects. This created a link between these areas of practices and a vantage point for coherent economic thinking on the nature of capital valuation. Perhaps because of these features, professional valuation in Russia received official standing in 1996 when the Order of the Ministry of Labor established its status as “profession” and opened the way for an evolving legal framework as well as professional and educational criteria.

These favorable conditions, however, caused the profession to grow too fast in too short a time. Quality suffered, as it was hard for professional entities to keep track of the conduct of nonaffiliated valuers. Valuers and their clients also developed self-serving agendas as public functions and underpinnings of the profession were left uncertain. Overall, the chaotic process of establishing a legal framework for professional valuation was dictated by gut instincts and the exigencies of the moment, with scant regard to cohesive methodological underpinnings and macroeconomic functions of the profession. The long-delayed Federal

Valuation Law in 1998 had to run the gauntlet of Communist Party (Party) dominance in the parliament of that time, and the law experienced all the vicissitudes of controversial lawmaking processes characteristic of that time. With this in mind, it is surprising that many of those initial instincts have stood in long-lasting service to the profession.

The Party, despite its initial hostility to the Federal Valuation Law and vows to block it, appreciated its potential as a tool to bring order to the process of privatization of state property then underway.² It understood well the functions of professional valuation as relating to the domain of public policy and securing the public interest. Finally, it was at the insistence of the Party that “obligatory cases of valuation” made their appearance in the law. In hindsight, this was a favorable development. For example, the law, by providing for the obligatory case of valuation in respect of the privatization of property and all other deals with state-owned assets, stipulated that from then on such transactions should involve services of independent valuers. In the present economic crisis, nonpublic valuation assignments have all but evaporated, so such obligatory cases of valuation provide invaluable sustenance for valuation practitioners and have helped ward off decline in their economic role.

The Federal Valuation Law also laid the groundwork for the requirements for standardized valuation curriculum and continuing professional education, consequently boosting the demand for professional valuers and professionalism of valuation services.

Overall, however, the negative aspects of the law outbalanced its usefulness. The law prescribed the licensing of valuation activities even though it provided for no effective oversight of valuers’ practice. The only means of recourse at the disposal of the regulator (the now defunct, but then sprawling, Ministry of the State Properties) in cases of professional misconduct was license revocation, a measure practiced rarely, if ever. Perhaps, on that score there were some parallels with the American state-certification system, except that in the United States some of the regulatory slack is taken up by professional oversight by self-regulated bodies such as the Appraisal Institute and other appraisal organizations.³ Luckily, similar

2. However, the government had a mandate to proceed with the privatization process in the established framework and wanted no parliamentary scrutiny to interfere with it. Therefore, the president vetoed the bill despite its approval by parliament, thereby delaying its final adoption for more than a year as the lawmaking process had to start anew. The law was adopted by September 1998, but plenty of property had left government hands at a fraction of fair value in the intervening period, exacerbating the budget deficit.

3. There were also significant differences of approach to regulation. In Russia, appraisers—deemed to be legal entities hiring professionally qualified and trained staff—were licensed by the federal ministry, whereas U.S. appraisers (who are natural persons) are certified on the state level.

institutional developments regarding self-regulation have come to pass in Russia, but the 1998 regulatory provisions of the Federal Valuation Law were a significant hindrance on this path and contained no incentives for the development of a network of self-regulated professional entities.

Overview of Russian Standard Setting

Another significant drawback of the 1998 law was the approach it laid out for the development of valuation standards and methodology: it subsumed the development of valuation guidance within the patterns of conventional juristic regulatory process. Writing valuation standards was (and to this day, is) treated as a branch of jurisprudence best done by jurists, not something left to committees of valuation experts themselves working in cooperation with economists. In 2001, after a lengthy obscure process, the four-page national valuation standards document was finally released. Like in the United States, it drew on the three-approach convention, but it was far too watered down to offer much guidance: it neither harmed, nor did any good. But the precedent for an unaccountable and obscure standard-setting process had been set in valuation.

In 2007, the original standards were replaced with the present-day Federal Valuation Standards (FSO 1, FSO 2, FSO 3) promulgated by the Ministry for Economic Development. These standards were ostensibly prepared “having regard to the International Valuation Standards” (IVSs); however, the international standards were honored more in breach than in observance. Moreover, unlike the toothless standards they replaced, the new standards impose a significant compliance burden to the point that valuations done in conformity with the IVSs may violate FSOs and vice versa.

It is hard to see any justification for this compliance dichotomy. The developers of the FSOs claim that departures from IVSs were necessary in order to safeguard the national interest. However, jurists who concerned themselves with developing the

2007 FSOs interpreted the national interest in pure legalistic terms, as the obligation to comply with the extant legal terminology, and failed to factor in the economic dimension of problems and peculiarities in the national markets. Like FASB 157 in the accounting measurements world, the national FSOs are framed on the assumption of efficient-markets methodology. Judging by the latest flurry of activity to mend FASB 157 dicta, this assumption remains a contentious issue even in the context of developed markets such as in the United States.

To this extent it can be said that valuation of any non-traded capital, while sound in terms of FSO compliance, can be economically unsound, and therefore at odds with the international economic measurements principle of economic substance over legal form. This cannot help but foster mistrust in the national valuation profession and be a barrier to international monetary flows of direct investments. This caused one astute participant in the national standard-setting process to declare that “juridicalization of economic measurements, and of the valuation profession in particular, is more dangerous than the Soviet regime.”⁴

In Russia, the national standardization of valuation is curiously patchy and selective. It over-regulates the cases of “obligatory valuation” (which include over twenty intended uses established by statutes), while leaving all other valuation practices in a grey area, free of any oversight. Formally, this is attributed to the historical circumstances in the development of the Federal Valuation Law and is defended on the grounds that valuation is a public interest profession. But it is not very clear which area of valuation practice is more public: estimation of the fundamental value of publicly traded companies, which is an unregulated area despite the fact that a potentially unlimited number of investors are exposed to such reports, or “the [more privately-oriented] event of the dissolution of marriage contracts and the division of property between divorcing partners,” which is a statutory area of obligatory valuation under the FSOs.

4. Quoted from Professor G. Mikerin's address to the Expert-Advisory Council on Valuation Activity at the Ministry for Economic Development, November 2008. In fairness, with respect to land and property, legal jurisdictional peculiarities of Russia to this day throw a veil of complications on economic valuation problems. Though value represents an integral numerical estimate of utility of economic relations, it is often believed in Russia that actual or immediate items subject to valuation are legal property rights. To that extent, Russian law still operates with a number of antiquated property entitlements inherited from Soviet Union practices that are not exactly freeholds or leaseholds, but something in between. Currently, there is a drive to phase out all those odd property titles and to leave only plain freeholds and leaseholds under the recognition of law. Consequently, few such titles are presented to the market for exchange today. At the same time, few existing industrial owners—especially on the low-end of the market—care to convert their titles (at some cost) to either freehold or leasehold in a timely manner. Therefore, the government has been compelled, for the last five years, to extend the deadline for title conversion every time it expires.

A more holistic approach to valuation regulation and oversight might have prevented the neglect of due process in the public sector, and the petty and burdensome formalities in the private sector. Of course, regulation done in a progressive vein also would avoid excessive involvement by the government and encourage standard-setting by the members of the profession itself—subject to a clear statement by government of the macroeconomic development goals that such regulation should pursue.

In the hope of future standard-setting reforms for the profession, the Russian Society of Appraisers (RSA) recently proposed an improved standard-setting approach: regulators are to take stock of all existing valuation practices with respect to different investment purposes and types of capital and then sort out which of these practices are predominantly tilted in the direction of public interest or are integral to it. Consequently, only those practices where valuation directly affects a large number of decisions by the members of public would be subject to obligatory regulation by the government to safeguard the well-defined public interests. Valuations subject to regulation would include valuations done for public entity financial reports, publicly released analyses of fundamental value of large companies, and important mortgage-lending decisions exceeding some de minimis criteria, to the extent they can compromise capital adequacy of the lenders.

A liberal approach to regulation would imply that valuations involving only private interests and bilateral transactions should not be mandatorily regulated. If the government does elect to promulgate guidance for these areas, it should be framed only as best practice recommendations. This is indeed the essence of the regulatory approach internationally; the International Valuation Standards tread warily into valuation areas intersecting exclusively with the private interest domain, and their application at present deals mostly with explicit public interest cases of valuation, such as ones for financial reporting. This is not currently the case with the FSOs in Russia. These standards begin by assuming that they are “mandatory for all valuers” and then proceed to lay down the same uniform procedure and reporting

format for all purposes of valuation. The flexibility explicit in the Uniform Standards of Professional Appraisal Practice—such that a valuation report can be either self-contained or otherwise, with a valuer generally free to define, qualify, and interpret important valuation terms like *market value*—is missing from the Russian standards.

Because of these issues, the FSOs were met with visible, if muted, hostility in the community of professional appraisers. Yet, despite burdensome compliance minutiae,⁵ the standards’ effect on the substantive quality of valuations after nearly two years was found to be limited. In a 2008 opinion survey of national consumers (mostly among banks and industrial entities) of valuations, completed after the FSOs came into force, nearly 29% of the consumers indicated that they regularly faced low-quality or unscrupulous practices, while nearly 41% indicated that low-quality valuations were widespread and posed significant risks.⁶ An even stronger sign that the FSO standards failed to live up to expectations was the renewed drive to develop a new set of federal valuation standards a mere two years after the FSOs were adopted. To date, such efforts have been mostly hobbled by the lack of funds, and the committee working on this initiative has not ventured beyond minor face-lifting adjustments to the existing set of standards. Consequently, it is safe to say that a two-tiered standardization process now exists in Russia, with standards developed by the government and standards developed by self-regulated professional organizations (SRPOs).⁷

As to the role of the second-tier standards, namely those of SRPOs, these standards are still in the process of development. According to the law, the SRPO standards cannot be contradictory to the FSO standards. Most likely, given the need for vast resources to accomplish the development of the standards and the risk of their contradiction with FSOs and other SRPOs’ standards, many SRPOs will limit themselves to copying respective provisions of FSOs with minor modifications of explanatory and expansive nature. Certain SRPOs may also try to develop some subject-specific valuation standards, but there are few signs of this. The only national SRPO known

5. For example, they require that all information relied on should be printed out and attached to the report (“to make it reproducible”), and they do not recognize reporting in electronic format.

6. *The Federal Reference Book on Valuation Activities in the Russian Federation* (Moscow: Center for Strategic Partnership, 2008), 43.

7. An SRPO is a self-regulated professional organization of valuers with functions similar to the Appraisal Institute. Apart from the Russian Society of Appraisers, there are a number of other SRPOs acting in Russia. Their current public status and standing under the law are discussed later.

to insist uncompromisingly on the adoption of the internationally accepted practices, standards, and methodologies is the Russian Society of Appraisers (RSA). It has made the entirety of the International Valuation Standards obligatory for its membership, and, since its membership accounts for about 40% of the profession, this gives undeniable signs of hope that the internationally compliant valuation culture is slowly but steadily permeating the reaches of the valuation profession nationwide. The interrelationship of the standard-setting entities and processes is shown in Figure 1.

Professional Valuation and Accounting Measurements

Some comments about the relationship between the national accounting measurements and professional valuation are appropriate at this point.

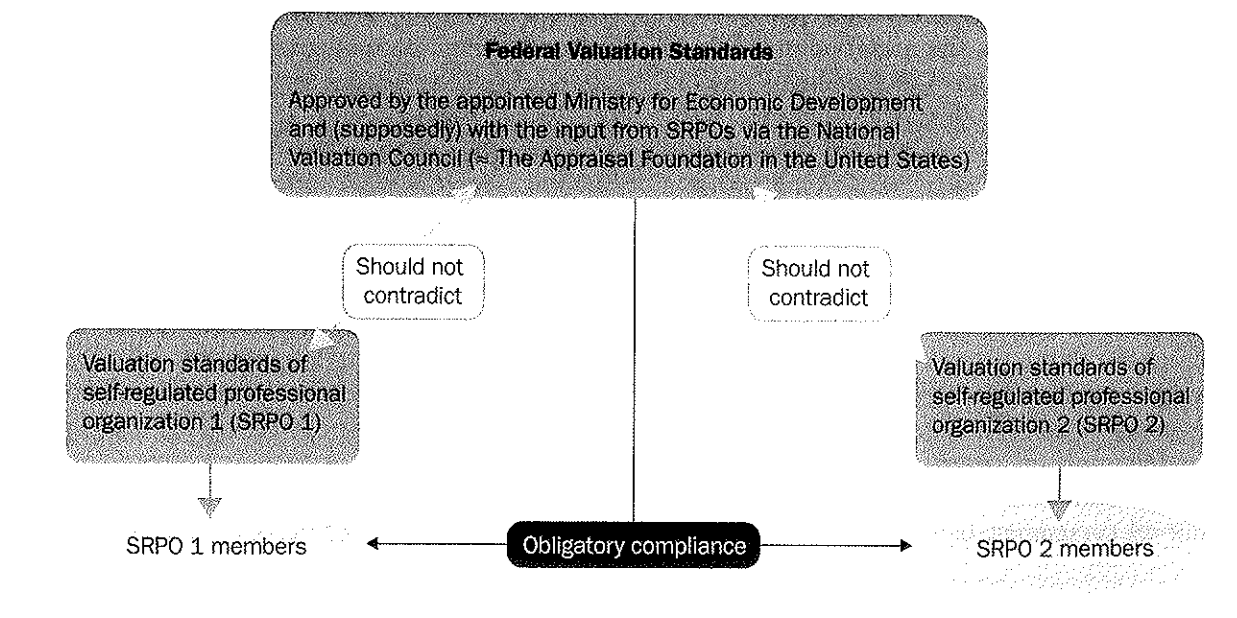
Even as early as twelve years ago, the Russian accounting regulator had committed to the idea of harmonizing national accounting standards (the RPBUs) with their international counterparts: the International Accounting Standards/International Financial Reporting Standards (IFRS). The upshot of this was a commitment to encouraging the spread of fair value practices and regular revaluation of plant, property, and equipment (PP&E) owned by major national enterprises. At the time, such outsourced accounting revaluations formed a

significant backbone of appraisal commissions and visibly contributed to the development of the valuation profession. But later, the national accounting regulator's attitude toward the extended use of the fair value in accounting cooled substantially, so that PP&E revaluations are no longer encouraged by the government.

The official process of convergence with the IFRS has slowed to a glacial pace and statements have been made by accounting officials implying that the convergence process has been put on hold. Essentially, the country has seen full reinstatement of the historic cost accounting convention for PP&E items. Presently, only enterprises that have interest in raising capital from abroad are moving toward adopting the IFRS. All too often, these enterprises have to keep a parallel set of books, which makes it costly to compete for small- and medium-sized enterprises.

Accounting revaluation provisions—to the extent they are practiced by industrial enterprises—are set down in the accounting regulations (RPBUs) that rely heavily on the use of reinstatement costs (the cost approach). These provisions are framed in such a way that their application mostly involves no input from independent valuers, and FSOs do not even impinge on this area. Consequently, the degree of association between professional valuers and the world of accounting measurements under the terms

Figure 1 Valuation Standard-Setting Process in Russia



of national accounting standards has dwindled into insignificance.

Now and then public officials air projects for launching massive campaigns to take stock of all intangible assets owned by state-associated corporations and capitalize them on balance sheets at fair values in order to boost stock market capitalization and attractiveness of innovative segments of the economy. Were such new initiatives to succeed, they might mark the revival of close cooperation between the worlds of accounting measurement and professional valuation.

Transition to Self-Regulation: 1998–2006

The famous American jurist Oliver Wendell Holmes, Jr., once observed that,

The life of the law has not been logic: it has been experience. The felt necessities of the time, the prevalent moral and political theories, intuitions of public policy, avowed or unconscious, even the prejudices which judges share with their fellow men, have had a good deal more to do than the syllogism in determining the rules by which men should be governed.⁸

This view is perhaps every bit as true for valuation standards. To understand the meaning of valuation standards, one has to understand the context and institutional environment in which they apply. This leads us to consider present-day institutions affecting professional valuation in Russia and their impact on the valuation methodology that originates through them.

Following the adoption of the Federal Valuation Law in 1998, which introduced federal licensing of valuation activities, the profession obtained a secure stream of appraisal engagements emanating from the cases of obligatory valuation. On the low end, this involved valuation of residential property for mortgage purposes. On the high end, this involved valuation of going concerns for privatization and restructuring purposes, which before the law was adopted had often been sold at the discretion of agencies for ludicrously low amounts. In between, though, were all the unclassifiable cases and combinations of cases where the lack of efficient oversight by the government resulted in virtual impunity of unscrupulous valuers.

Large-scale commissioners of valuations such as big oil companies, banks, and the Ministry of

State Properties itself, were able to commit funds to run their own valuation audit departments, which went line-by-line over all valuation reports they outsourced to independent valuers and required valuers to rectify all the deficiencies they found. This was often in spite of the fact that the very valuers whose reports were turned back for review were the same valuers that were prescreened through the prescribed accreditation procedures. Smaller companies were, of course, unable to afford the luxury of such extensive audits and precautions, having to be content with whatever results were tendered to them.

During the entire period of 1998–2006, referred to in the local literature as the period of state control, valuers were conceived as legal entities having appropriate licenses and employing appropriately trained staff. In case of detection of unscrupulous practices, dubious valuers could avoid damage to their reputations by reinventing themselves as a new legal entity under a new name. Needless to say, lack of responsibility created an economic impetus to prepare unscrupulous valuations in return for unjustifiable fees (with negligible incremental risk of detection), putting honest work at financial disadvantage and crowding it out further. The licensing body was unwilling to monitor and prosecute any such practices on a regular basis, and professional bodies, such as the Russian Society of Appraisers, had very little leverage and no statutory authority over valuers, even their members.

The state control period was not entirely dark. One of its undoubted achievements was the implementation of educational programs and standardized valuation curriculum based in institutions of higher learning. In 2002, the Ministry for State Properties and the Ministry of Education jointly agreed on the content of the uniform valuation curricula for universities. University courses offering majors in valuation of real estate, valuation of business, and general valuation practice provided up to 800 classroom training hours in subjects ranging from law to real estate management and valuation techniques. Upon the completion of training, attendees were awarded higher education diplomas with which to try their luck as employees or directors of valuers as legal entities. Similar developments occurred in the area of professional

8. As quoted in James E. Gibbons, "A View of the Changing Appraisal Scene," *The Appraisal Journal* (October 1972): 529.

retraining and provision of courses for continued professional development, with the requirement of 100 classroom hours for every three years in practice in order to maintain the diploma status. More than seventy universities across Russia were accredited by the government to administer such valuation training programs, which were in great demand by the students. The powers of official accreditation for such training programs to this day are vested in the government, and only universities (i.e., higher education providers) can run such programs. Professional societies or other interested groups usually have to partner with an accredited university.

The sustained popularity of the training gave rise to some specialized learning centers, which are acknowledged across the country as the centers of excellence and prime research for valuation-related disciplines. The Moscow International Academy of Valuation and Consulting (MAOK), established by the Russian Society of Appraisers in 1994, and the Finance Academy under the Russian Government⁹ are but a few of the undisputed leaders in professional education.

At the same time, it has to be acknowledged that the quality of the most popular, locally written textbooks on valuation—whether related to business or property valuation—leaves much to be desired and is inferior to the internationally acclaimed counterparts. For that reason, large-scale translation efforts have been underway to familiarize local valuers with the works of such American writers as Damodaran, Copeland, Friedman, Ordway, and Mercer as well as with the classics on investment theory written by Modigliani and Miller, Sharpe, Lintner, etc.

It is fair to suggest that Ernst & Young was the first company in Russia to realize the importance of such work. In 1991, it sponsored a multiday training seminar on corporate finance and valuation accompanied by a guidebook called *Techniques of Property Valuation for Privatized Companies*—the first-ever textbook in Russia on market-based property valuation—by G. Mikerin and his team. The Russian Society of Appraisers has also been active in promoting academic literature, publishing its *Voproci Ocenki Quarterly* since 1996.

Voproci Ocenki is the only peer-reviewed academic journal in Russia exclusively devoted to discussing issues of valuation methodology and to exploring new techniques. Over the years, it has been instrumental in familiarizing the Russian-speaking audience with the insights of American valuation methodologists such as Babcock, Wendt, Ratcliff, Kinnard, Grissom, and Gibbons. Disseminating their perspectives has helped create synergies within local thought, and there are signs that Russian valuation thinking is coming into its own and is capable of producing original world-class research. A recent article in *The Appraisal Journal*¹⁰ lists some such Russian authors: Mikerin, Smolyak, Michaletz, Kozyr, Galasyuk, Leyfer, and Ozerov.

The direction in which valuation methodology is evolving in Russia, and its future potential and influence on the professional institutions will be discussed later. At present, it suffices to mention that, according to estimates,¹¹ more than forty thousand persons had been authorized to produce valuation reports by 2008. This sheer number of personnel—some extremely well qualified, many unscrupulous—overwhelmed the weak quality controls germane to the state control period.

Professional Societies Gain Prominence

By 2004, it was already clear that state control mechanisms were inadequate to cope with oversight on the scale needed. Most reformers understood the time had come to rally the profession around its membership in, and allegiance to, self-regulated professional bodies. The devil, as ever, was in details, and many heated debates ensued. By that time, there were already three professional valuation societies besides the Russian Society of Appraisers. All but one were membership-based organizations of qualified persons, not groupings of legal entities associated with valuation. Therefore, the model of instituting direct controls over valuers as natural persons seemed more plausible than bringing the controls to bear on professionals through legal entities, as was formerly done.

The valuation reform model that gained momentum by the end of 2005 was very close to, and

9. The Finance Academy's valuation department leaders went on to organize their own professional society from among the ranks of their alumni by 2002; it is presently the second largest professional society in Russia.

10. See A. I. Artemenkov, G. I. Mikerin, and I. L. Artemenkov, "Professional Valuation and Investment-Financial Valuation: Distinction in Valuations for Private and Public Markets," *The Appraisal Journal* (Fall 2008): 355–370.

11. *The Federal Reference Book on Valuation Activities in the Russian Federation*, 37.

patterned after, self-regulation in such professions as public notaries or solicitors. It was conceived that for the reform to succeed, it would be necessary for professional valuers as individuals to bear full responsibility for the quality of their output and to be made liable with all their personal property. To gain the right of practice, it also was made obligatory for valuers to become members of one of the self-regulated professional organizations of valuers (SRPOs). Also, valuers now were required to insure their professional responsibility by procuring an insurance policy covering potential damages to the amount of at least 300,000 rubles (\$10,000 US). Applications for membership in SRPOs had to be accompanied by a contribution of 30,000 rubles (\$1,000 US) to the mutual insurance fund run by the member's SRPO.

Thanks to strong support of a number of parliamentary deputies (notably Pleskachevski, chair of the property committee in the lower house), the valuation reform successfully sailed through the parliament in summer 2006 as multiple amendments to the Federal Valuation Law of 1998.¹² The reforms took effect in 2007.

Despite significant institutional rearrangements in the profession, the scope of the Federal Valuation Law remained essentially unchanged and still applied to the same cases of obligatory valuation as in 1998. To this day, individuals can practice as a valuation consultant or render valuation analyses of publicly quoted stock without any regulation impinging on their analyses. Only recently has stock valuation in the context of shareholder dissenting actions been subsumed within the list of obligatory cases. Some proposed amendments to the law are again being floated before the parliament to move the institution of property mass appraisal for taxation purposes under the wing of the Federal Valuation Law institutions. That does not mean that a person, so long as he or she is a confirmed SRPO member, is free to handle all cases of obligatory valuations. (Although it is true that all SRPOs function as general-purpose entities that maintain a pool of members with widely differing experiences.) Usually the professional dividing line runs between valuers of business and financial assets, including intangibles, on the one

hand, and property and equipment valuers on the other. Therefore, most valuers practicing in Russia tend to specialize in their own segments, while professional business valuers have the broadest mandate, as they are also allowed to prepare their own property valuations in cases of need (e.g., when included in a business valuation report).

The SRPOs emerged as clear winners in the wake of the reforms (Table 1). They acquired some wide statutory powers of oversight over their members, such as the duty to conduct regularly scheduled audits of the quality of their work and, if necessary, do surprise checks of reports when allegations are received from the public against a particular member. For member-valuers who fail to comply with the relevant valuation standards and/or SRPO code of ethics, the statutory list of disciplinary measures includes reprimands, injunctions, fines, or even expulsion from membership ranks. Funds for oversight activities of this kind are raised from the members themselves via annual membership fees (usually \$200–\$300 US) and valuation report review fees (usually in excess of \$1,000 US). Those SRPOs that are found too lax in the discharge of these oversight activities can have issues with their regulator, which is a special Federal Registration Agency responsible for registration of valuer SRPOs (as well as SRPOs for other professions) and conducting their regular audits. For that reason, each SRPO now has a Disciplinary Committee and an Experts' Council within its structure to deal with complaints received from consumers of valuation reports and the public. These committees render collegiate judgments on the quality of questioned valuation reports under the report review process.

Needless to say, regulatory oversight is not the only concern of the SRPOs. They are also active in research and publishing on valuation issues, setting their internal valuation standards, organizing events, and accrediting educational programs. They have been reluctant, however, to act as intermediaries bringing together consumers of valuation reports and member-valuers based on skills matching for assignments. This substantially contributes to the widespread sentiment of disapproval of the reform on the part of rank-and-file member-valuers who repeatedly have gone on

12. The text of the Federal Valuation Law (in English) as it appeared in the wake of the 2007 reform can be downloaded from the Russian Society of Appraisers' Web site, http://www.mrsa.ru/default_e.asp.

Table 1 Comparison of Impacts of 1998 and 2006 Valuation Laws

Elements of Comparison	"State Control Period" under 1998 Valuation Law	"Self-Regulatory Era" under 2006 Reforms
Reasons for reform	Prompted by recognition of the valuation profession two years earlier. Attempts to define the scope of its practice.	Prompted by self-regulatory aspirations of the valuation profession and support of reform by government.
Immediate impact	Obligatory cases of valuation established. The profession received close affiliation with state-owned property assignments, ensuring constant stream of commissions. National state licensure for valuation practice introduced and made relatively easy to obtain.	Scope of practice unchanged. No immediate impact on practice beyond the specter of personal and unlimited property liability for all practitioners. Notable thinning of the ranks attributed to that fear. National licensing process suspended and replaced by SRPO-based membership system.
Lasting effect	Following the initial impetus, government opted to leave the profession on autopilot, without much conceptual guidance or interference, so it evolved under its own forces. The system of professional education developed. Efforts to develop system of national valuation standards adapted to the conditions of local capital markets and compatible with international standards were less successful. The profession grew amorphous and dull to its socioeconomic mission, was flooded with practitioners, and suffered from a lack of oversight. Growing interest in reversing decline in the profession.	SRPOs delegated substantial powers of oversight and guidance. Their objectives of control are developing, but valuation standards have not yet evolved. Reform of the national valuation standards still needed, along with the redefinition of the scope and methodology of practice. Possibility that some contiguous economic measurement practices, such as public security analysis, efficiency assessment of investment projects, property assessment for taxation, etc., will come into SRPOs' orbit. The profession is becoming conscious of its pricing power at institutional level and appears ready to revive its macroeconomic public interest mandate.

record about the "inequity of the reform" as they see it.¹³

Indeed, given the statutory introduction of the full property liability principle, many valuers (especially if they are unscrupulous) have a lot to lose and little to gain from the reform. Characteristically, their ranks have undergone a significant diminution. It was estimated that on the eve of the reform about 40,000 persons were qualified to undertake valuations in the country; of these, only 11,200 valuers went on to join SRPOs rosters.¹⁴ Such pruning of ranks cannot be thought to be detrimental to quality, and it is speculated that many weaker players

have left the business or have become independent valuation consultants outside of the ambit of the professional valuation system and without the right of assignment on the obligatory cases of valuation.

Seven SRPOs for valuers are registered and operating in Russia. Of the 11,200 SRPO valuers, 86% are employees of legal entities and not self-employed persons. Under statutory requirements, an SRPO must have at least 300 valuer-members to obtain a registration. Table 2 shows membership affiliation in SRPOs for valuers.

Each SRPO is entitled to have representation on the National Valuation Council (NVC), an association

13. One valuer went so far as to lodge a complaint before the Constitutional Court of Russia alleging the unconstitutionality of the reform. After a delay of two years, the court finally ruled, finding that there is nothing unconstitutional in the process of the reform and that the State, by approving of the reform, delegates part of its own functions (evidently, its own pricing authority) to individual entrepreneurs in return for only obliging them to comply with the established legal and education framework and to become members of one of SRPOs so that their oversight and mutual control proxied to SRPOs is facilitated. The court made explicit in its ruling the principle that professional valuation is a public interest profession. It stated that "the creation of SRPOs and transference to them of some State control functions is a part of economic policy of the State...and a control mechanism... proportionate to the balance of government interference...and fulfillment of public and private beginnings [interests] in the sphere of economic activities." (Constitutional Court of Russia no. 461-0-0, February 10, 2009).

14. *The Federal Reference Book on Valuation Activities in the Russian Federation*, 37.

Table 2 Membership in Self-Regulated Professional Organizations of Valuers in Russia

SRPO	Number of Members*	Percentage of Total SRPO Members
The Russian Society of Appraisers	4,600	41%
The Self-Regulated Interregional Association of Appraisers	2,500	22%
Other SRPOs: Five smaller and regional entities (ARMO, Sibir, MSO, NKSO, OPEO)	4,000	37%
Total	11,200	100%

* Membership as of mid-2008

Source: *The Federal Reference Book on Valuation Activities in the Russian Federation* (Moscow: Center for Strategic Partnership, 2008), 36.

established in 2008 to bring together SRPOs and large corporate consumers of valuation reports. The NVC is similar in its functions to The Appraisal Foundation in the United States, but it can hardly boast of comparable achievements. This is partly attributable to the NVC's infancy and disorderly constitution (smaller SRPOs have disproportionate influence on decision making, which results in a partisan approach, rivalry, and bickering) and partly attributable to its lack of adequate funding. The NVC's work on improvement of the Federal Valuation Standards is in an anemic state. The only decision achieved so far has been related to reaffirmation of the existing educational and continued professional development requirements inherited from the state control period. More recently, it also has made tentative steps to develop and recommend estimates of tariffs for one man-hour of valuation-related labor, and to design model assignment guidelines for valuers and model accreditation process for universities' valuation programs.

Consequences of Reform

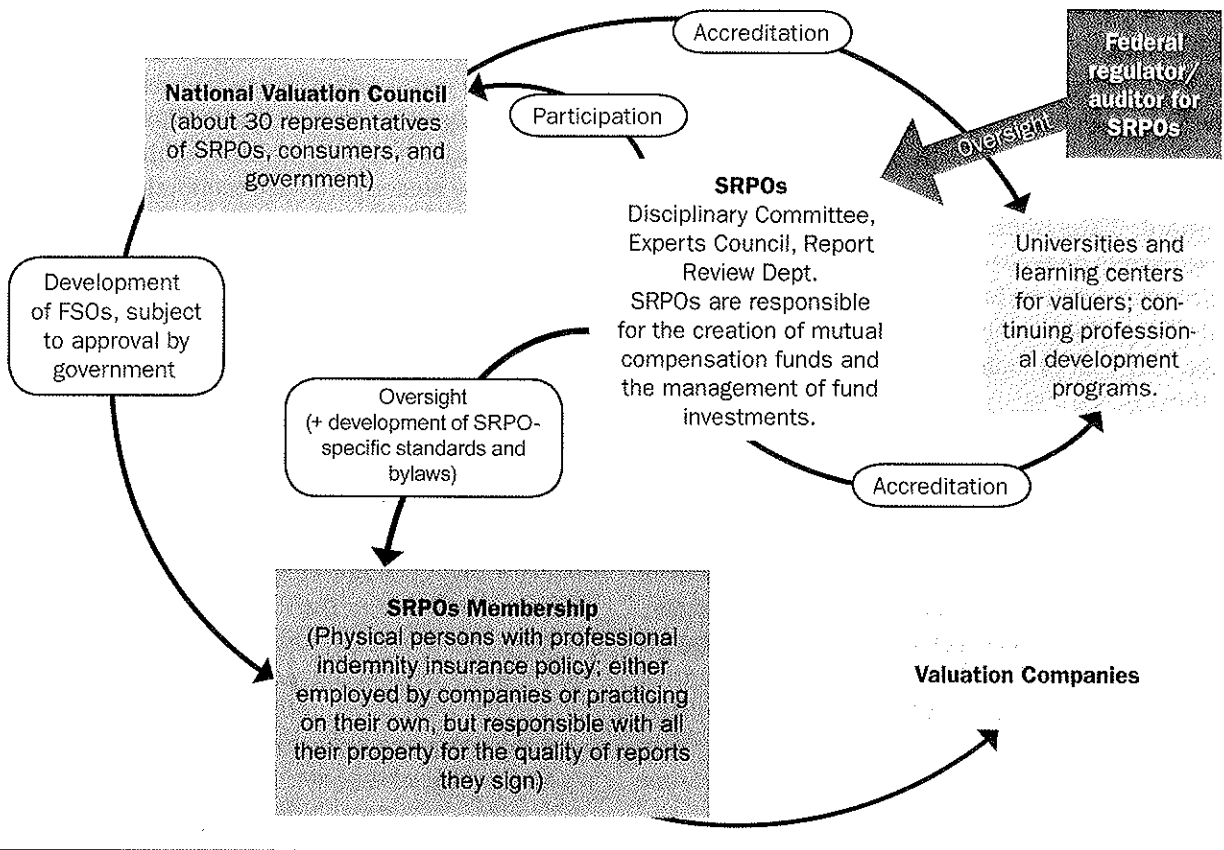
This has been a brief look at the past and present state of the valuation profession in Russia. The profession has gotten less unruly of late and shows definite signs of seeking to redefine itself at a strategic level (see Table 1 and the discussion of methodology development that follows). While the locus of statutory control over the profession now rests in valuers as physical persons, most of the market is still dominated by legal entities. If anything, this is suggested by the share of valuers working as employees for the companies and confirmed by an observation that rating agencies providing quality rankings for the national valuation industry uniformly list corporate entities and are not concerned with individual persons as valuers.

International clients in need of valuation services related to the Russian market almost always prefer dealing with local branches of established international consulting brands such as Ernst & Young Valuation and other big-four consultancies. A number of reputed national brands committed to working according to the international standards and quality controls have also made their appearance. In most cases, such distinguished local companies enjoy better relations with valuation regulators and state-owned agencies and also provide extra coverage on their corporate liability insurance policies over and above the statutory requirement for valuers signing the reports. In case of disputes, an arbitration process is easily available through the Experts Councils of reputed SRPOs. Official courts usually regard their resolutions as decisive and claims on the insurance policy can be collected following the imprimatur of a court, if not earlier. The interrelationship of valuation institutions and their makeup is shown in Figure 2.

Maybe it still works experimentally and with creaks, but the infrastructure for Russian valuation market is already there. Imperceptibly, with many false starts and failures, the national valuation market has moved from the category of emerging to mature. There are of course still many problems on the property market, and it is by no means economically efficient. For example, the market for property has become informationally transparent in terms of asking prices, but no relevant and easily accessible records are maintained by real estate agencies with respect to contractual prices. This is because there is still a prevailing incentive for both the buyer and the seller to minimize taxes by fudging the contractual price, so that the reported amount does not reflect cash actually changing hands.¹⁵ Looking at this in

15. This practice is prevalent, and the amount by which actual deal prices differ from advertised offers is anyone's guess, especially in the current market uncertainty. Besides, many property transactions are still settled on a cash basis without the intermediacy of credit, so there is no independent way of checking this.

Figure 2 Institutional Makeup of Valuation Profession in Russia after Reform Legislation



another way, all such problems are blessings in disguise for the valuation industry. There is little need for a valuation professional in a fully efficient market; only when markets are disoriented is there an easily justified public-interest case that the functions of a valuer actually make a difference.

Evolution of Valuation Methodology and the Future of the Valuation Profession

The valuation profession is primarily related to estimating the value of capital. We have seen the degree of decimation that the global economic crisis has wreaked on capital in both real estate and financial markets. Many see this as a threat to the future of the valuation profession. But, if rightly understood and acted upon, this can also be its great moment of opportunity. In Russia, the emerging valuation profession is examining the concepts underlying valuation methodology.

In the United States, we have noted how its valuation profession has got off the ground and institutionalized itself during the Depression era. We also have noted that the foundations of valuation methodology were laid during that period, in such works as those of Babcock, Hanson, Ely, Schmutz, and Hyder.

These founders lived through a period of great collapse or disorientation in prices and expectations from capital. They learned to distrust the fundamentality and efficiency of observed prices. Their advice can be best summed up as follows: in applying market value we overemphasize the word *market* and neglect the word *value* by confusing it with dominant price.¹⁶ To give substance to this valuation outlook, they developed a methodology for valuation, which we can characterize as not merely positivist, and attempted to draw an important distinction between prices and values. Some elements of their methodology, e.g., the three approaches doctrine, we still use

16. Peter Hanson, "The Meaning of Value," *The Appraisal Journal* (July 1933): 289–297.

to this day. But most of the related methodological import was lost or neglected in the post-war period. As the Western world saw an unprecedented burst of prosperity, business people and valuers learned to trust prices again and equate them to values.

Indeed, the Depression-era valuation methodology gave way to positivist thinking/theory of such latter-day valuation methodologists as Ratcliff and Kinnard. They tried to establish valuation theory based firmly on the statistical inference and reliance on observed prices. Statistical regressions and multiple data tables came into vogue, and the reason d'être of professional valuation somehow became devalued in the process.

If capital prices are merely based on, and justified by, other prices and parameters susceptible to statistical treatment there is little need for a separate valuation profession as a branch of economics, and the conduct of the entire valuation enterprise can easily be entrusted to statisticians and computer specialists. This is indeed not the case and, in fairness, valuation methodology has never completely turned to the fully positivist view. For example, we widely use the discounted cash flow (DCF) approach, which is based on expectations and not the hard data. Some dismiss it as valuing on sentiment, not on facts, and many experts truly have a chip on their shoulder unless they corroborate or reduce DCF to some hard facts, relational formulas, and statistics. This positivist urge is hardly creditable: we often hear experts say, though seldom accounting for the full import of their utterance, that "price is fact and value is judgment." Truly so. Generally, however, some of the feeling for the economic reality valuers investigate has been lost,¹⁷ to the point that justifying numbers by numbers, or fitting costs to prices, no longer feels like tautology.

Contemporary economic thought emphasizes that value represents relations between individuals, but we easily let go of this fact when working with models of abstract ideal markets, which impute certain behavioral assumptions to market participants that they may not possess in reality. The capital assets pricing model (CAPM)—a remarkable gem in the crown of the modern financial economics and portfolio theory¹⁸—is a case in point. This model describes the functioning of ideal markets where rational investors all have similar one-period expectations. In the context of such ideal markets, the use of CAPM may be conducive to advancing financial market equilibrium and efficiency sooner, rather than later. But being rooted in real-life markets and their data, we are not in a position to know what inputs would have prevailed in the same context on the ideal markets. Ignoring this predicament, we instead proceed to throw into the fine watch-like mechanisms of the modern portfolio theory (MPT) models rough grains of sand representing reality data. This output from these ideal models, like CAPM, is thus applicable to neither real-life situations, nor ideal markets. Consequently, instead of working toward equilibrium, the wide-spread use of these models only adds to destabilizing market effects.¹⁹ This is the darker side of our enchantment with formal models—and more specifically, their widespread naïve use without full appreciation of context. This is not to imply that the models are irrelevant. The point is that trying to think of capital markets and their future course in mechanical, number-crunching ways often causes one to lose sight of, or impermissibly simplify, the rich social reality underlying such markets.

If we may safely venture one guess as to the future thinking within the valuation profession, it is this: at one moment it will have to move beyond

17. For example, professor Donald Gillies (King's College, London) writes in his recent essay in the *Post-Autistic Economics Series Guide*: "There is a fundamental difference between physics and economics which could be put like this. The physical world appears on the surface to be qualitative, and yet underneath it obeys precise quantitative laws. This is why mathematics works in physics. Conversely economics appears to be mathematical on surface, but underneath it is really qualitative." As with physics, so with statistics. Interestingly, the neglect of possibility of qualitative shifts in the states of nature indescribable in past statistical terms, and only predictable on the basis of some other fundamental considerations, was a manifestation of similar confusion in those who relied heavily on the predictions of mathematical and statistical models widely used in valuing toxic financial assets.

18. See W. Sharpe, "Capital Asset Prices: A Theory of Market Equilibrium Under Conditions of Risk," *Journal of Finance* 19, no. 3 (September 1964): 425–442.

19. Recent years have seen increased academic debate about the relevance of the MPT thinking and the performativity effects of its models, helping to unearth problems with their fundamental substantiation e.g., Donald MacKenzie, *An Engine, Not a Camera: How Financial Models Shape Markets* (Cambridge, MA: MIT Press, 2006). Odds are these debates will only get more vocal under the present economic conditions, as proponents of the MPT-based economic thinking will have to defend against an onslaught of proponents of other paradigms such as liquidity pricing, and in all likelihood, valuation methodologists will soon start to pay increased heed to such contentions. For instance, a recent textbook by Sarah Sayce, Judy Smith, Richard Cooper, and Piers Venmore-Rowland, *Real Estate Appraisal: From Value to Worth* (Oxford: Blackwell Publishing, 2006) already denounces MPT-based valuation thinking as a passé doctrine. It is noteworthy that in Russian academic discourse about capital markets this MPT-based line of research has been well known, but never dominant and less constrictive of alternative patterns of vision and methodology, for example, ones that descend from the SOFE economic research program pioneered by Leonid Kantorovich, a 1975 Nobel Prize Laureate from Russia who was active in the fields of investment and valuation theory.

its infatuation with methodology and discover that behind valuation methodology there is always the "Methodology," which will consequently have to be revisited and reexamined for our post-modern times. To quote Kruschwitz and Loffler,²⁰ our present-day valuation methodology effectively amounts to the following:

If you look more closely at how finance theoreticians used to determine the value of a firm, you quickly realize that firms are not seen by them primarily as institutions that acquire production factors and manufacture either products or services. The actual side of economic activities is not looked at in any more detail. Instead, the income which the financiers, the owners in particular, can attain is the question of interest. The ways in which firms contribute to fulfilling consumer needs is of secondary importance, so to speak. What is decisive are the payments and their distributions amongst the owners and creditors. However large the income that a firm is able to attain, that is how much value it has. In the end, a firm is nothing more than a risky asset, or a portfolio of assets. Valuation of firms deals with nothing else than a question as to what economic value future earnings have today. It can be principally summed up as: the more the better, the earlier the more desirable, and the more certain the more valuable.

Apart from intimating that under the present circumstances many of our profession's clients might be tempted to question the value-added effect created by advisory valuation services, the potentialities mentioned by Kruschwitz and Loffler also point in the direction of new services with a greater value-added effect.

Currently, there is a gaping hole in expectations prevailing on capital markets in the wake of the crisis, and the rating agencies industry, by destroying the trust of the investing public, is no longer able to fill the existing vacuum which is palpable following the collapse of investment expectations. Current macroeconomic policy of the government is disproportionately slanted toward supply-side measures and seeks only to unplug clogged liquidity. However, as Keynes discovered, the liquidity is not going to be wanted unless investment expectations right themselves. Here, the valuation industry may step forward and sanitize the process, side-by-side with the rating agencies, by offering the development of anti-cyclical pricing services. If this idea sounds

too far-fetched, it will do well to remember that precisely such a vision for valuation methodology was the basis of much of the original work of the Depression-era economists, such as Babcock, who was at the source of valuation teaching in the United States. Relying on neoclassical value analysis, they differentiated between value and price and considered that for many purposes of valuation, especially mortgage lending, market value should be based on the equilibrium price concept. Therefore, currently observable prices cannot be sole trustworthy determinants of market value, but should be modulated using other approaches proxying for long-term equilibrium value, such as the cost approach. If the results of such value estimates bear little resemblance to currently prevailing prices, this, ideally, sends a signal to the market. In present-day parlance, we may say that the concern of American Depression-era methodologists was anti-cyclical pricing²¹ to help stabilize the (real estate) market by creating a new public interest profession. While we cannot consider their particular solutions and methods relevant for the modern day, there are some elements in their teachings that we can do well to recollect.

Foremost among the implications of those teachings is that professional valuation should extend itself by returning to its roots as a public interest driven profession having a well-defined macroeconomic mission and a certain public duty to accomplish: relative price stability and safeguarding of investor confidence by alerting the public to facts of market overheating or otherwise.

One of the most popular perennial strands in the debate about the methodology of valuation is whether it is a science or an art. Parties to such debate usually conceive *science* to mean something objective, i.e., related to formulas, algorithms, arithmetic number-crunching, statistical information processing tools etc, while *art* is conceived as something that is based on experience, but not formalizable and rooted in individual judgments. German O. Gref—head of the Russian National Valuation Council and chair of Sberbank, the largest and state-owned bank in Russia—recently

20. Lutz Kruschwitz and Andreas Loffler, *Discounted Cash Flow: The Theory of the Valuation of Firms* (West Sussex: John Wiley & Sons, 2006).

21. If half-heartedly, the idea of anti-cyclical values, or prices, is already being introduced into actual valuation practice through the backdoor by the exigencies of the moment—as the returning corporate clients seek succor from their valuers and beseech them to recertify precrisis value estimates in their reports. And too often we have to oblige fully, or accommodate their wishes to the best extent possible, as the resulting value estimate can make a difference between the survival or bankruptcy of subject businesses. The rationale for this is that the valuation power, exercised in public interests, should strive to avoid serious damage to socially useful enterprises.

publicly proclaimed that "Valuation is primarily an art." This has drawn reproof from one of his erstwhile teachers—who opined that "Valuation is science." Indeed, this is a perennial dispute and such disputes resolve nothing.

It can be thought that valuation is neither science, nor art. There is a third and principal element to it that binds all the others together, holds them in place and defines their proportions, and this element is ethics, which should be every bit as broadly conceived as Spinoza conceived his *Ethics*, Carlyle conceived his vision of social history, and Ruskin applied his insights to general economics. There we can look for, and find, ultimate determinants of the corpus of methodology. Perhaps, to borrow this idea from the Gödel Theorem applicable to all mathematical and logical frameworks, such corpus of methodology can never be justified in terms of itself: its essence lies principally outside of the technical motions of the profession. For instance, one of the key terms in valuation (and accounting measurements) is *fair value*. It is time to deliberate again if this concept has ethical dimensions. And if not, why do we persevere in calling it *fair*? Neither art, nor science will be able to answer this question. Valuation methodology should.

One of the projects to extend the valuation profession along these lines is currently being hotly debated in the Russian valuation community.²² The idea is to create a network of publicly funded industry-specific valuation agencies to work alongside and in cooperation with the general-purpose rating agencies to fill the investors' confidence vacuum. Such new agencies, designated as *public valuation utilities*, would monitor enterprises within their industries and report on fundamental factors and prospects. The reporting would also include a summary in the form of indicative, anti-cyclical business value estimates and the uncertainty intervals surrounding them. This will help restore investors' expectations and also cool manias in the future. Some of the benefits monitored enterprises could reap from cooperating with such new public valuation utilities include increased capitalization (if they are quoted companies with depressed quotations) or increased bankers' trust (in case companies within the industry rely on loan finance), and the reduction

of investment risk through increased transparency and the prestige of public utility imprimatur. With respect to property markets, assessment of residential and commercial properties by means of public valuation utilities could also serve similar ends, e.g., resumed mortgage availability, better loan-to-value ratios, etc. It is claimed that the national valuation industry is well placed to facilitate the creation of a network of such public valuation agencies, while the agencies' public status and funding would prevent any conflicts of interest with the monitored enterprises and secure steady customer base.

Another much-discussed and related dimension for the development of the national valuation industry is its proposed engagement in the methodology for setting regulatory assets base (RAB) tariffs for Russian utilities sector (e.g., electricity generation, water supply, oil extraction duties, etc.). Regulation of pricing and tariffs on these principles is seen as a way to attract private investment, optimize taxes, and boost output in these most important sectors of economy. Many valuation thinkers also believe the strategic mission of the valuation industry lies in its commitment to confront and assess dormant development and innovative potential in the national economy, and capitalizing it to monetary estimates to help create bona fide economic wealth.²³ Thus, the valuation industry should focus on the task of eliciting and crystallizing intangible capital infrastructure of the country to move forward its post-industrial economic development.

One of the categories of this new capital infrastructure (apart from education, research and development, and fundamental innovations) is the vast cultural heritage in the stock of historic architecture, rich cultural monuments, and works of art. These should receive an adequate capital assessment commensurate with their true social and economic significance, with the valuation industry working side-by-side with other experts. In the process, the valuation profession will learn to offer new valuable and value-added services to its clients. In this way, the profession's activities will not only harmonize with the broad public interest, but also secure its justified preeminence in the continuum of all other types of consulting services.

22. See E. Neumann and G. Mikerin, "How independent property valuation can help enterprises to confront crisis situations," available at http://www.labrate.ru/articles/mikerin_neiman_antikrizis-2008.htm.

23. See *The Federal Reference Book on Valuation Activities in the Russian Federation*, 69–80.

On the macroeconomic level, these initiatives would spill into improved investor confidence and better investment expectation management by linking valuations with indicators of macroeconomic development plans and priorities. In short, they would be a helpful demand-side addition to macroeconomic policy complementing conventional supply-side and monetary measures.

It is thought that such initiatives, crude as they still are, are aligned with the broad strokes of the government policy. For example, Vladimir Putin, the prime minister of Russia, speaking at the Davos Economic Forum expressed his support for the post-positivist line in economic measurements in the following words:

[These are colossal] disproportions that have accumulated over the last few years. This primarily concerns disproportions between the scale of financial operations and the fundamental value of assets, as well as those between the increased burden on international loans and the sources of their collateral.

In effect, our proposal implies that the audit, accounting and ratings system reform must be based on a reversion to the fundamental asset value concept. In other words, assessments of each individual business must be based on its ability to generate added value, rather than on subjective concepts. In our opinion, the economy of the future must become an economy of real values. How to achieve this is not so clear-cut. Let us think about it together.²⁴

Could it be that Mr. Putin is subtly referring to currently prevailing financial market prices as “subjective concepts?”

Conclusion

The plans and initiatives that are being floated in Russia attest to the rich texture of current thinking about the mission of the national valuation profession and exemplify the new conditions that present many fresh opportunities for the profession to expand and reinvent itself. This, of course, will not come about without the deep change in the methodology (even if the techniques stay the same) and continued public and governmental engagement in debates about the mission and ends of the valuation industry.

The obligatory cases of valuation forming the backbone of the national valuation industry have been mostly established by the law in order to ensure that the government will not lose out on its property deals relative to private investors (another dimension has been the concern for the safety of mortgage bankers). But since so much of the public prosperity these days rides on the well-being of the private sector (to say nothing of the health of banking), this seems a too-limited perspective for the developing valuation industry. Curiously, having just completed a round of valuation reform, it has been discovered that the development ideas need be recast for the brand-new avenues that lie under the debris of historic experience.

The search for a developed vision in valuation continues, and not only in Russia. Hopefully, these notes will be able to enrich the conceptual and institutional debates going on in North America and on the international level. One can be hopeful that there is enough valor in the valuation profession to project it into faltering capital markets and build there new pillars of confidence on which so much of prosperity in contemporary economic world rests. Yes, *valuation* and *valor* are Latin-derived words of the same root—and of the same meaning—if we make it so.

A. I. Artemenkov, FRSA, is an economist with the Russian Society of Appraisers, a member of the Standards and Methodology Committee at the National Valuation Council in Russia, and a faculty member in the Economic Measurements Department at the State University of Management (Moscow).

Contact: artemenkov@rambler.ru

I. L. Artemenkov, FRICS, CCIM, FIABCI, is CEO of the CJSC International Valuation Centre, and is a member of the Professional Board at the International Valuation Standards Council (IVSC) and the board of The European Group of Valuers' Associations (TEGoVA). Contact: artemenkov@inbox.ru

24. Quoted from transcripts posted at <http://emsnews.wordpress.com/2009/01/29/putins-epic-2001-davos-speech/>.

Web Connections

Internet resources suggested by the Lum Library

TEGoVA—The European Group of Valuers' Associations

<http://www.tegova.org/en/p48e3256d56748>

International Valuation Standards Council

<http://www.ivsc.org/>

IAS Plus, Accounting Standards Updates by Jurisdiction—Russia (Deloitte)

<http://www.iasplus.com/country/russia.htm>

Russian Society of Appraisers

http://www.mrsa.ru/default_e.asp