Advocating for Transparency

Mexico builds public confidence with international valuation standards

BY SORAYA PÉREZ MUNGUÍA

In Mexico, the Institute of Administration and Valuation of National Assets (INDAABIN) is the government agency that manages and appraises federal and state-owned property assets. As an agency of the Ministry of Public Service, INDAABIN works to optimize the use of federal property and provides appraisal services to help rationalize public spending.

In December 2015, INDAABIN held an international event in Mexico City to facilitate strategies as outlined in Mexico’s 2012-2018 National Development Plan. The plan articulates the federal government’s vision and strategy and is used to communicate this information to all of its citizens. As outlined in the plan, Mexico intends to promote modern and transparent administration of federal property assets. It also seeks to establish interagency coordination mechanisms to rule on more accurate appraisals and in an expeditious manner according to international standards.

In this context, INDAABIN developed the Valuation Appraisal Standards and Code of Ethics, with the support of the real estate appraisal firm Duff & Phelps. The work was undertaken as part of a federal valuation reform initiative to raise the quality, transparency and standards required for valuations in Mexico. A host of other professional organizations also participated in the development process, including the International Valuation Standards Council, the Appraisal Institute and American Society of Appraisal, Royal Institute of Chartered Surveyors (RICS) England and Latin America, and IRWA Mexico Chapter 85, among others.

A Need for Global Standards

The purpose of establishing the Valuation and Review Standards and Code of Ethics is to build a high level of public confidence by standardizing requirements for appraisers and reviewers. An appraiser/reviewer must comply with International Valuation Standards (IVS), while promoting and preserving the public trust inherent in the appraisal practice by observing the highest standards of professional ethics.

Over the years, accounting and valuation standards evolved as foreign investors became increasingly interested in Mexico. As a result, appraisers from different national and regional locations were using various terminology and methods, making comparisons difficult. The adoption of IVS represents an important opportunity for both appraisers and reviewers. INDAABIN will be responsible for monitoring, reviewing and making amendments to conform to IVS

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The agency will also focus on promoting common ethical and educational benchmarks consistent with IVS and the IVS Council. Following the 2015 strategic planning meeting, Nick Talbot, the CEO of the International Valuation Council and RICS, England said, "I was impressed by the efforts of INDAABIN and the organizations it is working with to bring leadership to the field of valuation. I hope to see all appraisals in Mexico following the leadership of INDAABIN and adopting IVS and increased professionalism. If implemented effectively, this will give both domestic and international investors confidence in valuations of assets and therefore help the Mexican economy fulfill its potential."

**Impetus for Energy Reform**

Mexico's energy reforms are providing an historic opportunity to revitalize its energy sector and bolster the overall economy. In the last few years, a series of constitutional amendments approved by Mexico’s Congress have opened the door for oil and gas exploration and production to foreign investors. The impetus for Mexico’s energy reform is clear. The government seeks private investment to boost oil and gas exploration and production, both of which have been in decline for the past 10 years.

The energy reforms will move the country toward a dynamic energy model based on the principles of competition, openness, transparency, sustainability and long-term fiscal responsibility. This will ensure that we have a more competitive and prosperous country, and lay the foundation for a new stage of development and prosperity for the benefit of all our citizens. In addition to attracting investments, energy reform will help to facilitate economic and social development and create a more competitive marketplace. Currently, there are efforts in place to increase the availability of lower-cost energy production, thereby reducing our growing dependence on imported energy while increasing the opportunity to export.

This is a great challenge for INDAABIN, and we have much to do. Fortunately, with the support of all the participating organizations, we can implement international valuation standards and transform the economy and investment outlook in the country.

Commemorating its 10th anniversary in 2014, INDAABIN President Soraya Pérez Munguía and Antonio Cárdenas Arroyo from Mexico’s Ministry of Public Function formalized their shared vision of a modern and transparent public administration.