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# Improving The Institution Of Self-Regulation In The Development Of The Market For Valuation Services In Uzbekistan

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**ABSTRACT**

The article discusses the need to improve the institution of self-regulation based on international experience, the requirements for its membership, as well as the features of responsibility in the development of the market for appraisal services in the conditions of New Uzbekistan. At the same time, based on a generalization of foreign experience, a number of recommendations have been developed to improve the self-regulation of the appraisal services market in our country and to insure the risks of the professional activities of appraisers. This article discusses large-scale socio-economic reforms being implemented in the coming years as part of the further development of the appraisal services market in our country.

**Keywords:**

entrepreneurship, valuation activities, market for valuation services, self-regulatory activities, valuation organizations, appraiser, valuation standards.

## Introduction

In the process of large-scale economic transformations being implemented in Uzbekistan at the initiative of the Head of State, great attention is being paid to the formation and improvement of mechanisms that serve the development of market relations. The valuation services market is one of them.

In the development policy of the new Uzbekistan [1, 2], the development of the valuation services market and the establishment of its regulatory framework are among the main tasks of today.

In world practice, the main goal of regulating the valuation services market is to maintain a competitive environment and ensure the quality of valuation services. The ways to achieve this goal vary in different countries, but in countries with developed market economies, self-regulatory mechanisms are increasingly preferred.

Self-regulation is considered an independent and initiative activity carried out by entities of

entrepreneurial or professional activity, and its content is the development and establishment of standards and rules for such activities, and monitoring compliance with the requirements of these standards and rules. It follows that the development of self-regulatory organizations in our country is aimed at solving such problems as reducing administrative barriers to entrepreneurial activity and changing the legal regulation of the requirements, rules and standards of entrepreneurial activity.

Assessment in the context of national economic developmentservices marketregulation of activities by professional assessment organizationsz-can be implemented through self-regulation or be the sole right of the state. The mechanism of self-regulation of the valuation services market is widely used in countries with developed market economies, while in developing or transitional economies, state control prevails.

Undoubtedly, todayNew Uzbekistanwidely used in various fieldsare being carried out. In

particular, the creation of solid legal guarantees for the operation of the valuation services market is enshrined in the Constitution of the Republic of Uzbekistan, the Law "On Valuation Activities" of August 19, 1999, and a number of other regulatory legal acts [3, 4]. In 2006, 2009, and 2021, amendments and additions were made to the Law "On Valuation Activities" in order to fulfill the tasks of the consistent development of the national economy, and consistent work is being carried out in this regard. However, the role of the state in regulating the operation of the valuation services market still remains. After all, in our time, when entrepreneurial activity is given freedom, the issue of increasing the role of non-governmental and non-profit organizations in regulating their rights and freedoms remains relevant.

The organization of the valuation services market as legally independent business entities and the regulation of their activities are associated with a system of measures and procedures aimed at improving the quality of appraisers' services and their compliance with certain criteria established by state bodies (state regulation) and the professional community of appraisers (self-regulation), or are jointly established by them, which today requires the implementation of certain systematic work in this area.

However, the fact that the activity in our country is still regulated by the state is explained by the fact that a self-regulation mechanism has not been established in this area. In the current conditions of economic globalization, the above arguments require, on the one hand, consistency with state policy, and, on the other hand, the adoption of modern methods of regulating this activity.

### Literature review

Economists have explored the social, legal, and economic aspects of self-regulation in various ways in their writings.

MAEgorovadefines self-regulation as a type of self-organization, which reflects the author's idea of self-regulation as a method of self-regulation. Self-regulation in this case is considered as a stage in the mechanism of self-organization, the content of which is only the

process of creating rules. At the same time, the author does not take into account that self-organization is inherent in law in general [5].

YuA. Tikhomirov defines self-regulation as a system of public affairs management built on the basis of self-organization and amateur activity [6].

GATosunyanIt is generally argued that it is impossible to give a universal definition of self-government. However, scientific research does not provide us with a clear terminology for the interrelation of concepts such as self-regulation, self-organization, and self-governance when describing the processes of self-establishment of rules of behavior in a given community [7].

O.M.Rodionovasays: "...researchers emphasize the leading importance of self-regulation in their point of view, defining it with various terms: "decentralization", "harmonization", "dispositivity", etc. However, none of these terms denotes a legal system of self-regulation" [8]. The terms given by OM Rodionova are individual features of a single concept of self-regulation.

IVSvetkovAs noted, the objective need for market economy relations is connected with its essence, that is, the modern market economy belongs to the type of self-organizing systems. The self-organization of any system is carried out through the formation of synergistic relationships between its elements and components [9].

Based on the above considerations, it can be recognized that self-regulation is a special mechanism for the social regulation of a certain type of relations in communities with organized legal goals, an open and complex socio-legal system, which allows it to maintain the objectively necessary properties of the system under the influence of various environmental factors.

### Research Methodology

In developing the valuation services market, economic research methods such as studying research conducted by world scientists and economists on the basis of international experience of the self-regulatory institute for improvement, data collection, analysis of the collected data, synthesis, and logical thinking were widely used.

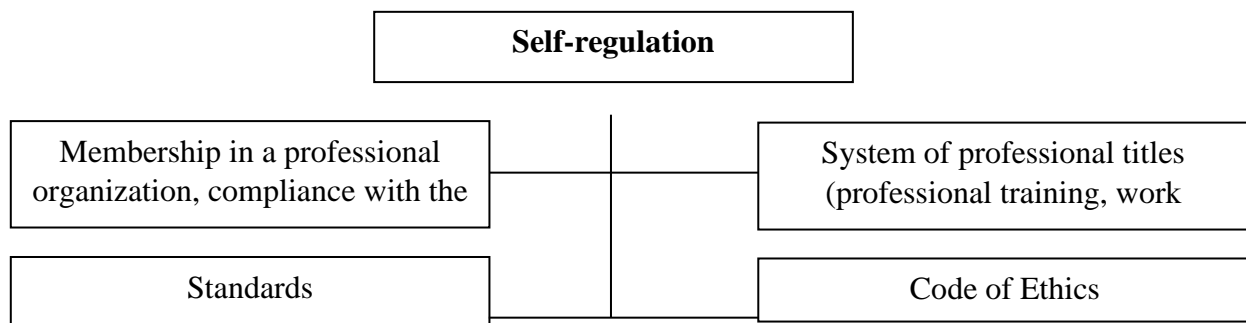
**Analysis and results**

The process of regulating the activities of the appraisal services market is carried out using a set of measures and procedures aimed at ensuring that the services of appraisers meet certain criteria and are aimed at improving their quality.

A self-regulatory organization can be established by organizations with voluntary or mandatory participation. The introduction of

self-regulation with mandatory participation is the result of the abolition of any state functions and their transfer to the internal level of regulation. Self-regulatory organizations are organized in the form of non-profit organizations and are characterized by a specific subject composition, an expanded organizational structure and the participation of specialized members. In particular, today the assessment activity also needs a self-regulatory system (Figure 1).

**Figure 1**  
**Main forms of self-regulation of assessment services\***



Source: Developed by the author.

Several criteria are used to regulate the activities of the valuation services market. These criteria are established by state bodies in the process of state regulation, by the professional community of appraisers in the process of self-regulation, but can also be introduced by them jointly. Regulation is carried out in three directions:

1. Formulate methodological requirements for assessment procedures, which are traditionally stated in assessment standards.
2. Establish ethical requirements for the evaluator.
3. Development of professional level requirements.

Through the above criteria for self-regulation of the valuation services market, we can see that this industry, having studied foreign experience, is widely developed in foreign countries and plays an important role.

For example, in the USA there is a developed system of professional self-regulation, where since the mid-1930s there has been an appraisal institute, which has developed its own system for training appraisers. Of particular note is the American Appraisers Society, a multidisciplinary professional organization with more than 6,000 members, including business, mechanical, and jewelry appraisers [10].

Highly professional appraisals are carried out by professional organizations through the adoption and adherence to standards. However, exceptions include countries such as Italy, Spain, and Japan, where there is state regulation in the form of licensing, and the United States, where state regulation (licensing) of real estate appraisals was introduced in 1998, when American savings and loan companies were experiencing significant financial losses in real estate transactions [11].

The first attempts to regulate the activities of appraisers in Kazakhstan were made in 1995:

Real estate valuation and registration departments were established and given the authority to develop real estate valuation, valuation standards, and a code of ethics for appraisers. In 1997, appraisal activities were made licensable, the profession of appraiser was officially recognized, and the real estate

valuation and registration departments were transferred to the Agency for Registration of Real Estate and Legal Entities of the Ministry of Justice.

The Russian Society of Appraisers (RSA) is a public organization that coordinates the activities of the valuation services market in Russia, a professional self-regulatory organization that unites valuation specialists from all regions of Russia [12].

The structure of the RBJ includes 75 regional branches. The main goal of the Russian Society of Appraisers is to stimulate the activities of specialists engaged in the valuation of various types of property and to create a civilized valuation market.

The main areas of activity of the RBJ are:

- to protect the professional interests of its members;
- developing methods for valuing various types of properties;
- development of educational programs.
- To assist in the training of specialists in the valuation of various types of property in professional valuation courses.

**Table 1**

**List of international self-regulatory organizations of rating organizations [13]**

T/r	Country	Organization name	Website
1.	International	International Valuation Standards Council	<a href="https://www.ivsc.org">https://www.ivsc.org</a>
2.	International	TEGoVA: The European Group of Valuers' Associations	<a href="http://www.tegova.org">www.tegova.org</a>
3.	International	World Association of Valuation Organizations	<a href="http://www.wavoglobal.org/">http://www.wavoglobal.org/</a>

EvaluationIn improving the standards and practices of the market for valuation services, leading foreign organizations in the world are constantly improving the standards, based on their experience. Table 1 lists self-regulatory international organizations of valuation organizations, the main goal of which is to improve the standards and practices of valuation activities worldwide.

AbroadBased on a comparative analysis of the self-regulation of the market of assessment services, a rating of their areas of activity is compiled. Their main purpose is determined by the share of activity criteria in this area [14].

ForeignThe rating of self-regulation of assessment activities includes the following (in descending order):

1. Vocational training/upgrading of assessors 90%;
2. Development/improvement of assessment activity standards 85%;
3. Taking qualification exams/certifying assessors 80%;
4. Research topics include publishing activities (including electronic newsletters), educational literature 80%;

5. Study of macroeconomic trends, national economic sectors, and markets of valuation objects 75%;

6. Regulation of assessment practices 45%;

7. Assisting appraisers in employment/assisting clients in finding appropriately qualified appraisers 40%;

8. The qualification rate of evaluators is 32%;

9. Legal assistance to members of the self-regulatory body for handling claims/30%;

10. Compensation for damage caused to clients of cost estimation services is 5%.

The valuation services market in our country has undergone significant changes in its recent history.

This type of activity, while carrying out its independent activities, is fully regulated by the state.

Self-regulation of the valuation services market is legally strengthened in accordance with the Law of the Republic of Uzbekistan "On Valuation Activities" and the Decree of the President of the Republic of Uzbekistan No. PF-6044 dated August 24, 2020 "On Measures to Fundamentally Improve the Licensing and Permitting Procedures", starting from January

1, 2021, valuation activities in our country will be strengthened on the basis of the development of self-regulation mechanisms, establishing mandatory membership in self-regulatory organizations.

However, today, we can see that the state still coordinates the assessment activities, as the Law "On Self-Regulation of Entrepreneurial Activities" has not yet been developed and adopted in our country. We will explain what the mechanism of self-regulation of assessment activities is manifested in as follows:

The self-regulatory organization of the appraisal services market is established to regulate and monitor appraisal activities, is included in the Unified State Register of Self-Regulatory Organizations of Appraisers according to the terms of membership, and is recognized as a non-profit organization uniting appraisers.

The functions of the self-regulatory organization for the valuation services market include the following:

- development and approval of standards and rules for assessment activities, rules of business and professional ethics;
- development and approval of the rules and conditions for admission to membership in the self-regulatory organization of the appraisal services market, as well as for expulsion from it;
- to represent the interests of its members, as well as to challenge in court actions that violate the rights and legitimate interests of all or part of them.

The self-regulatory organization for the valuation services market has the following obligations towards appraisers:

- monitoring compliance by members of the self-regulatory organization of the appraisal services market with legislative requirements, standards and rules of appraisal activities, as well as the rules of business and professional ethics;
- application of disciplinary measures (up to and including expulsion from a self-regulatory organization);
- maintaining a register of members of the self-regulatory organization of the appraisal services market and providing information from this register to interested parties;

- organization of professional retraining of appraisers;
- organize information and methodological support for its members.

The status of a self-regulatory organization for the activities of the appraisal services market is acquired by a non-profit organization from the date of its inclusion in the Unified State Register of Self-Regulatory Organizations of Appraisers. The basis for including a non-profit organization in the Unified State Register of Self-Regulatory Organizations of Appraisers is its fulfillment of the following requirements:

- an association within an organization consisting of at least 300 people - evaluators;
- the existence of a compensation fund to which each member of the self-regulatory organization of appraisers must make a mandatory contribution in a specified amount;
- the presence of a collegial management body (council, supervisory board), functional specialized bodies and structural divisions.

Employees of the self-regulatory organization for the valuation services market are not entitled to carry out valuation activities.

The self-regulatory organization of the appraisal services market must take measures to prevent the emergence of conflicts of interest between the self-regulatory organization of appraisers and its members, as well as to promptly resolve such conflicts.

The self-regulatory organization of the appraisal services market requires the following to be posted on the Internet on its official website:

- founding documents;
- standards and rules of assessment activities, as well as rules of business and professional ethics;
- regulations on the collegial management body of the self-regulatory organization of the appraisal services market, the structural unit supervising the appraisal activities of members of the self-regulatory organization of appraisers, the body considering cases on the imposition of disciplinary sanctions; information on the members of the disciplinary committee of this organization, other bodies and structural units, and the composition of such bodies and units;
- the register of members of the self-regulatory organization of the appraisal services market,

including information about each of its members (surname, first name, patronymic; contact information; length of service, length of appraisal activity; information about the facts of appraisal), application of disciplinary sanctions, if any;

- a list of persons whose membership in the self-regulatory organization of the appraisal services market has been terminated, including persons expelled from the self-regulatory organization of appraisers for violating the requirements of the Law "On Appraisal Activities" and other regulatory legal acts;

- information on the non-compliance of the self-regulatory organization of the appraisal services market with the requirements of the Law "On Appraisal Activities" (including information on the date of non-compliance of the self-regulatory organization of appraisers with the established requirements), measures taken and (or) planned by the self-regulatory body of appraisers to eliminate such non-compliance;

- additional requirements for the rules and conditions for admission to membership in a self-regulatory organization of the appraisal services market, the amount of membership fees and the procedure for their payment, and the procedure for ensuring the property liability of its members when carrying out appraisal activities;

- information on the reports of its members. The content and terms of posting such information are determined by the internal documents of the self-regulatory organization of appraisers;

- information about the compensation fund, including the monetary value of the compensation fund, the investment declaration of the compensation fund, and the facts of the collection of penalties from the compensation fund;

- information on the results of inspections of the activities of members of the self-regulatory organization of the appraisal services market;

- information on the emergence of a conflict of interest between the self-regulatory organization of the valuation services market and its members.

In developing the valuation services market in our country, it is recommended that self-regulatory organizations identify areas for

unifying their activities, including the development of unified standards and methodological recommendations for valuation, information provision for valuation activities, certification of appraisers, professional ethics, conducting expertise, and other issues requiring unified decisions for the market.

Based on the above, the following can be identified as important areas of self-regulation of the valuation services market:

- "electronic" development of a mechanism and rules for evaluators to access information used for evaluation within the framework of the implementation of the "Government" program;

- assessment development of a financing mechanism for selected scientific research in the activities of the services market, as well as methodological recommendations;

- education participation of self-regulatory organizations of evaluators in rating institutions;

- evaluators participate in the development and improvement of rating methods;

- assessment on systemic issues of improving the activities of the State Assets Agency, including the creation of an effective mechanism for interaction between self-regulatory organizations of appraisers and consumers of appraisal services within the framework of the activities of appraisal services under the State Assets Agency.

As can be seen from the above analysis and discussion, developing and implementing an improved system of self-regulation of the valuation services market in our country will stimulate the development of the industry.

### **Conclusion/Recommendations**

In conclusion, it can be said that at present there is a need to further improve the quality of property valuation services, to provide customers with guarantees of compensation for possible losses due to improper performance of their duties by the appraiser. As part of this problem, it is necessary to develop self-regulation of the valuation services market in Uzbekistan and develop a number of recommendations based on the generalization

of foreign experience in insurance of professional risks of appraisers. In particular:

1. It is necessary to develop a regulatory document on "Self-regulation of assessment activities" in our country. International experience shows that almost all developed and developing countries have a regulatory and legal framework in this area.
2. Based on foreign practice, join international assessment organizations and develop the industry's activities based on the standards and criteria developed by them.
3. Identify and list the criteria for self-regulation.
4. "Electronic development of a mechanism and rules for evaluators to access information used for evaluation within the framework of the implementation of the "Government" program;
5. Evaluation development of a mechanism for financing selected scientific research in the activities of the services market, as well as its methodological recommendations;
6. Education participation of self-regulatory organizations of evaluators in rating institutions;
7. Evaluators participate in the development and improvement of rating methods;
8. Evaluation on systemic issues of improving the functioning of the market of valuation services, including the creation of an effective mechanism for interaction between appraisers and self-regulatory organizations of consumers of valuation services within the framework of the activities of valuation services under the State Assets.

Based on the above, it can be said that the ideas and analyses presented in this study will stimulate the further development of this industry by developing self-regulation of the valuation services market in our country based on the experience of foreign countries.

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