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**SURVEY OF
LAND AND REAL ESTATE TRANSACTIONS
IN THE RUSSIAN FEDERATION**

**REGIONAL REPORT:
KALININGRAD OBLAST**

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1. INTRODUCTION

The survey was conducted in **15 regions of Russia**: Irkutsk, Nizhniy Novgorod, Novosibirsk, Rostov, Perm, Sakhalin, Kaliningrad, Leningrad, Moscow, Sverdlovsk, Tomsk and Novgorod Oblasts, Khabarovsk Krai and the cities of Saint Petersburg and Moscow.

Research methodology required legal analysis and survey.

Legal analysis is based on publicly available (Federal and Municipal) legal acts and in depth interviews with experts for obtaining more specific information about the locating procedures under investigation in each particular region.

The legal analysis results are gathered in templates, which describe major stages for any of surveyed procedures in any of surveyed regions (sequence of stages, necessary documents, government authorities, organizations involved in every stages, official time and cost limits for obtaining documents). These templates become a base for comparison with real practice, reflected in surveyed companies' responses and are available in Annex (tables 1-9).

Survey required: business intermediaries survey (on the basis of BIS companies interviews) and administrative and regulatory costs survey (on the basis of ARCS companies interviews).

BIS - legal entities and sole proprietors providing intermediary services for locating procedures

ARCS - legal entities and sole proprietors that attempted, underwent or completed locating procedures in 2004

The following **nine basic locating procedures** were studied:

Procedure no. 1	Obtaining (by lease) a land plot, which is currently state or municipal property, for construction on, with a preliminary agreement on the object location.
Procedure no. 2A and 2B	Obtaining (by purchase (2A) or lease (2B)) a land plot, which is currently state or municipal property for construction on, without a preliminary agreement on the object location, during auctions or tenders.
Procedure no. 3A and 3B	Obtaining ownership (3A) or lease (3B) rights on land plots that are currently state or municipal property, with premises, buildings or constructions, which are private property.
Procedure no. 4	Lease of a real estate object (premise, building or construction) which is currently municipal property, without the procedure of tender (including purposive appointment cases).
Procedure no. 5	Lease of a real estate object (premise, building or construction) which is currently the municipal property during tenders or auctions.
Procedure no. 6	Transferring a premise (building) from the residential use to non-residential one.
Procedure no. 7A and 7B	State registration of rights on real estate and real estate transactions (in the cases of (7A) buying or selling a real estate object (land plot, building or premise) in the secondary market, (7B) drawing a contract of a real estate object (land plot, building or premise) lease for the term of more than 12 months in the secondary market).
Procedure no. 8	Transferring a land plot from one category into another, changing designated use of a land plot.
Procedure no. 9	Privatization of a real estate object (building or premise) which is currently municipal property.

2. EXECUTIVE SUMMARY

1. According to the survey results, the interviewed ARCS¹ companies more often have completed the lease procedure while the interviewed BIS² companies were dealing more with obtaining ownership rights. This dependency is well demonstrated by the example of the most popular procedures in the region: *Obtaining ownership rights on land plots that are currently municipal property (3A) or Leasing land plots (3B) with buildings (structures, installations) owned the company and State registration of a purchase and sale transaction on real estate acquired in the secondary market (7A) and State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year (7B)*.
2. The procedure *Obtaining ownership rights on a land plot (2A) or Leasing a land plot (2B) for construction during tenders without preliminary agreement on the object location* is an exception from the above-mentioned dependency. Among the respondents who have completed this procedure, the shares of ARCS and BIS companies receiving ownership rights or concluding lease agreements are approximately equal.
3. For certain procedures, the highest time costs coincided with the highest procedure completion overall cost for the interviewed companies. Thus, the most expensive procedures from the point of view of finances and time for the interviewed BIS companies were *Leasing a land plot for construction with preliminary agreement on the object location (1) and Obtaining ownership rights on land plots that are currently municipal property (3A) or Leasing land plots (3B) with buildings (structures, installations) owned the company*. The interviewed ARCS companies incurred the highest time losses when completing the procedure *Leasing a land plot for construction with preliminary agreement on the object location (1)*. The same procedure was the most expensive for ARCS companies.
4. According to the obtained data, judging by the aggregate time and financial costs of the interviewed companies, the most costly procedures are those related to obtaining land plots. In the first turn, we should single out the following procedures: *Leasing a land plot for construction with preliminary agreement on the object location (for the interviewed ARCS and BIS companies), Obtaining ownership rights on land plots that are currently municipal property or Leasing land plots with buildings (structures, installations) owned the company (for the interviewed BIS companies)*. Among the procedures related to obtaining structures (buildings), judging by the criterion of the highest time and financial costs, we may single out *Transferring a premise (building) from the residential use to non-residential one (6)*.
5. According to the obtained data, we cannot conclude that any of the groups of the surveyed ARCS or BIS companies made unofficial payments more often. Depending on the procedure, we may track a sway to this or that side. Unofficial payments were reported by approximately equal shares of the surveyed ARCS

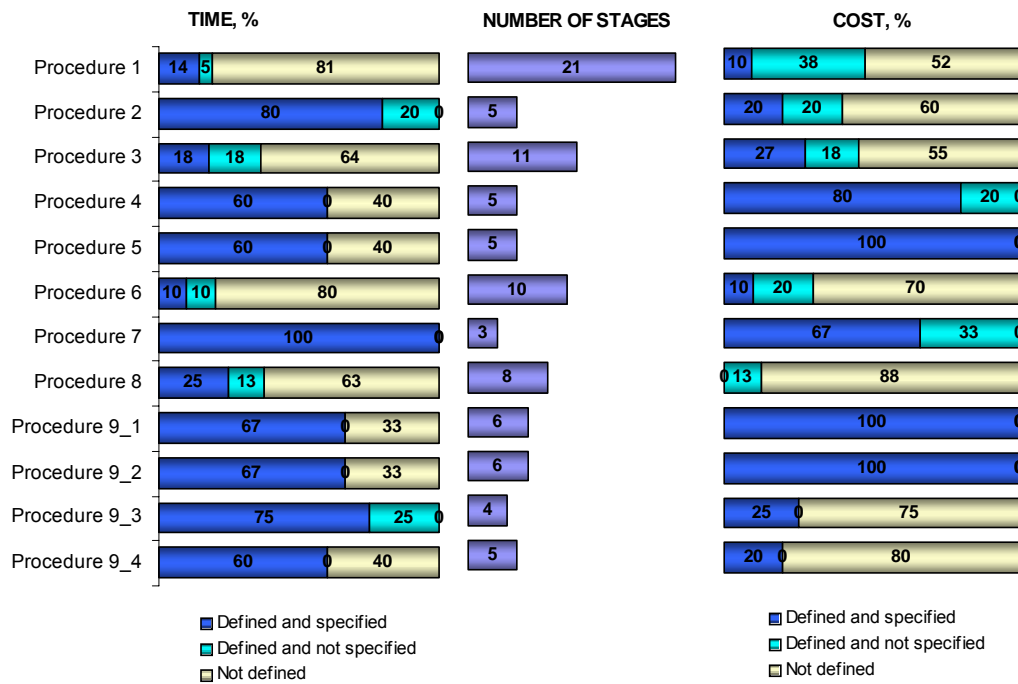
¹ legal entities and sole proprietors that attempted, underwent or completed locating procedures in 2004

² legal entities and sole proprietors providing intermediary services for locating procedures

and BIS companies which have completed *Leasing land plots with buildings (structures, installations) owned the company (3B) and State registration of a purchase and sale transaction on real estate acquired in the secondary market (7A)*. By the share of the respondents who have claimed making unofficial payments when undergoing the procedure, we may also single out *Transferring a premise (building) from the residential use to non-residential one (6)*.

6. Judging by all the studied procedures, BIS companies have come to a unified conclusion that time and financial costs for their completion have increased in 2004 as compared to 2003. The changes mostly involved the procedure of *Leasing a real estate object, which is municipal property, during tenders (auctions) (5)*.
7. The main factors which may decrease the completion time for all the procedures, according to BIS companies, are the availability of an administrative resource or personal relations, and also an interest of municipal workers in the fastest completion possible of the procedure. Moreover, the first factor may also be interpreted as provision of the interest of the authorities in the fastest procedure completion possible.
8. Depending on the procedure type, time and financial costs for obtaining the same documents may differ by several times.
9. As can be seen on Cart 2.1, the longest and the most expensive procedures (no. 1, 6, 8) are the least defined from the point of view of time and financial costs according to Kaliningrad Oblast legislation. Time and financial costs for obtaining all necessary documents for completing *Procedure no.7* are defined to a bigger extent. One could conclude *Procedure no.7* to be the easiest procedure, because of smallest number of stages and the shortest duration according to the survey results.

Chart 2.1 Share of stages in each procedure which have legislatively defined time and financial costs³.



³ "Defined and specified" means that precise amount of time and cost limits is established (even if document is for free)
 "Defined and not specified" means that it is known that the payment (or time limit) is fixed, but its precise amount has not been established
 "Not defined" means that the fact of payment necessity (or time limit existence) is not fixed in publicly available legislation

3. REGIONAL SAMPLING

For the purposes of carrying out the survey, sampling quotas were fixed and included 100 BIS and 100 ARCS questionnaires. The achieved sample size in Kaliningrad Oblast was 100 ARCS and 98 BIS. One BIS company could be interviewed about several procedures.

Sources of information used to identify the potential respondents were:

- Goskomstat, and
- Public sources of information (e.g. yellow pages).

The reason why the latter was used was unavailability of information about all companies in Goskomstat database and time/cost effectiveness. Once a complete list of potential respondents was compiled, respondents were contacted according to random key⁴.

See Table 3.1 for the most important statistics covering the screening and interviewing, as well as the duration of work, and Table 3.2 for the distribution of interviews in various procedures.

Table 3.1 Statistics on the field work

	BIS	ARCS
Companies in the database, number	69	3800
Phone calls, number	230	1078
Companies interviewed, number	58	100
Number of meetings as a percentage of phone calls made	25,2	9,3
Questionnaires, number	98	100
Refusal-rate as share of refusal phone calls from total number of phone calls, %	25,2	9,3
Duration of an average interview, minutes	76	56
Duration of the whole fieldwork, working days	74	

The analysis of time and cost expenses for the procedure, on the whole, is based only on those companies, which completed all of procedure's stages independently and which have completed the procedure as by the survey date. The main reasons for this approach are as follows:

1. The time and cost expenses of those, which have not completed the procedure, are not correct to be compared with the costs of those, which have completed it.

2. A company, which involved any intermediaries (or which has been involved in case of BIS companies) at certain stages of the procedures, may be ignorant of certain specific amounts of official, unofficial and total costs for completing of the procedure. For example, there is a possibility of an ARCS company, which has involved

⁴A random number generator was used to specify the sequence for BIS companies. A sampling step was used to specify the sequence for ARCS companies. The sampling step for ARCS respondents was determined as the quotient of the total number of the units in the general population by 500.

intermediaries at one of the stages not being able to single out the amount of the official, unofficial and mediator payments out of the total amount. A BIS company, which has participated at several stages of the procedure, may be not informed of the total amount of expenses for completing the whole procedure and also of the amount of unofficial payments made by the client on its own.

Document analysis and estimation of authorities are based on all respondents' responses.

Table 3.2 Number of companies interviewed for each procedures, counts

	BIS	ARCS
1. Leasing a land plot, which is currently state or municipal property, for construction with preliminary agreement on the object location	11	35
2A. Obtaining ownership rights on a land plot, which is currently state or municipal property, during tenders for construction without preliminary agreement on the object location	4	5
2B. Leasing a land plot, which is currently state or municipal property, for construction during tenders without preliminary agreement on the object location	5	6
3A. Obtaining ownership rights on land plots that are currently state or municipal property with buildings (structures, installations) owned the company	19	14
3B. Leasing land plots that are currently state or municipal property with buildings (structures, installations) owned by the company	7	27
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	9	19
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	3	4
6. Transferring a premise (building) from the residential use to non-residential one	6	5
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	19	18
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	6	29
8. Transferring a land plot from one category to another, changing the designated use of a land plot	7	6
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	2	7

4. PROCEDURE BY PROCEDURE SUMMARY

4.1. Procedure no.1: Leasing a land plot, which is currently state or municipal property, for construction with preliminary agreement on the object location

- Completion of *Procedure no. 1* (i.e. concluding a lease agreement for a land plot), requires going through 21 stages and includes processing 34 documents (See Annex 1, Table 1). There is no normative timeframe for completion of this procedure because for 18 stages out of 21 no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 12 out of 21 stages legislation does not stipulate whether an official fee is or is not payable, for 7 stages out of 21 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The respondents reported duration of this procedure to be between 90 and 370 days for BIS companies and 296 days on average for ARCS companies. The ARCS respondents reported official payments to be 46 286 rubles on average. There is no sufficient data for amount of official payments provided by BIS companies.
- Among the examined companies that completed *Procedure no. 1* in 2004 independently (i.e. without applying to third parties), 63% of surveyed ARCS and about half of surveyed BIS companies reported the presence of unofficial procedures during the procedure holding. The majority of respondents could not say (or preferred not to say) the amount of unofficial payments they had made.
- More than a quarter of ARCS respondents and more than a quarter of BIS respondents that passed this procedure in 2004 named *Land Plot Selection Certificate* as the most problematic document. In addition, according to the greatest time costs associated with this procedure the most problematic document may be considered *Mayor's ordinance on preliminary agreement of the object location* (on average 136 days). From the point of view of financial spending, the most problematic document for the respondents is *Land Plot Cadastral Plan* (on average 15 733 rubles officially) The greatest unofficial payment was reported by a respondent who obtained *Developed land-surveying (land planning) file (including obtaining the performance specification, land surveying, actual lot lining etc.)*. According to the opinion of respondents, unofficial payments are required approximately in one third of all cases to obtain this document.
- According to the opinion of examined companies, the government agency that creates the most problems while interacting with it and also wastes the most time of all is *Administration - City Mayor's Office*. In general, the most widespread negative phenomena plaguing the activities of official bodies involved in this procedure are need of redundant agreements (approvals), direct or indirect hints about extra payments for services, and need to use personal relations for resolving an issue.

4.2. Procedures no.2A and 2B: Obtaining ownership rights on a land plot (2A) or Leasing a land plot (2B) which is currently state or municipal property for construction during tenders without preliminary agreement on the object location, during auctions or tenders

- Completion of *Procedure no. 2* (i.e. purchasing a land plot or concluding a lease agreement for a land plot) requires an applicant to go through 5 stages and includes processing of 11 documents (See Annex 1, Table 2). The normative timeframe for completion of this procedure should not exceed 42 days. There is uncertainty about official costs - for 3 out of 5 stages legislation does not stipulate whether an official fee is or is not payable (See Chart 2.1).
- The respondents reported duration of this procedure to be 118 days for BIS companies and between 30 and 280 days for ARCS companies. The ARCS respondents reported official payments to be no less than 9 000 rubles. There is no sufficient data for amount of official payments provided by BIS companies.
- Unofficial payments can be considered a rare phenomenon for this procedure. 29% of ARCS and 17% of BIS respondents reported on the presence of unofficial payments during the procedure. Moreover, all of these respondents obtained property rights to a land plot (*Procedure no. 2A*).
- Relying on the opinion of companies surveyed, the *Application with all necessary documents attached and Registration Certificate or Lease Contract* can be considered problematic documents. According to the criterion of greatest time expenditure one can single out the *Bid admission protocol signed by the Commission*, and the *Tender Protocol* (on average 31 days).
- According to the respondents' opinion the *Justice institution for the state registration of the rights to real property and the deals therewith on the territory of the Kaliningrad Oblast (RosRegistratsia)* could be considered to be the most problematic government agency. According to the respondents interactions with this agency are characterized by the most wasting of time and the biggest number of problems. It is worth noting that a significant share of respondents of both ARCS and BIS reported that they did not encounter such problems. Among the negative phenomena in the activities of the administrative agencies as a whole, the respondents more often named bureaucratic arbitrariness of some officials, different interpretations of the legislation, and queues.

4.3. Procedures no.3A and 3B: Obtaining ownership rights on land plots that are currently state or municipal property with premises, buildings or constructions which are private property (3A) or Leasing land plots with premises, buildings or constructions which are private property (3B)

- Completion of *Procedure no. 3* (i.e. purchasing a land plot or concluding a lease agreement for a land plot), requires going through 11 stages and includes processing 15 of documents (See Annex 1, Table 3). There is no normative timeframe for completion of this procedure because for 8 stages out of 11, no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs. For 6 out of 11 stages legislation does not stipulate whether an official fee is or is not payable, for 2 stages out of 11 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The respondents reported duration of this procedure to be 295 days on average for BIS companies and 249 days on average for ARCS companies. The BIS respondents reported official payments to be 24 621 rubles on average. The ARCS respondents reported official payments to be 16 912 rubles on average. Greater official payments made by BIS companies may be justified by the fact that land plots processed by BIS companies had on average had greater areas than the ones processed by ARCS companies.
- Two thirds of surveyed BIS companies and about one-half of surveyed ARCS companies reported occurrence of unofficial payments. The survey demonstrated that BIS companies had made unofficial payments to obtain most basic documents under this procedure. According to the answers given by the respondents who completed the procedure in 2004, on average unofficial payments were made to get more documents in case of companies, which were obtaining property rights (3A), than in case of companies, which were obtaining lease rights (3B). In addition, while obtaining similar documents, greater amounts of unofficial payments were made by the companies completed *Procedure no. 3A*.
- The respondents had difficulties pointing out the most problematic document. Nevertheless, taking into account the share of respondents who referred to a given document as problematic, *Cadastral plan (map) of the land plot* (19% of respondent BIS companies and 29% of respondent ARCS companies) and *Mayor's resolution on allotment of this land plot* (23% of respondent BIS companies and 18% of respondent ARCS companies) can be distinguished. From the point of view of global costs (time costs and total financial costs including both official and unofficial costs), *Developed land-surveying file* and *Approved and authorized land-surveying file (issued by the Land Committee etc.)* can be considered problematic. Due to the frequency of unofficial payments occurrence in usual practice of obtaining a document, *Certificate issued by the Bureau for Technical Inventory (BTI), confirming the area of the building, facility, construction (or their premises)* may also be considered problematic (on average 28% of cases).

- According to the opinion of the surveyed companies, the most problems are created by *Justice institution for the state registration of the rights to real property and the deals therewith on the territory of the Kaliningrad Oblast (RosRegistratsia)* (42%) and *Administration - City Mayor's Office* (38%). In addition, a significant share of respondents considers *Administration - City Mayor's Office* to be the government agency wasting the most time. Considering the negative influence caused by official bodies, the respondents mostly complain about *Queues, Bureaucratic arbitrariness of some officials, Need of redundant agreements (approvals), Inconvenient work schedule, and Tactless behavior of some officials*.

4.4. Procedure no.4: Leasing a real estate object without the procedure of tender (including for targeted use)

- Completion of *Procedure no. 4* (i.e. leasing a real estate object) requires an applicant to go through 5 stages and includes processing of 10 documents (See Annex 1, Table 4). There is, in fact, no normative timeframe for completion of this procedure, because for 2 out of 5 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 4 stages out of 5, the official costs must not exceed 7500 rubles for legal entities and 500 rubles for individual persons. For 1 out of 5 stages the amount of official payments depends on the characteristics of the object.
- The respondents reported duration of this procedure to be between 40 and 200 days for BIS companies and 203 days on average for ARCS companies. The BIS respondents reported official payments to be from 9 500 to 26 000 rubles. The ARCS respondents reported official payments to be 7 250 rubles on average. Smaller financial costs incurred by surveyed ARCS companies may be justified by the peculiarities of sites obtained by them. On average, the area of premises obtained by ARCS companies is 4 times smaller than the similar value for BIS.
- According to the survey results, 46% of surveyed ARCS companies and 25% of surveyed BIS companies resorted to unofficial payments during the completion of this procedure. The greatest unofficial payment was associated with obtaining *Statement by on the purposive allocation of a property for lease*. According to the respondents' opinion, unofficial payments are required to obtain *Certificate of State Registration of Lease Contract (for the period exceeding one year)* and *Statement by on the purposive allocation of a property for lease* on average in every third case of obtaining them. As for *Documents issued by the Technical Inventory Bureau and (or) organization operating the property concerning the property status (floor plan, technical passport, technical estimation, various certificates etc.)*, unofficial payments are involved on average in half of all cases.
- The surveyed companies failed to reach unanimity with respect to the most problematic document of this procedure. Nevertheless, taking into account such criteria as the greatest time and financial costs associated with obtaining a

document, the most problematic documents are *Statement by on the purposive allocation of a property for lease* and *Documents issued by the Technical Inventory Bureau and (or) organization operating the property concerning the property status (floor plan, technical passport, technical estimation, various certificates etc.)*. Moreover, the greatest number of respondents reported presence of unofficial payments associated with the second document within the framework of this procedure (44% of respondents), as well as high frequency of unofficial payments in customary practice of obtaining this document (on average 46% of cases).

- The surveyed companies failed to reach unanimity with respect to a single government agency causing the most troubles while interacting with it. However, *Justice institution for the state registration of the rights to real property and the deals therewith on the territory of the Kaliningrad Oblast (RosRegistratsia)* may be considered the agency causing the greatest number of problems while interacting with it by virtue of the amount of time wasted by it, the share of respondents considering this agency a problematic one, and negative phenomena interfering with its activity. Generally, the respondents consider the most widespread negative phenomena associated with the official bodies Bureaucratic arbitrariness of some officials (20%), Demand for more documentation than required by the law (13%), and Queues (13%).

4.5. Procedure no.5: Leasing a real estate object, which is currently the municipal property, during tenders (auctions)

- Completion of *Procedure no. 5* (i.e. leasing a real estate object) requires an applicant to go through 5 stages and includes processing of 9 documents (See Annex 1, Table 5). There is, in fact, no normative timeframe for completion of this procedure, because for 2 out of 5 stages of this procedure no processing deadlines have been established (See Chart 2.1). The amount of official fees comprises from 300 up to 500 rubles for individual persons and from 5 250 up to 7 500 rubles for legal entities.
- The ARCS respondents reported duration of this procedure to be no less than 40 days. There is no sufficient data for amount of official payments provided by ARCS companies. There is no sufficient data for both duration and amount of official payments provided by BIS companies.
- No sufficient data for unofficial payments were collected from both BIS and ARCS companies.
- Using the criteria of the highest time and the largest financial expenses as well as the frequency of unofficial payments in everyday practice for receiving of the document (according to the opinion of the BIS companies) it is possible to consider the *Certificate of State Registration* as the most problematic one.
- Insufficient number of the questioned in the region companies which passed the *Procedure no.5* in 2004 does not allow naming unambiguously any of the government authorities as the most problematic one.

4.6. Procedure no.6: Transferring a premise (building) from the residential use to non-residential one

- Completion of *Procedure no. 6* (i.e. transferring a building from the residential use to non-residential one) requires an applicant to go through 10 stages and includes processing of 20 documents (See Annex 1, Table 6). There is, in fact, no normative timeframe for completion of this procedure, because for 9 out of 10 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 7 out of 10 stages legislation does not stipulate whether an official fee is or is not payable, and for 2 out of 12 stages, the amount of official payments is either not indicated or can vary depending on the characteristics of the object. Carrying out remaining stage implies no official costs.
- The respondents reported duration of this procedure to be between 90 and 240 days for BIS companies and no less than 90 days for ARCS companies. The ARCS respondents reported official payments to be no less than 2 000 rubles. There is no sufficient data for official payments provided by BIS companies.
- Occurrence of unofficial payments was mentioned by both BIS and ARCS companies that completed this procedure independently (i.e. without applying to third parties for assistance) in 2004. The greatest amount of unofficial payments was reported by BIS respondents with respect to obtaining *Premise (building) inspection report "Opinion" of the Commission for housing and transfer issues*.
- According to the analysis of financial and time spending, the most problematic document may be considered *Draft (draft design) and certificate issued by an authorized draft organization on the state of the main structures of a living premise (residential building) and possibility for its transfer, approved by the Department for architecture and urban development*. According to such a criterion as the reported amount of unofficial payments and the reported frequency of unofficial payments in usual practice of obtaining a document (on average in one-half of all cases), *Premise (building) inspection report "Opinion" of the Commission for housing and transfer issues* may also be considered a problematic document.
- The surveyed companies had difficulties reaching a consensus of opinion in singling out the government agency causing the most problems during completion of this procedure. Different government agencies caused problems for various respondents. Among the negative phenomena affecting the activities of official bodies, the surveyed BIS companies most frequently mentioned direct or indirect hints about extra payments for services, bureaucratic arbitrariness of some officials, and need of redundant agreements (approvals).

4.7. Procedures no.7A and 7B: State registration of a purchase and sale transaction on real estate acquired in the secondary market (7A) and State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year (7B)

- Completion of *Procedure no. 7 (registration of a lease or purchase of a real estate object)* requires an applicant to go through 3 stages and includes processing of 5 documents (See Annex 1, Table 7). The normative timeframe for completion of this procedure should not exceed 90 days. The official costs for completing the procedure are not clearly stipulated - for 1 out of 3 stages, the amount of official payments depends on the characteristics of the object. Carrying out 1 stage implies no official costs. For the third stage, the official costs must not exceed 7 500 rubles for legal entities and 500 rubles for individual persons.
- The respondents reported duration of this procedure to be 106 days on average for BIS companies and 93 days on average for ARCS companies. The BIS respondents reported official payments to be 13 612 rubles on average. The ARCS respondents reported official payments to be 9 594 rubles on average.
- On the whole, unofficial payments in the process of completing this procedure were reported by one third of ARCS respondent and about a half of BIS ones. At that, unofficial payments were reported by 44% of the surveyed ARCS companies which registered sale and purchase transactions (7A) and 60% of the surveyed BID companies which registered the lease rights (7B). Most of the companies which reported unofficial payments failed to specify the amounts of these payments.
- The surveyed companies failed to come to a unified decision as to which of the documents should be considered the most problematic. Taking into account the criteria of the greatest time, cost expenses and the highest occurrence of unofficial payments in usual practice and also taking into account the share of the respondents which called this document a problematic one, the most problematic document in the process of completing the procedure should be considered *Land plot cadastral plan*.
- According to the respondents' responses, we may consider *Justice institution for the state registration of the rights to real property and the deals therewith on the territory of the Kaliningrad Oblast (RosRegistratsia)* as the most trouble-causing government agency. Among the negative aspects in the activities of authorities on the whole, the surveyed companies most often complained about queues and bureaucratic arbitrariness of some officials.

4.8. Procedure no.8: Transferring a land plot from one category to another, changing the designated use of a land plot

- Completion of *Procedure no. 8* (transferring a land plot into an appropriate category) requires an applicant to go through 8 stages and includes processing of 8 documents (See Annex 1, Table 8). There is, in fact, no normative timeframe for completion of this procedure, because for 6 out of 8 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 7 out of 8 stages legislation does not stipulate whether an official fee is or is not payable, for 1 stage out of 8 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The BIS respondents reported duration of this procedure to be not less than 180 days. There is no sufficient data for official payments provided by BIS companies. Data obtained during the survey from the ARCS respondents are not sufficient for both duration and official payments.
- Unofficial payments required to pass the procedure were reported only by BIS companies. The largest amount of unofficial payments was reportedly required to obtain *Certificate of transferring of land or land plots*.
- According to the data obtained, *Statement of the State Environmental Expert Review Agency*, with respect to the share of respondents who called it the most problematic, and *Certificate of transferring of land or land plots*, with respect to the total of time and money costs and frequency of unofficial payments made in a standard situation, can be considered the most problematic documents. Also, *State Land Register documents (Cadastral map (plan) of a land plot etc.)* should be mentioned. The respondents said that it required the largest amount of official payments.
- The respondents did not come to consideration on what was the most problematic authority. However, *Department for Natural Resources and Environmental Protection* can be considered as the most problematic authority. It is considered as problematic by one third of BIS respondents and about one fourth of ARCS companies. About one third of BIS respondents reported that it wasted most time. Among negative phenomena that are typical to the authorities in general, most inquired BIS companies called direct or indirect hints about extra payments for services and tactless behavior of some officials.

4.9. Procedure no.9: Privatization of a real estate object (building, structure, premise), which is currently municipal property

- Completion of *Procedure no. 9 (privatization of a real estate object)* requires an applicant to go through 4 to 6 stages and includes processing of 4 to 10 documents depending on the method of completing the procedure (See Annex 1, Table 9). The normative timeframe for completing the procedure also depend on the method. The normative timeframe for method #3 should not exceed 91 days. For methods #1, #2 and #4, no processing deadlines have been established for 2 stages, for method #3 – for 1 stage (See Chart 2.1). The official costs of completing the procedure also depend on the method. In order to pass this procedure the amount of official fees for methods # 1 and #2 comprises from 5 250 up to 7 500 rubles for legal entities, and from 300 up to 500 rubles – for individual persons; for 3 out of 4 stages of method #3 and for 4 out of 5 stages of method #4 legislation does not stipulate whether an official fee is or is not payable.
- The ARCS respondents reported duration of this procedure to be no less than 120 days. There is no sufficient data for official payments provided by ARCS companies. Data obtained during the survey from the BIS respondents are not sufficient for both duration and official payments.
- No sufficient data for unofficial payments were collected from both BIS and ARCS companies.
- It appears difficult to single out the most problematic document under this procedure due to the insufficient number of examined companies in this region, which completed *Procedure no. 9* in 2004, as well as due to heterogeneity of the respondents' opinion. Nevertheless, based on such criteria as the greatest time and financial costs incurred during the procedure completion, there can be singled out *Purchase Contract*. Considering the greatest time costs associated with one given procedural stage, there can be distinguished *Certificate of State Registration*, which was also referred to as the most problematic document by one ARCS respondent.
- As the government agency causing the most problems while interacting with it, there can be distinguished *Justice institution for the state registration of the rights to real property and the deals therewith on the territory of the Kaliningrad Oblast (RosRegistratsia)*; examined companies pointed out this official body as the foremost time-waster. Among negative phenomena interfering with the activities of official bodies, the respondents most often complained about queues.

5. ALL PROCEDURE FIGURES

5.1. Time and cost comparison over all procedures

Table 5.1 Time comparison over all procedures

	Time 15 region average, days		Time Kaliningrad, average, days	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	296	272	From 90 to 370	296
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	280	150	No less than 45	No less than 30
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	239	178	No less than 120	Insufficient data
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	226	233	321	From 180 to 365
3B. Leasing land plots with buildings (structures, installations) owned by the company	209	189	From 70 to 400	238
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	117	77	From 40 to 200	203
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	77	107	Insufficient data	No less than 40
6. Transferring a premise (building) from the residential use to non-residential one	206	244	From 90 to 240	No less than 90
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	86	88	96	89
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	74	101	From 90 to 180	95
8. Transferring a land plot from one category to another, changing the designated use of a land plot	215	From 90 to 540	No less than 180	Insufficient data
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	110	137	Insufficient data	No less than 120

- As can be seen in Table 5.1 there are only few procedures that are close to the national average. These are *Procedure no. 7A* for BIS respondents and *Procedures no.1, 7A and 7B* for the ARCS respondents. *Procedure no. 3A* for BIS respondents and *Procedures no. 3B and 4* for ARCS respondents last longer in Kaliningrad Oblast than in all surveyed regions on average. Other procedures cannot be compared with the national average because of insufficient data reported by Kaliningrad respondents.

Table 5.2 Cost comparison over all procedures

	Total cost 15 region average, rubles		Total cost Kaliningrad average, rubles	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	287 213	263 045	From 9 000 to 200 000	57 114
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	251 639	75 173	No less than 15 000	No less than 21 000
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	253 143	51 850	No less than 13 000	n/a
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	72 241	38 484	106 833	No less than 15 000
3B. Leasing land plots with buildings (structures, installations) owned by the company	72 327	70 130	From 10 000 to 300 000	29 821
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	48 566	22 720	No less than 30 000	9 893
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	80 338	34 067	n/a	Insufficient data
6. Transferring a premise (building) from the residential use to non-residential one	103 746	51 319	No less than 30 000	No less than 2 800
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	54 950	18 398	23 780	21 417
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	25 405	27 257	No less than 13 000	8 045
8. Transferring a land plot from one category to another, changing the designated use of a land plot	168 875	No less than 4 000	No less than 20 000	Insufficient data
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	55 951	31 250	Insufficient data	No less than 10 000

- As can be seen in Table 5.2 there is only *Procedure no. 7A* that is close to the national average in financial costs. This is *Procedure no. 7A* for ARCS respondents. Most procedures which could be compared with the national average are less expensive in Kaliningrad Oblast. In particular, this is *Procedure no. 7A* for BIS companies and *Procedures no. 1, 3B, 4* and *7B* for ARCS companies. In cases of *Procedures no. 1, 3B, 4* for ARCS companies smaller financial expenses probably could be explained by greater time expenses in compare with 15 surveyed regions. There were no explanations

found in survey materials in cases of *Procedures no. 7A* for BIS companies and *Procedures no. 7B* for ARCS companies. *Procedure no. 3A* seems to cost much greater in Kaliningrad Oblast in compare with national average.

- Looking at both time and cost, one can see that *Procedure no. 3A* costs much more and lasts much longer for the BIS respondents than 15 region average. Such differences could be explained by differences in objects' size. The size of land plot of BIS companies in case of *Procedure no. 3A* in Kaliningrad Oblast on average is 2.5 times greater than the size of land plot of BIS companies in case of *Procedure no. 3A* in 15 surveyed regions on average.

5.2. Practice of unofficial payments, donations to funds and additional burdens

- Taking into consideration all procedures under survey, reported practice of unofficial payments is considerably high. On average unofficial payments were reported by 39% of BIS and 41% of ARCS respondents for at least one stage while going through procedures under investigation. The amount range of unofficial payments for the whole procedure is extremely wide (from 500 rubles to 60 000 rubles). The highest reported amounts of unofficial payments were associated with the *Procedure no. 1*. Most of the reported unofficial payments are in amounts up to 10 000 rubles (70% of reported amounts).
- Beside unofficial payments, another semi - official practice was reported by Kaliningrad region respondents. On average among all procedures 16% of BIS and 12% of ARCS of respondents reported being enforced to make a donation to certain non-government fund. This practice is somewhat more frequent for BIS companies in the case of *Procedure no. 3A* and for ARCS companies in the case of *Procedure no.1*.
- The third reported semi official or unofficial financial burden is so called "additional burdens". On average among all procedures 9% of BIS and 6% of ARCS of respondents on average reported being enforced to take these additional burdens. These burdens are more frequently associated with projects under *Procedure no. 7A* for the BIS respondents and *Procedure no. 4* for the ARCS respondents.

5.3. Characteristics most important in saving time

- As Table 5.3 suggests the most important factors that might save some time while going through procedures under survey are "*Municipal owner is interested in a quick transaction*", "*Administrative resource or special personal relations with officers of administrative bodies*", and "*Willingness of the client to make unofficial payment*". This and other time-saving characteristics are mainly associated with non-official relations, and interest of the officials to process the procedure.

- Money saving characteristics are mostly the same as the one that might reduce the time necessary to process the procedure (Table 5.4).

Table 5.3 Characteristics, which are the most important for saving time, %

	Total	Procedures								
		1	2	3	4	5	6	7	8	9
Municipal owner is interested in a quick transaction	29	27	25	23	33	0	67	24	43	50
Administrative resource or special personal relations	24	18	13	27	33	0	17	24	29	50
Willingness of the client to make unofficial payment	19	45	13	12	22	33	17	16	14	0
Personal relations with private companies	10	0	25	4	11	33	0	16	14	0
Having former officials employed by your company	4	0	0	4	0	33	0	8	0	0
Client knowledge of regulations guiding the procedure	5	9	0	12	0	0	0	4	0	0
Large size of the project	2	0	0	4	0	0	0	4	0	0
Central location of the project	1	0	0	0	0	0	0	4	0	0
Others	1	0	0	4	0	0	0	0	0	0
Difficult to answer	5	0	25	12	0	0	0	0	0	0

Table 5.4 Characteristics, which are the most important for saving money, %

	Total	Procedures								
		1	2	3	4	5	6	7	8	9
Municipal owner is interested in a quick transaction	38	20	25	36	57	67	67	30	43	100
Administrative resource or special personal relations	11	40	13	4	0	0	17	4	29	0
Client knowledge of regulations guiding the procedure	9	10	0	8	14	0	0	17	0	0
Willingness of the client to make unofficial payment	8	10	13	8	0	0	0	13	0	0
Personal relations with private companies	4	10	0	0	0	0	17	4	14	0
Having former officials employed by your company	3	0	0	4	0	33	0	4	0	0
Central location of the project	1	0	0	0	0	0	0	4	0	0
Rich companies	1	0	0	0	0	0	0	4	0	0
Large size of the project	1	0	0	4	0	0	0	0	0	0
Difficult to answer	23	10	50	36	29	0	0	17	14	0