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

**REGIONAL REPORT:
ROSTOV OBLAST**

May 2006

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1. INTRODUCTION

The survey was conducted in period of from February the 1st and October the 17th, 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.

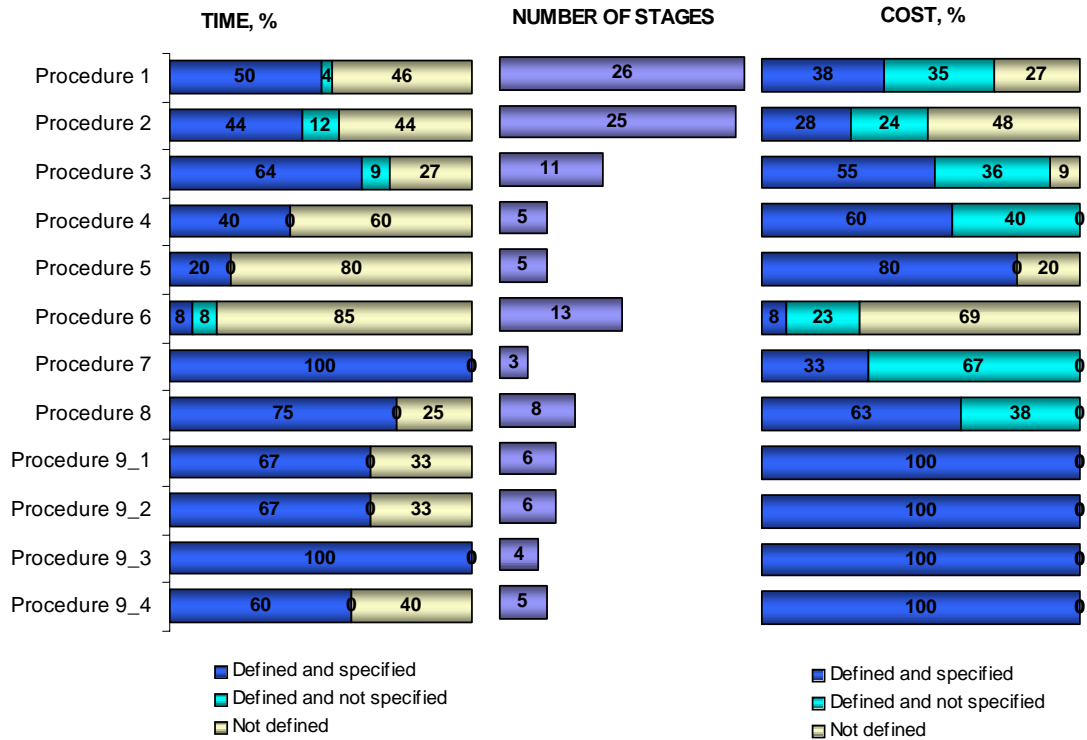
2. EXECUTIVE SUMMARY

According to the results of the study that addressed the practice of completing procedures related to land and real estate in the Rostov Region, the following conclusions can be reached:

1. Regarding the procedures dealing with the acquisition of land plots either as a property or on lease terms, the majority of interviewed BIS and ARCS companies preferred the procedure of registering property rights.
2. According to the results of the research, the most time consuming and costly process for the surveyed companies is the process of completing the procedures related to acquiring land plots. First of all, the following procedures should be singled out: “*Transferring a land plot from one category to another and changing the designated use of a land plot*” (8), “*Obtaining ownership rights on a land plot for construction during tenders without a preliminary agreement on the subject’s location*” (2A) and “*Obtaining ownership rights on land plots that are currently municipal property or leasing land plots with buildings (structures or installations) owned by the company*” (3A).
3. With respect to the procedures mentioned in the previous item, the biggest amounts of unofficial payments on average were reported for these procedures.
4. The average duration of a procedure completed by the interviewed BIS companies is about 1.4 times higher than that of the ARCS companies. A possible cause of this circumstance is the fact that the average area of real estate registered by BIS companies is 3.4 times greater than the average area of real estate registered by ARCS companies.
5. In accordance with the survey estimates, Rostov Oblast is characterized by extremely high rate of BIS companies that reported unofficial payments (from 73% to 90% depending on the procedure).
6. BIS companies report using the practice of unofficial payments much more often than ARCS companies when going through almost all of the procedures. This may be explained by fact that ARCS companies normally go through a certain procedure only once or rather seldom. It means that even if these companies wanted to resort to unofficial payments, they do not have the opportunity to use it. Large size of real estate objects that BIS companies deal with, may be another reason for this phenomenon. Both reasons may be the cause of more frequent unofficial payments among BIS companies.
7. The surveyed BIS companies agreed that the time needed for and the costs of going through all the procedures considered in the year 2004 increased from 2003. For the most part, the changes took place in the procedures connected with acquiring land plots.
8. According to the results of the research, increase of average official costs normally leads to the rise of unofficial costs. One can assume that officials might impose a kind of “tariff” on unofficial payments that is directly in proportion to the existing tariffs on the official payments.

9. Principal factors that may affect the decrease in the time it takes to go through all the procedures, in the opinion of the BIS companies, are the willingness of the client to make an unofficial payment and whether or not the municipal (state) owner of the property is interested in a quick transaction. The first factor may be interpreted as the ensuring of the authorities' interest in the fastest way through a procedure. The authorities' interest in making a transaction is also a basic factor that reduces the financial costs of going through all the procedures.
10. The time consumed and the financial costs incurred in the course of obtaining the same documents can vary considerably.
11. Percentage rates of stages for which time and cost expenses are determined by law are different for assorted procedures. The highest statutory certainty in terms of time and cost expenses for document processing was established with regards to *Procedures nos.7, 9 (Method 3)* (Diagram 2.1). The least exactly costs were determined with regards to the *Procedure No.6*. In terms of number of stages, *Procedures nos.1 and 2* can be considered as the most complicated ones.

Chart 2.1 Share of stages in each procedure which have legislatively defined time and financial costs¹.



¹ "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. For example: "depend on the object's characteristics", "according to BTI standards" etc.
 "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 Rostov Oblast was 100 ARCS and 100 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).

Telephone directories were chosen as the source of information for the reason of the incommensurability between the completeness of information provided by Goskomstat, the time spent, and financial costs. Once a complete list of potential respondents was compiled, respondents were contacted according to random key².

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	347	7030
Phone calls, number	147	522
Companies interviewed, number	18	100
Number of meetings as a percentage of phone calls made	9,5	19
Questionnaires, number	100	100
Refusal-rate as share of refusal phone calls from total number of phone calls, %	25,8	48
Duration of an average interview, minutes	40	36
Duration of the whole fieldwork, working days	29	

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

²A 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	10
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	11	18
2B. Leasing a land plot , which is currently state or municipal property, for construction during tenders without preliminary agreement on the object location	1	1
3A. Obtaining ownership rights on land plots that are currently state or municipal property with buildings (structures, installations) owned the company	9	16
3B. Leasing land plots that are currently state or municipal property with buildings (structures, installations) owned by the company	1	3
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	11	33
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	12	1
6. Transferring a premise (building) from the residential use to non-residential one	12	7
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	11	7
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	0	4
8. Transferring a land plot from one category to another, changing the designated use of a land plot	10	0
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	11	6

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 26 stages and includes processing 49 documents (See Annex, Table 1). There is no normative timeframe for completion of this procedure because for 13 stages out of 26 no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 10 out of 26 stages legislation does not stipulate whether an official fee is or is not payable, for 11 stages out of 26 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- In accordance with data received from respondents, the period of time required to complete the procedure was 78 days in average for BIS companies, and 53 days in average for ARCS companies. Official payments amounted from 14,000 to 30,921 rubles for BIS companies and from 7,000 to 15,000 rubles for ARCS companies.
- 90% of BIS companies and 13% of ARCS companies reported making unofficial payments while completing the *Procedure no.1*.
- The respondents had difficulty in identifying which document was the most problematic to be obtained. The majority of BIS companies stated that there is no such phenomenon when going through this procedure. BIS and ARCS companies consider different documents to be the most problematic. According to the results of the study, on the basis of such criteria as the time necessary to obtain the document, the frequency and the average amount of unofficial payments, *Technical specifications for connection of the facilities to supply lines and utilities* is the most difficult document to obtain when undergoing this procedure.
- BIS and ARCS companies pointed out absolutely different government authorities as wasting maximum time. BIS companies had difficulty in singling out one government authority that wasted maximum time. The majority of ARCS companies (64%) said that District Administration was such an authority. The reason for this is that ARCS companies applied to *District Administration* for documents which are to be drawn up by other government authorities. Accordingly, the ARCS companies identified these documents as the most problematic.

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 25 stages and includes processing of 44 documents (See Annex, Table 2). There is, in fact, no normative timeframe for completion of this procedure, because for 7 out of 25 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 12 out of 25 stages legislation does not stipulate whether an official fee is or is not payable, for 6 stages out of 25 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The period of time required to complete the procedure was 55 days in average for BIS companies, and 53 days in average for ARCS companies. Official payments amounted to 21,693 rubles in average for BIS companies and 15,059 rubles in average for ARCS companies.
- ARCS and BIS respondents demonstrated different practices of making unofficial payments. While none of the ARCS respondents reported occurrence of unofficial payments, almost all BIS respondents (89%) reported it exists.
- Interviewed respondents failed to clearly identify one single document, within this procedure, as the most problematic. However, ARCS respondents most frequently (42% of respondents) reported *Final statement on functional purpose and permitted use of a land lot, feasibility (infeasibility) of the project construction* issued by *Committee for Architecture and Urban Planning* as the most difficult step, while BIS respondents reported the longest average processing time (29 days) for the same document.
- None of the agencies involved in this procedure was clearly singled out as the most problematic. Instead, it seems that relatively wide variety of negative phenomena occurs in the interaction with relatively wide variety of agencies. Most common negative phenomena seem to be related to negative aspects of bureaucratic behavior and unofficial practices (including unofficial payments and need for connections).

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 12 of documents (See Annex, Table 3). There is no normative timeframe for completion of this procedure because for 4 stages out of 11, no

processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 2 out of 11 stages legislation does not stipulate whether an official fee is or is not payable, for 3 stages out of 11 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.

- The period of time required to complete the procedure was 76 days in average for BIS companies, and 47 days in average for ARCS companies. Official payments amounted to 7,269 rubles in average for BIS companies and 14,500 rubles in average for ARCS companies.
- According to surveyed BIS companies, unofficial payments may occur at most stages of completing the procedure. None of BIS respondents reported making unofficial payments with regards to only one document. 90% of BIS companies reported occurrence of such payments while only 17% of ARCS companies reported making unofficial payments.
- Respondents failed to single out the most problematic document. Moreover 40% of the BIS respondents stated that there are no such documents in this procedure.
- The majority of the respondents failed to single out a government authority that is especially troublesome to deal with. This once more confirms the absence of articulate administrative barriers for this procedure.

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 5 documents (See Annex, Table 4). There is, in fact, no normative timeframe for completion of this procedure, because for 3 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 1 out of 5 stages legislation does not stipulate whether an official fee is or is not payable, and for another stage, the amount of official payments depends on the characteristics of the object.
- In accordance with estimates obtained in the course of the survey, the period of time required to complete the procedure was 47 days in average for BIS companies, and 27 days in average for ARCS companies.
- The most significant number of the BIS companies reported occurrence of unofficial payments when executing the following documents: *Documents on the real estate status issued by Technical Inventory Bureau (64%)* and *The Certificate of State Registration (50%)*. 100% of the interviewed BIS companies made official payments executing the same documents. The number of unofficial payments reported to be made in relation to other documents necessary to complete *Procedure no.4* is insignificant.
- The BIS and ARCS companies disagreed when specifying which document was the most problematic for them. However, it should be noted that 18% of BIS

companies and 12% of ARCS companies named the *Documents on the real estate status issued by Technical Inventory Bureau* as the most problematic.

- Accordingly, *Municipal unitary enterprise for technical inventory* was indicated by the BIS companies as the authority presenting most difficulties. Among the main negative phenomena the following were pointed out: Incompetence of officials, Inconvenient work schedule, Direct or indirect hints about extra payments for service.

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 10 documents (See Annex, Table 5). There is, in fact, no normative timeframe for completion of this procedure, because for 4 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 1 out of 5 stages legislation does not stipulate whether an official fee is or is not payable.
- In accordance with estimates obtained in the course of the survey, the period of time required to complete the procedure was 46 days in average for BIS companies, and their official payments amounted to 4,495 rubles in average. No sufficient data was received from ARCS companies with regards to either the required timeframe, or official payments.
- The share of respondents who reported occurrence of unofficial payments varies considerably depending on the document they were obtaining. None of the interviewed BIS companies reported occurrence of unofficial payments obtaining the *Bid receipt record*. The majority of the respondents reported occurrence of unofficial payments when obtaining the *Certificate of State Registration* (73%) and *The Contract of real estate lease* (67%).
- The majority of the respondents failed to single out the most problematic document. Among the 5 basic documents necessary for completion of the procedure only *The Contract of real estate lease* and *Auction results report* were indicated.
- The majority of the respondents failed to single out a government agency that causes the biggest number of problems while interacting with it. Survey results reveal that the main administrative barrier on the way of completing *Procedure no.5* is the tender itself.

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 13 stages and includes processing of 19 documents (See Annex, Table 6). There is, in fact, no normative timeframe for completion of this procedure, because for 12 out of 13 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty about official costs - for 9 out of 13 stages legislation does not stipulate whether an official fee is or is not payable, and for 3 out of 13 stages, the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- In accordance with estimates obtained in the course of the survey, the period of time required to complete the procedure was 83 days in average for BIS companies and from 30 to 245 days for ARCS companies. Official payments amounted to 9,161 rubles in average for BIS companies and not less than 15,000 rubles for ARCS companies.
- According to survey results, the percentage of the BIS and ARCS companies reported occurrence of unofficial payments is high. In the course of completing *Procedure no. 6*, 92% of the interviewed BIS companies and 71% of the interviewed ARCS companies reported occurrence of unofficial payments. Moreover, every third interviewed BIS company reported making payments into different non-governmental funds or provided a sponsorship when completing *Procedure no.6*.
- The BIS and ARCS companies disagreed when specifying which document presented most difficulties for them. At the same time, looking separately at the answers given by the BIS and ARCS companies there is no unanimity about the most problematic document.
- Since the respondents failed to single out the most problematic document neither could they single out the government agency that causes the biggest number of problems while interacting with it. A supposition can be made that administrative barriers for completion of procedure no.6 are present to the comparable extent in different government authorities.

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 6 documents (See Annex, 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 2 out of 3 stages, the

amount of official payments depends on the characteristics of the object (See Chart 2.1).

- In accordance with estimates obtained in the course of the survey, the period of time required to complete the procedure was 46 days in average for BIS companies, and 65 days in average for ARCS companies.
- Although this procedure has the least number of document/procedure stages in comparison with other procedures, the amount of BIS companies reported making unofficial payments is high enough and makes 82%. Moreover, the survey results revealed that such frequency of unofficial payments occurred for the respondents at each stage of the procedure.
- At comparable costs and time expenditures for obtaining each document, the BIS companies indicated 2 documents as the most problematic: A real estate plan with cadastral number indicated; floor plan for premises and *The land plot cadastral survey*.
- The most trouble-causing government agencies, according to the interviewed BIS companies, are *Land Cadastral Chamber* and *RosTechInventarizatsia Federal State Unitary Enterprise*. Naturally, these government agencies are responsible for issuing the documents indicated as the most problematic.

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, Table 8). There is, in fact, no normative timeframe for completion of this procedure, because for 2 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 2 stages out of 8, the amount of official payments is not indicated.
- During the survey not a single ARCS company was interviewed, that had completed the *Procedure no.8* in 2004. The time required to complete the procedure was 95 days in average for BIS companies. Official payments amounted to 5,437 rubles in average for BIS companies.
- According to the results of the survey, 89% of BIS companies reported occurrence of unofficial payments, when going through this procedure. According to surveyed BIS companies, a client's willingness to make unofficial payments helps reduce the time spent on going through this procedure, although at the same time it brings up the total cost of this procedure.
- BIS companies indicated the *Application for transferring of land held in municipal ownership* (40%) as the most problematic document. In addition to that, executing this document was said to be most time-consuming.
- *Department of land and property Relations* was mentioned as the government authority causing most problems and wasting most time.

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 11 documents depending on the method of completing the procedure (See Annex, Table 9). The normative timeframe for completing the procedure also depend on the method, and is equal to 71 and 70 days for methods 3 and 4 respectively. For methods 1 and 2, no processing deadlines have been established for 3 stages out of 6 (See Chart 2.1) The official cost does not depend on the method of completing the procedure, and should not exceed 7500 rubles for legal entities and 500 rubles for individual persons.
- In accordance with estimates of the survey, the period of time required to complete the procedure was 44 days in average for BIS companies, and not less than 14 days for ARCS companies. Official payments amounted to 4,428 rubles in average for BIS companies and not less than 6,000 rubles for ARCS companies.
- In accordance with estimates of the survey, 82% of BIS companies reported making unofficial payments on at least one stage of the procedure. No sufficient data was received on unofficial payments from ARCS companies.
- Respondents were not unanimous in their opinion about the most problematic document.
- The majority of BIS and ARCS companies had difficulty in identifying the government authority causing most problems and wasting most time, as they think such a phenomenon does not exist.

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 Rostov Oblast, average, days	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	296	272	78	53
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	280	150	55	54
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	239	178	n/a	Insufficient data
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	226	233	78	49
3B. Leasing land plots with buildings (structures, installations) owned by the company	209	189	Insufficient data	Insufficient data
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	117	77	47	27
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	77	107	46	n/a
6. Transferring a premise (building) from the residential use to non-residential one	206	244	83	From 30 to 245
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	86	88	46	From 45 to 120
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	74	101	n/a	Insufficient data
8. Transferring a land plot from one category to another, changing the designated use of a land plot	215	From 90 to 540	95	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	110	137	44	No less than 14

- As we can see from the table (Table 5.1), the comparison of time costs for undergoing the procedures in Rostov Oblast with the average time costs for all the 15 studied regions is possible only for part of surveyed procedures. With regards to all the procedures susceptible to comparison the following trend can be observed: periods of time used to complete the procedures in Rostov Oblast are shorter or substantially shorter than in average in the 15 surveyed regions. One could assume that this phenomenon occurs due to extremely wide prevalence of practices of making unofficial payments in Rostov Oblast in comparison with the 15 surveyed regions in average.

Table 5.2 Cost comparison over all procedures

	Total cost 15 region average, rubles		Total cost Rostov Oblast, average, rubles	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	287 213	263 045	26600	From 7 000 to 15 000
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	251 639	75 173	40778	15469
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	253 143	51 850	n/a	Insufficient data
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	72 241	38 484	60389	15250
3B. Leasing land plots with buildings (structures, installations) owned by the company	72 327	70 130	Insufficient data	Insufficient data
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	48 566	22 720	26955	5103
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	80 338	34 067	22700	n/a
6. Transferring a premise (building) from the residential use to non-residential one	103 746	51 319	26800	No less than 15 000
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	54 950	18 398	19018	No less than 10 000
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	25 405	27 257	n/a	Insufficient data
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	47500	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	55 951	31 250	20091	No less than 6 000

- As we can see from the table (Table 5.2), the comparison of the overall financial costs for undergoing the procedures in Rostov Oblast with the average financial costs for all the 15 studied regions is possible only for part of surveyed procedures. For almost all the comparable procedures, the financial costs for undergoing the procedures in Rostov Oblast are lower than the average for the country. Possibly this phenomenon could be explained by the fact that an average size of an object under processing in Rostov Oblast is from 11 to 27

times smaller (depending on the respondent's category, and the type of an object) than in the 15 surveyed regions in average.

- The analysis of time and cost expenses demonstrated that all the procedures in Rostov Oblast susceptible to comparison are completed faster and with smaller financial expenditures than in the 15 surveyed regions in average. This could be explained by differences between sizes of objects under processing in Rostov Oblast and in the 15 surveyed regions in average, as well as by presence of unofficial payments while obtaining documents. Both these phenomena are described above.

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

- Taking into account all the studied procedures, the frequency of application of unofficial payments is significantly higher in Rostov Oblast as compared to the average of the 15 studied regions. The occurrence of using unofficial payments during at least one of the stages of the procedure was mentioned by 86% of BIS respondents and 35% of ARCS respondents on average. The range of the amounts stated is rather wide for Rostov Oblast (150 to 47,500 rubles). The largest of the stated payments was performed when undergoing *Procedure No. 3A*. Most of the stated amounts do not exceed 10,000 rubles (83% of the stated values).
- In addition to unofficial payments, respondents in Rostov Oblast also reported some other semiofficial practices. On the average for all the procedures, some 23% of BIS respondents reported the necessity of performing payments to certain non-governmental funds. None of the ARCS respondents reported the application of such practice. We may point out that this practice in Rostov Oblast is a bit more widespread for BIS respondents when undergoing *Procedure No. 8*.
- The third type of semiofficial or unofficial payments is the so-called "additional burdens". The necessity of paying additional burdens for all the procedures was reported by 9% on average for BIS respondents. Most often, such payments are encountered by BIS respondents when undergoing *Procedure No. 3A*. None of the ARCS respondents reported the application of such practice.

5.3. Characteristics most important in saving time

- As shown in the table (Table 5.3), the most important time-saving factors, which may reduce the time for completion of procedures, are: "willingness of the client to make unofficial payment", and "municipal (state) owner is interested in a quick transaction". These and other time-saving characteristics are related, on the whole, to unofficial relationships and the official's personal interest in the completion of the procedure.

- The most significant characteristic for reducing the financial costs of completion of a procedure is, according to the BIS respondents, «municipal (state) owner is interested in a quick transaction».

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

	All procedures, average	Procedures								
		1	2	3	4	5	6	7	8	9
Willingness of the client to make unofficial payment	43	45	25	40	55	50	33	45	44	55
Municipal (state) owner of the property is interested in a quick transaction	19	18	25	10	18	33	17	18	22	9
Personal relations with private companies designated to evaluate specific aspects of the project	9	9	8	10	9	8	8	9	11	9
Client knowledge of regulations guiding the procedure	8	9	8	10	9	8	8	9	0	9
Rich companies	8	9	17	10	9	0	17	0	0	9
Administrative resource or special personal relations with officers of administrative bodies	6	0	8	10	0	0	17	9	11	0
Having former officials employed by your company	4	9	0	0	0	0	0	9	11	9
Large company	1	0	0	10	0	0	0	0	0	0
Small company	1	0	8	0	0	0	0	0	0	0

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

	All procedures, average	Procedures								
		1	2	3	4	5	6	7	8	9
Municipal (state) owner of the property is interested in a quick transaction	47	55	50	40	55	50	25	45	56	55
Large company	8	9	8	10	9	8	0	9	11	9
Rich companies	8	9	8	10	9	8	8	9	0	9
Small company	6	0	8	10	9	8	8	9	0	0
Having former officials employed by your company	6	9	8	0	9	8	0	9	11	0
Administrative resource or special personal relations with officers of administrative bodies	3	0	8	10	0	0	8	0	0	0
Personal relations with private companies designated to evaluate specific aspects of the project	3	9	0	0	0	0	8	9	0	0
Willingness of the client to make unofficial payment	2	0	0	0	0	0	8	0	0	9
Well known company	1	0	0	0	0	8	0	0	0	0
Difficult to answer	15	9	8	20	9	8	33	9	22	18