



**Foreign Investment Advisory Service,
a joint service of the
International Finance Corporation
and the World Bank**



**Project is co-financed by the
European Union
in the framework of the
Policy Advice Programme**

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

**REGIONAL REPORT:
SVERDLOVSK OBLAST**

May 2006

The project has also received financial support from **the Swiss State Secretariat for Economic Affairs (seco)**.

The Report was drafted for FIAS by marketing agency *Media Navigator*, www.navigator.nnov.ru, (located in Nizhny Novgorod), on the basis of their analysis of survey data from 15 Subjects of the Russian Federation.

Disclaimer (EU)

This publication has been produced with the financial assistance of the European Union. The contents of this publication are the sole responsibility of its authors and can in no way be taken to reflect the views of the European Union.

Disclaimer (FIAS)

The Organizations (i.e. IBRD and IFC), through FIAS, have used their best efforts in the time available to provide high quality services hereunder and have relied on information provided to them by a wide range of other sources. However they do not make any representations or warranties regarding the completeness or accuracy of the information included in this report, or the results which would be achieved by following its recommendations.

TABLE OF CONTENTS

1. INTRODUCTION	4
2. EXECUTIVE SUMMARY	6
3. REGIONAL SAMPLING.....	8
4. PROCEDURE BY PROCEDURE SUMMARY.....	10
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.....	10
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	11
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)	12
4.4. Procedure no.4: Leasing a real estate object without the procedure of tender (including for targeted use).....	13
4.5. Procedure no.5: Leasing a real estate object, which is currently the municipal property, during tenders (auctions).....	13
4.6. Procedure no.6: Transferring a premise (building) from the residential use to non-residential one	14
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)	15
4.8. Procedure no.8: Transferring a land plot from one category to another, changing the designated use of a land plot.....	16
4.9. Procedure no.9: Privatization of a real estate object (building, structure, premise), which is currently municipal property.....	16
5. ALL PROCEDURE FIGURES.....	18
5.1. Time and cost comparison over all procedures	18
5.2. Practice of unofficial payments, donations to funds and additional burdens.	20
5.3. Characteristics most important in saving time	20

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:

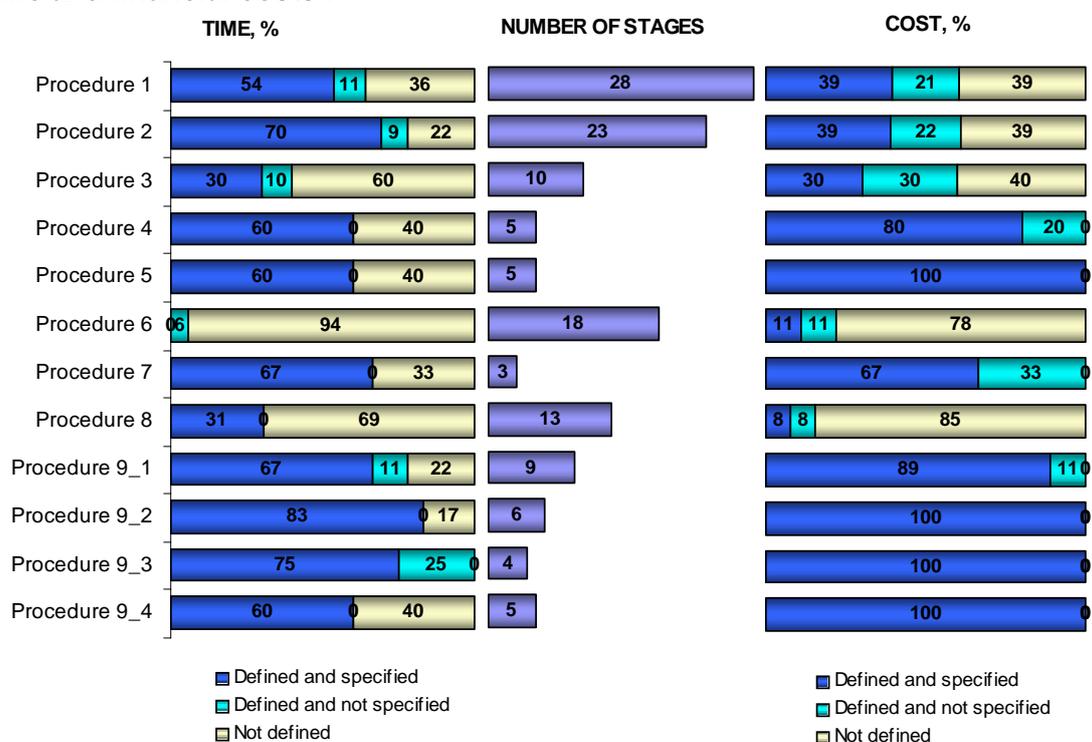
Procedure no. 1	Obtaining (by lease) a land plot, which is currently state or municipal property, for construction on, with a preliminary agreement on the object location.
Procedure no. 2A and 2B	Obtaining (by purchase (2A) or lease (2B)) a land plot, which is currently state or municipal property for 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

1. Among the procedures that imply obtaining land plot either as ownership or tenancy the overwhelming majority of ARCS companies passed the procedure for obtaining tenancy rights. In respect of BIS companies it is impossible to pick out any tendency on account of low count of the respondents who passed the appropriate procedures. The most frequently completed procedure connected with a real estate objects (building, structure, premise) for ARCS companies became the procedure *Leasing a real estate object (building, structure, premise), which is municipal property without the procedure of tender (including purposive appointment cases) (4)*.
2. The most problematic procedures from the point of view of time and financial expenses both official and unofficial for the ARCS companies are the following procedures: *Leasing a land plot for construction with preliminary agreement on the object location (1)* and *Transferring a premise (building) from the residential use to non-residential one (6)*. The same procedures for ARCS companies in Sverdlovsk Oblast turned out to be much more time consuming in comparison with the 15 surveyed regions in average. With regards to BIS companies it is difficult to single out any particular procedure as the most time consuming and cost intensive one, due to insufficient number of respondents that had completed each of the surveyed procedures in Sverdlovsk Oblast.
3. On the average the clients of BIS companies had considerable common financial expenses in comparison with those companies which passed the procedures completely independently.
4. Both among ARCS companies and BIS companies the most part of the respondents reported about the presence of unofficial payments during the procedure *Leasing a land plot for construction with preliminary agreement on the object location (1)*. In general for all the procedures higher rate of BIS respondents reported making unofficial payments than ARCS respondents (68% and 51% respectively).
5. According to the replies of the BIS respondents in 2004 in comparison with 2003 the time expenses for *Procedures no. 1, 6, 7 and 9* grew slightly, and for *Procedures no. 3, 4, and 5* reduced slightly. The financial expenses both official and unofficial grew noticeably for all the procedures. The greatest changes occurred in *Procedure no. 5*.
6. According to the estimates of the BIS companies the main factors which help to reduce time and financial expenses to pass the procedures are *Having former officials employed by your company, Municipal (state) owner of the property is interested in a quick transaction and Administrative resource or special personal relations with officers of administrative bodies*
7. Depending on type of the procedure time and financial inputs when obtaining the same documents may differ cardinally.

8. Percentage rates of stages for which time and cost expenses are determined by law are different for assorted procedures. The least exactly time and financial costs for obtaining documents were determined with regards to *Procedures nos.6 and 8* (Diagram 2,1). Probably for this reason, the *Procedure No.6* turned out to be significantly more time consuming in Sverdlovsk Oblast for ARCS companies in comparison with the 15 surveyed regions in average, and with regards to BIS companies even the minimum registered amount of overall financial expenditures in Sverdlovsk Oblast exceeds the amount of overall financial expenditures established for the 15 surveyed regions in average. It should also be noted that not a single ARCS or BIS respondent was interviewed in Sverdlovsk Oblast, that had completed the *Procedure no.8* in 2004, which also could be explained by high ambiguity of law with regards to this procedure.

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 Sverdlovsk Oblast was 99 ARCS and 55 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	314	32923
Phone calls, number	289	270
Companies interviewed, number	26	100
Number of meetings as a percentage of phone calls made	8,9	37
Questionnaires, number	55	99
Refusal-rate as share of refusal phone calls from total number of phone calls, %	9,0	37,0
Duration of an average interview, minutes	66	69
Duration of the whole fieldwork, working days	55	

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	10	9
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	1	0
2B. Leasing a land plot , which is currently state or municipal property, for construction during tenders without preliminary agreement on the object location	3	1
3A. Obtaining ownership rights on land plots that are currently state or municipal property with buildings (structures, installations) owned the company	6	6
3B. Leasing land plots that are currently state or municipal property with buildings (structures, installations) owned by the company	4	13
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	4	32
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	5	1
6. Transferring a premise (building) from the residential use to non-residential one	6	25
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	6	12
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	4	19
8. Transferring a land plot from one category to another, changing the designated use of a land plot	0	0
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	6	4

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 28 stages and includes processing 88 documents (See Annex, table 1). There is no normative timeframe for completion of this procedure because for 13 stages out of 28 no processing deadlines have been established (See chart 2.1). There is similar uncertainty about official costs - for 11 out of 28 stages legislation does not stipulate whether an official fee is or is not payable, for 6 stages out of 28 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The high number of stages in the procedure determines its longer duration. For example, the period of time required to complete the procedure was from 270 to 500 days for BIS companies, and 341 days in average for ARCS companies. In accordance with the data received from ARCS companies this procedure also required substantial financial expenditures. Official payments of ARCS companies amounted to 205,571 rubles. No data was received from BIS companies on official payments.
- With regards to this procedure one of the highest rates of ARCS and BIS companies was registered that reported making unofficial payments on at least one of the stages (75% and 83% respectively). Basing on the opinions of BIS, it is possible to state that unofficial payments may occur practically at all stages of this procedure. Only regarding three documents, all interviewed respondents stated that they had made no unofficial payments. The most numerous group of BIS companies informed of unofficial payments while getting the *Statement by the Main Department for Architecture, Urban Development and Land Regulation concerning the possibility for further development of the land plot according the stated purposes of use (data on networks, infrastructure etc.)*.
- The respondents found it difficult to mention just one document, issue of which turned to be the biggest problem. Among BIS companies, 30% found it difficult or just refused to answer. Almost half of ARCS respondents stated that no such unofficial payments while undergoing this procedure were known or found it difficult to answer. Basing on analysis of costs and consumed time, it is possible to state that many documents of this procedure may be considered as rather problem-producing.
- A majority of the respondents found it difficult to mark out some authority, interaction with which could produce the biggest number of problems. 40% of BIS companies refused to answer this question.

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 23 stages and includes processing of 72 documents (See Annex, table 2). There is no normative timeframe for completion of this procedure because for 7 stages out of 23 no processing deadlines have been established (See chart 2.1). There is similar uncertainty about official costs - for 9 out of 23 stages legislation does not stipulate whether an official fee is or is not payable, for 5 stages out of 23 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 not less than 200 days for BIS companies. No data was received from BIS companies on official payments. No sufficient data was received from ARCS companies on either procedure duration, or official payments.
- All the surveyed BIS companies reported the presence of unofficial payments. Varying share of respondents reported unofficial payments practically at all the stages of this procedure. All the respondents failed to attach unofficial payments to only 4 documents out of 23.
- Due to insignificant number of respondents, as well as heterogeneity of their opinion it appears difficult to single out the most problematic document under this procedure. The respondents mentioned *Authorization, certificate concerning absence/presence of any encumbrances, instruction on collection of technical specifications, statements and approvals; Land plot boundaries draft plan; and Ordinance by the Head of Municipal Administration on selling a land plot or the right to conclude Land Plot Lease Contract for construction during tenders*. Considering duration of processing and the frequency of occurrence of cases when unofficial payments were required *Statement (approval) by the Committee for Land Resources and Land Management of the Municipal Administration* can be referred to as a problematic document.
- Different government agencies involved in this procedure became problematic for different respondents. The most widespread negative phenomenon, as considered by BIS companies, is Bureaucratic arbitrariness of some officials.

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 10 stages and includes processing 18 of documents (See Annex, table 3). There is no normative timeframe for completion of this procedure because for 7 stages out of 10, no processing deadlines have been established (See chart 2.1). There is similar uncertainty about official costs - for 4 out of 10 stages legislation does not stipulate whether an official fee is or is not payable, for 3 stages out of 10 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 from 90 to 405 days for BIS companies, and 166 days in average for ARCS companies. Official payments for passing the whole procedure amounted to not less than 6,303 rubles for BIS companies and from 1,500 to 90,000 rubles for ARCS companies.
- Almost half of the surveyed BIS companies and 25% of the ARCS companies reported making unofficial payments. According to the responses of BIS companies, unofficial payments might be required during nearly every stage of *Procedures no. 3A*. The largest share of BIS respondents paid unofficial payments when executing the *Developed land surveying file (including obtaining the performance specification, land surveying, actual lot lining etc.)*, and the *Agreed and approved land-surveying file and Cadastral map (plan) of a land plot, approved by the Federal Land Cadastral Chamber*. These same documents, according to BIS respondents, most often require unofficial payments in common practice.
- Forty percent of BIS companies named the *Land plot boundaries draft plan* the most problematic document. Also, a significant share of respondents (20% of BIS companies and 16% of ARCS companies) in general for both types of procedure singled out the *Order of the Minister for state property management of the Sverdlovsk Oblast* and the *Cadastral map (plan) of a land plot, approved by the Federal Institution Land Cadastral Chamber* as problematic documents.
- Different types of respondents encountered problems with different government agencies. The highest rate of BIS respondents (30%) named the *Land Cadastral Chamber (Federal State Institution (FSI))* the most problematic government agency. Respondents also noted that dealing with this government agency was associated with significant loss of time. Among other problems arising when dealing with this government agency, the respondents most often named the need for redundant agreements (approvals), bureaucratic arbitrariness of some officials and direct or indirect hints about extra payments for services.

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 13 documents (See Annex, 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 7,500 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 period of time required to complete the procedure was not less than 40 days for BIS companies, and 70 days in average for ARCS companies. Official payments amounted to 5,429 rubles in average for ARCS companies. No sufficient data was received from BIS companies.
- On the basis of information received from BIS companies one could say that unofficial payments might be present on virtually every stage of the procedure. Only with regards to one particular document not a single of the interviewed BIS companies reported making unofficial payments. 22% among ARCS companies reported the fact of making unofficial payments under this procedure.
- Half of surveyed BIS companies and 19% of surveyed ARCS companies singled out as the most problematic document *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.)*. However, a significant share of polled ARCS (38%) declared such phenomenon did not exist with relation to this procedure or experienced difficulties answering this question.
- Different types of respondents encountered problems with different government agencies. 31% of ARCS companies reported that they had not lost any time in either of the government agencies. 25% of ARCS companies noted that the most significant loss of time is related to interaction with *Administration (Government) of the Sverdlovsk Oblast*. Among the negative phenomena encountered by BIS companies, the following ones were reported: Bureaucratic arbitrariness of some officials, Inconvenient work schedule, Direct or indirect hints about extra payments for services, and Need to use personal relations for resolving an issue.

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 2 out of 5 stages of this procedure no processing deadlines have been established (See chart 2.1). The amount of official fees comprises 500 rubles for individual persons and 7500 rubles for legal entities.

- In accordance with the data received from BIS companies, completion of this procedure required not less than 50 days, and not less than 850 rubles were spent on official payments. No sufficient data was received from ARCS companies on either procedure duration, or official payments.
- Basing on the opinions of the BIS companies it is possible to say that the unofficial payments may present at all the stages of going through the procedure. The most parts of the BIS respondents pointed out on unofficial payment during the drawing up *Bid for participation in tenders with all necessary documents attached and Protocol on admission of the applicants to tenders*.
- The most part of BIS respondents chose the *Land Plot Lease Contract* to be the most problematic document; they named time as the main problem.
- Almost half of BIS respondents named the *Justice institution for the state registration of the rights in real property and the deals therewith on the territory of the Sverdlovsk Oblast (JIRR, RosRegistratsia)* as the most problem government authority. Among the negative phenomena which can be mostly found in the activity of this body the respondents named Need to use personal relations for resolving an issue.

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 18 stages and includes processing of 25 documents (See Annex, table 6). There is, in fact, no normative timeframe for completion of this procedure, because for all stages of this procedure no processing deadlines have been established (See chart 2.1). There is similar uncertainty about official costs - for 14 out of 18 stages legislation does not stipulate whether an official fee is or is not payable, and for 2 out of 18 stages, the amount of official payments is either not indicated or can vary depending on the characteristics of the object. Carrying out remaining 2 stages implies no official costs.
- In accordance with the data received from respondents, the period of time required to complete this procedure was not less than 120 days for BIS companies, and 328 days in average for ARCS companies. Official payments of ARCS companies amounted to not less than 4,000 rubles. No sufficient data was received from BIS companies on official payments.
- According to opinion of BIS companies, unofficial payments may present at almost every step of this procedure. In particular, all surveyed BIS companies recurred to unofficial payments at least once during this procedure. 63% of ARCS companies reported making unofficial payments under this procedure.

- Respondents were not unanimous in pinpointing the most problem-ridden document: different companies encountered problems while obtaining different documents. It should also be noted that approximately one third of both ARCS and BIS respondents reported absence of this phenomenon under this particular procedure.
- Respondents' opinions were divided with regards to which government agency was the most problem-ridden: different respondents encountered problems while interacting with different government agencies.

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). There is, in fact, no normative timeframe for completion of this procedure, because for 1 out of 3 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 3 stages, the amount of official payments depends on the characteristics of the object, for 1 stage no official fee is to be paid.
- In accordance with the data received from respondents, the period of time required to complete this procedure was 83 days in average for BIS companies, and 71 days for ARCS companies. Official payments amounted to 14,040 rubles in average for interviewed BIS companies and 7,360 rubles in average for interviewed ARCS companies.
- 55% of BIS companies and 30% of ARCS companies reported making unofficial payments under this procedure. According to the information provided by BIS respondents, one can assert that unofficial payments may present practically at all procedural stages. *GSK (General Construction Corporation) Constituent Documents* became the sole procedural stage, to which not a single respondent related any unofficial payments. While processing the rest of the documents, 20-38% of the surveyed BIS companies required to unofficial payments.
- 60% of ARCS companies and 40% of BIS companies reported that they encountered no problems in obtaining any document under this procedure, or found it difficult to answer this question. 40% of BIS companies and 17% of ARCS companies singled out as the most problematic document *A real estate plan with cadastral number indicated (floor plan, explication - for premises)*.
- More than one-half of the BIS respondents had difficulties determining the most problematic government agency or declared such a phenomenon did not exist at all with relation to this procedure. The highest rate of BIS respondents mentioned *Land Cadastral Chamber (Federal State Institution (FSI))* and *Technical Inventory Bureau (TIB)* as the most problem-ridden government agencies. According to BIS, the most widespread negative phenomena under this procedure are Bureaucratic arbitrariness of some officials and

Incompetence of officials. 30% of ARCS companies believe that the most time is lost while interacting with *Administration (Government) of the Sverdlovsk Oblast*.

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 13 stages and includes processing of 16 documents (See Annex, table 8). There is, in fact, no normative timeframe for completion of this procedure, because for 9 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 11 out of 13 stages legislation does not stipulate whether an official fee is or is not payable, for 1 out of 13 stages the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- In the course of the survey, no ARCS or BIS companies were found, which would have completed the procedure *Transferring a land plot from one category to another, changing the designated use of a land plot* in 2004.

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 9 stages and includes processing of 4 to 14 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. For method no.1 no processing deadlines have been established for 3 stages, for method no.4 - for 2 stages, for methods no.2 and no.3 – for 1 stage (See chart 2.1). The official costs of completing the procedure also depend on the method. The amount of official fees for methods no. 2, no.3 and no.4 comprise 7,500 rubles for legal entities and 500 rubles – for individual persons. For method no.1 for 1 stage requirement of official payments is stipulated by law, but their amount is not specified.
- The period of time required to complete this procedure was from 50 to 150 days for BIS companies and from 90 to 365 days for ARCS companies. Official payments of BIS companies amounted to not less than 500 rubles. No sufficient data was received from ARCS companies on official payments.
- Making unofficial payments was reported by the majority of interviewed companies, both ARCS and BIS. The most considerable amount of unofficial payments was mentioned in relation of a minor document: *Developed land surveying file*.
- Most of ARCS companies and 17% BIS ones have claimed, that they have not encountered any problems when obtaining the documents necessary for

undergoing this procedure. Taking into account the different methods of undergoing the procedure, we may single out *Certificate of State Registration* as the most problematic stage, which was named problematic by about 1/3 BIS companies, which have completed the procedure.

- Insufficient number of respondents that had completed this procedure, as well as difference of opinions does not allow to single out any particular government agency as the most problem-ridden one for this procedure. Long lines were mentioned most frequently as the negative phenomenon inherent to different government agencies.

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 Sverdlovsk Oblast, average, days	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	296	272	From 270 to 500	341
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	280	150	Insufficient data	n/a
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	239	178	No less than 200	n/a
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	226	233	No less than 90	Insufficient data
3B. Leasing land plots with buildings (structures, installations) owned by the company	209	189	No less than 200	144
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	117	77	No less than 40	70
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	77	107	No less than 50	Insufficient data
6. Transferring a premise (building) from the residential use to non-residential one	206	244	No less than 120	328
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	86	88	78	79
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	74	101	No less than 45	63
8. Transferring a land plot from one category to another, changing the designated use of a land plot	215	From 90 to 540	n/a	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	110	137	From 50 to 150	From 90 to 365

- As it is shown in the Table 5.1, the comparison of time spent on procedures in Sverdlovsk Oblast with average time indicators in the 15 surveyed regions is possible only with regards to certain procedures. For those procedures susceptible to comparison, no unified trend has been identified. For example, the *Procedure nos.4* for ARCS companies and the *Procedure no.7A* for ARCS and BIS companies in Sverdlovsk Oblast turned out to almost equal in their duration to the 15 surveyed regions in average. *Procedures nos.1 and 6* for

ARCS companies in Sverdlovsk Oblast turned out to be significantly more time consuming than in all 15 regions in average. *Procedures nos.3B and 7B* for ARCS companies in Sverdlovsk Oblast turned out to be less time consuming than in the country in average (Table 5.1).

Table 5.2 Cost comparison over all procedures

	Total cost 15 region average, rubles		Total cost Sverdlovsk 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	From 100 000 to 2 500 000	246 375
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	251 639	75 173	n/a	n/a
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	253 143	51 850	No less than 110 000	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	No less than 15 000	n/a
3B. Leasing land plots with buildings (structures, installations) owned by the company	72 327	70 130	No less than 15 000	From 20 000 to 90 000
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	48 566	22 720	No less than 5 000	6500
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	80 338	34 067	Insufficient data	n/a
6. Transferring a premise (building) from the residential use to non-residential one	103 746	51 319	No less than 120 000	From 15 000 to 150 000
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	54 950	18 398	25920	10638
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 25 000	No less than 1 000
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	n/a	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	55 951	31 250	No less than 6 000	No less than 20 000

- As it is shown in the Table 5.2, the comparison of financial expenditures on procedures in Sverdlovsk Oblast with average financial indicators in the 15 surveyed regions is possible only with regards to certain procedures. For those

procedures susceptible to comparison, financial expenditures for the *Procedure nos.1* for ARCS companies turned out to almost equal to similar indicators in the 15 surveyed regions. It should be noted that there is only one procedure for which financial expenditures are higher than in the country in average, i.e. the *Procedure no.7A* for ARCS and BIS companies turned out to be less cost intensive than in the 15 surveyed regions in average.

- The analysis of time and financial costs has not manifested any procedures that are expressly more time consuming and cost intensive.

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 higher in Sverdlovsk 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 68% of BIS respondents and 51% of ARCS respondents on average. The range of the amounts stated is rather wide for Sverdlovsk Oblast (1,000 to 146,000 rubles). The largest of the stated payments was performed when completing *Procedure No. 1*. It should be noted that out of those respondents reporting unofficial payments, 79% of BIS companies and 82% of ARCS companies refused to quote or had difficulties in quoting specific amounts of unofficial payments.
- In addition to unofficial payments, respondents in Sverdlovsk Oblast also reported some other semiofficial practices. On the average for all the procedures, some 30% of BIS respondents and 42% of ARCS respondents reported the necessity of performing payments to certain non-governmental funds. These values are higher than the average values for the 15 studied regions, which comprised 19% for the BIS companies, and 22% for the ARCS companies. We may point out that this practice in Sverdlovsk Oblast is a bit more widespread for ARCS and BIS respondents when completing *Procedure No. 1*.
- The third type of semiofficial or unofficial payments is the so-called “additional burdens”. The necessity of paying additional burdens for all the procedures on average was reported by 32% of BIS and 18% ARCS respondents. Most often, such payments are encountered by BIS respondents when completing *Procedure No. 1*. With regards to ARCS respondents it is difficult to single out any procedure as marked by the highest prevalence of such practices.

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: “administrative resource or special personal relations with officers of administrative bodies”, “municipal (state) owner is interested in a quick transaction”, “having former officials

employed by your company”. 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, “having former officials employed by your company”.

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

	All procedures, average	Procedures							
		1	2	3	4	5	6	7	9
Administrative resource or special personal relations with officers of administrative bodies	22	30	0	20	25	0	33	30	17
Municipal (state) owner of the property is interested in a quick transaction	20	30	25	20	25	0	17	0	50
Having former officials employed by your company	18	0	75	10	25	80	17	0	0
Willingness of the client to make unofficial payment	16	20	0	10	0	20	17	30	17
Personal relations with private companies designated to evaluate specific aspects of the project	11	10	0	10	25	0	17	10	17
Client knowledge of regulations guiding the procedure	5	10	0	10	0	0	0	10	0
Small company	2	0	0	0	0	0	0	10	0
Well known company	2	0	0	10	0	0	0	0	0
Rich companies	2	0	0	0	0	0	0	10	0
Difficult to answer	2	0	0	10	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	9
Having former officials employed by your company	26	30	50	11	75	80	0	0	17
Municipal (state) owner of the property is interested in a quick transaction	19	20	25	11	0	0	33	22	33
Administrative resource or special personal relations with officers of administrative bodies	13	20	25	22	25	0	0	0	17
Client knowledge of regulations guiding the procedure	6	10	0	0	0	0	0	11	17
Well known company	6	10	0	11	0	0	17	0	0
Willingness of the client to make unofficial payment	6	10	0	0	0	0	17	0	17
Large size of the project	4	0	0	11	0	0	0	11	0
Rich companies	4	0	0	0	0	20	0	11	0
Personal relations with private companies designated to evaluate specific aspects of the project	2	0	0	0	0	0	0	11	0
Small company	2	0	0	0	0	0	0	11	0
Difficult to answer	13	0	0	33	0	0	33	22	0