



**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:
PERM 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.

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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.

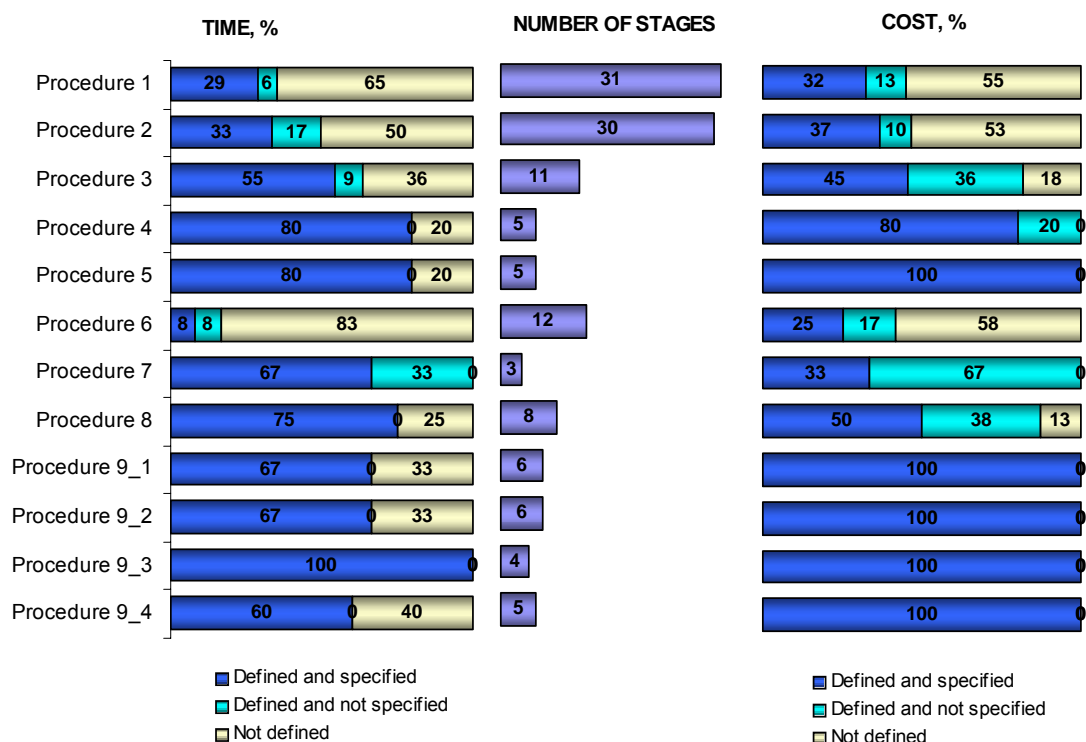
2. EXECUTIVE SUMMARY

According to the results of the analysis when getting through the examined procedures related to land and real estate in Perm Oblast it can be concluded as follows:

1. In accordance with the survey estimates the most frequently encountered procedure for BIS companies was *Leasing a land plot, which is currently state or municipal property, for construction with preliminary agreement on the object location (1)*. Among the interviewed ARCS companies the highest number had completed the procedure *Leasing land plots that are currently state or municipal property with buildings (structures, installations) owned by the company (3B)*
2. According to the results of the survey, the BIS companies incur the highest time and financial inputs while going through the following procedures: *Leasing a land plot, which is currently state or municipal property, for construction with preliminary agreement on the object location (1)*, *Transferring a premise (building) from the residential use to non-residential one (6)*. With regards to ARCS companies it is difficult to single out the most time consuming and cost intensive procedure by reason of insufficient number of respondents that reported amounts of time and money spent under each of procedures.
3. The overall prevalence of unofficial payments in all the procedures in Perm Oblast is significantly lower than in the 15 surveyed regions in average. However, the *Procedure no.8* for BIS companies and the *Procedure no.1* for ARCS companies must be singled out as the procedures characterized by the highest rates of respondents reporting unofficial payments (67% and 45% respectively). The *Procedure no.1* in Perm Oblast is characterized by high rate of BIS respondents (63%), reporting on additional burdens to be assumed.
4. While going through the majority of the procedures the surveyed BIS companies reported using unofficial payments somewhat more frequently than the surveyed ARCS companies.
5. According to all procedures examined in the course of the survey BIS companies concurred that time and financial inputs for getting through the procedures in 2004 increased as compared with 2003. The greatest changes occurred in procedures related to obtaining rights on structures (buildings).
6. The key factors that may have influence on cutting time while passing through all the procedures according to BIS companies are deemed to be availability of an administrative resource or personal relations, as well as vested interest of the municipal owner in the fastest passing of the procedure. At that, the first factor might be also interpreted as securing interest of the authorities in the fastest passing of procedure.
7. Depending on the type of procedure, time and financial inputs for 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 highest statutory certainty in terms of time and financial costs for document processing was established with regards to *Procedures nos.7, 9 (Method 3) (Diagram 2.1)*. The least exactly costs are

determined with regards to the *Procedure no.6*. In terms of number of stages *Procedures nos.1 and 2* can be singled out 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 Perm 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	845	29750
Phone calls, number	701	2743
Companies interviewed, number	73	100
Number of meetings as a percentage of phone calls made	10,4	3,6
Questionnaires, number	100	100
Refusal-rate as share of refusal phone calls from total number of phone calls, %	10,0	8,1
Duration of an average interview, minutes	44	35
Duration of the whole fieldwork, working days	64	

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	19	16
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	5	3
2B. Leasing a land plot , which is currently state or municipal property, for construction during tenders without preliminary agreement on the object location	2	6
3A. Obtaining ownership rights on land plots that are currently state or municipal property with buildings (structures, installations) owned the company	8	18
3B. Leasing land plots that are currently state or municipal property with buildings (structures, installations) owned by the company	12	30
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	6	21
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	1	4
6. Transferring a premise (building) from the residential use to non-residential one	16	7
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	15	21
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	4	15
8. Transferring a land plot from one category to another, changing the designated use of a land plot	7	3
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	5	2

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 31 stages and includes processing 40 documents (See Annex, Table 1). There is no normative timeframe for completion of this procedure because for 22 stages out of 31 no processing deadlines have been established (See Chart 2.1). There is similar uncertainty regarding the official cost - for 14 out of 31 stages the legislation does not stipulate whether an official fee is or is not payable, and for 4 out of 31 stages there is either no amount of the official fee or such amount depends on characteristics of a certain object.
- In accordance with the survey estimates, the period of time required to complete the procedure was 466 days in average for BIS companies, and 283 days in average for ARCS companies. Official payments for ARCS companies amounted from 22,000 rubles to 540,000 rubles. No sufficient data was reported by BIS companies on official payments.
- More than a half of the ARCS companies and 25% of the BIS companies reported occurrence of unofficial payments. Unofficial payments appeared with at least one respondent during practically all the stages of the procedure. The documents *Approval issued by State Fire Inspection*, *Approval issued by Sanitary & Epidemiological Station (SES)*, and the *Land plot borders draft plan* may be defined as the most significant from the point of view of unofficial payments. With respect to the first two documents the largest percentages of respondents reported unofficial payments were registered (31% and 32%). With respect to the latter document the largest amount of unofficial payments was mentioned.
- In the opinion of the respondents and according to the results of money and time consumption, the most problematic documents are the *Mayor's Ordinance on land allotment for construction*, *Final statement on the intended use of the land lot issued by the Architectonic and Planning Administration at the Department for Property and Development Planning*, *Statement of allotment of the selected land lot for construction*, and *Mayor's Ordinance on preliminary approval of the real property allocation*.
- The most problematic and unnecessarily time-wasting state authorities in the opinion of the respondents are the *Department for Property and Development Planning*, *Municipal Unitary Enterprise "PermArchBureau"*, *Municipal Administration*. The above state authorities are also characterized with a maximum number of the problems described. It is the most problematic issue to obtain the necessary documents from these state authorities.

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 30 stages and includes processing of 32 documents (See Annex, Table 2). There is, in fact, no normative timeframe for completion of this procedure, because for 21 out of 30 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty regarding official costs - for 16 out of 30 stages legislation does not stipulate whether an official fee is or is not payable, for 3 of 30 stages there is either no amount of the official fee or such amount depends on characteristics of a certain object.
- In accordance with the survey estimates, the period of time required to complete the procedure was not less than 95 days for BIS companies, and 141 days in average for ARCS companies. Official payments for ARCS companies amounted to not less than 30,000 rubles. No sufficient data was reported by BIS companies on official payments.
- 43% of the surveyed ARCS companies completed the procedure with no usage of intermediaries reported unofficial costs associated with completion of the procedure. It is impossible to estimate the prevalence of unofficial payment practices with regards to BIS companies due to insufficient number of BIS respondents that had completed this procedure.
- The companies failed to agree on the most problematic document. Based on the number of the applicants, which mentioned the document, the following ones may be included: the *Mayor's Ordinance on land allotment for construction, Technical specifications for connection of the facilities to supply lines and utilities, Scheme for land planning and land survey*.
- Based on the opinion of the surveyed BIS companies, the *Municipal Administration and Department for Property and Development Planning* are the most problematic authorities. Among the negative factors in the work of these state authorities, the surveyed companies mentioned the Need of redundant agreements (approvals), Not providing the information necessary for carrying out procedures, Bureaucratic arbitrariness of some officials, Incompetence of officials and Different interpretations of the legislation.

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 14 of documents (See Annex, Table 3). There is no normative timeframe for completion of this procedure because for 3 stages out of 11, no processing deadlines have been established (See Chart 2.1). There is similar uncertainty regarding the official cost. For 2 of 11 stages the legislation does not stipulate whether an official fee is or is not payable, and for 4 out of 11 stages there is either no amount of the official fee or such amount depends on characteristics of a certain object.

- In accordance with the survey estimates, the period of time required to complete the procedure was 294 days in average for BIS companies, and 261 days in average for ARCS companies.
- The fact of presence of unofficial payments was recognized by insignificant number of the respondents who have passed the *Procedure no. 3*. Meanwhile with the ARCS companies they existed only by performing formalization of leasehold rights. The majority of BIS respondents (19%) reported occurrence of unofficial payments, upon receiving *Approved and validated land surveying file*. In respect of usual practice, according to replies of the respondents, unofficial payments most often were present by formalizing the ownership rights and in particular for receiving documents: *The Letter of intent concerning purchasing a land plot, Developed land surveying file, The Ordinance on allotment of a land plot into ownership or by lease* (21-22% occurrences).
- The respondents rather unanimously pointed out the documents *Developed land surveying file, Approved and validated land surveying file, The Ordinance on allotment of a land plot into ownership or by lease* as the most problematic ones. Problematic character of these documents is confirmed by analysis of financial expenditures and time consumption of the respondents connected with formalization of these documents.
- The majority of the respondents declared *Municipal Unitary Enterprise "PermArchBureau", Municipal Administration, Department of property relations of Perm Administration* as the most problematic governmental authorities. The same governmental authorities were pointed out as wasting maximum time. The latter governmental authority is characterized also as having the most numerous problems concerning interaction with it.

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 6 documents (See Annex, Table 4). There is, in fact, no normative timeframe for completion of this procedure, because for 1 out of 5 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty regarding official fees. For 1 of 5 stages the amount of the official fee depends of characteristics of a certain object.
- In accordance with the survey estimates, the period of time required to complete the procedure was from 120 to 270 days for BIS companies, and 54

days in average for ARCS companies. Official payments amounted from 7,575 to 17,500 rubles for BIS companies, and amounted to 68,571 rubles in average for ARCS companies.

- According to the results of the research, unofficial payments by carrying out the subject procedure unambiguously had one third of the interviewed companies of ARCS and a half of the interviewed companies of BIS. The largest amount of unofficial charges was indicated by a respondent in connection with the document *The Ordinance on allotment of a real estate*. As per opinion of the interviewed, in average every third case of getting majority of the documents is connected with unofficial payments.
- The interviewed companies were not unanimous about pointing out a single document, which is the most problematic one. Nevertheless, it is possible to emphasize a document, which the ARCS respondents declare as the most problematic – it is *Technical passport of a building*. Besides of this, the document *The Ordinance on allotment of a real estate* is pretending to be a record-holder by criteria of time most consumed by the respondent (40 days), also the highest reported amount of unofficial payments was established with regards to this document.
- The interviewed companies most often mentioned *Department of property relations of Perm Administration* as the most problematic governmental authority in relation with formalization of this procedure. 14% of the interviewed companies of ARCS and a half of the interviewed companies of BIS consider this governmental authority as wasting most time. At the same time 38% of the interviewed companies of ARCS say, that while carrying out the *Procedure no. 4* they did not encounter such problems while interacting with government agencies at all. Concerning the most common problems in performance of the state government authorities the BIS respondents most had to deal with bureaucratic outrage of some particular officials, inconvenient working hours, necessity of lot of coordination.

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 7 documents (See Annex, Table 5). There is, in fact, no normative timeframe for completion of this procedure, because for 1 out of 5 stages of this procedure no processing deadlines have been established (See Chart 2.1). The official cost of this procedure is expected not to exceed 7500 rubles for legal entities and not more than 500 rubles for individual persons.
- In accordance with the survey estimates, the period of time required to complete the procedure for ARCS companies was from 30 to 60 days, official payments amounted to not less than 5,000 rubles. No sufficient data was reported by BIS companies on either timeframes, or official payments.
- None of the ARCS companies participating in the survey report the fact of the presence of unofficial payments.
- Interviewed companies were not unanimous in determining the most problematic document. Range of ARCS companies faced difficulties with *The Bid with required documents attached*.
- Due to the insignificant number of respondents, as well as discord of their opinions, none of the administrative authorities involved into this procedure cannot be referred to as the most problematic.

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 12 stages and includes processing of 22 documents (See Annex, Table 6). There is, in fact, no normative timeframe for completion of this procedure, because for 11 out of 12 stages of this procedure no processing deadlines have been established (See Chart 2.1). There is similar uncertainty regarding official costs - for 7 out of 12 stages the legislation does not stipulate whether an official fee is or is not payable, and for 2 of 12 stages the amount of the official fees is either unspecified or depends on characteristics of a certain object. For passing the other 3 stages no official fee is to be paid.
- In accordance with the survey estimates, the period of time required to complete the procedure was 192 days in average for BIS companies, and not less than 60 days for ARCS companies. Official payments under this procedure amounted from 1,500 to 30,340 rubles for BIS companies, and amounted to not less than 10,000 rubles for ARCS companies.
- According to the obtained data, different companies completing the procedure made unofficial payments when receiving different documents except for the *Final statement declaring the premises to be free and clear of third party rights*. The maximum share of the respondents reported the presence of unofficial

payments when receiving the *Acquisition of final statements issued by municipal agencies and Inspectorate of Civil Engineering and Construction Supervision; Permission for reconstruction issued by city administration; Statement of the State Fire Inspection Authorities (44%, 40%, and 30% respectively)*. The maximum reported amount of unofficial payments for the respondents fell on the *Acquisition of final statements issued by municipal agencies and Inspectorate of Civil Engineering and Construction Supervision*.

- Respondents who completed the procedure were not unanimous about the most problematic document. On the basis of the obtained data about the financial and time expenses 4 documents can be pointed out: *Acquisition of final statements issued by municipal agencies and Inspectorate of Civil Engineering and Construction Supervision, Permission for reconstruction issued by city administration, The Mayor's Ordinance on transferring a premise (building) from the residential use to non-residential one, Statement of the State Fire Inspection Authorities*.
- Obtained data does not allow to point out any government authority as the most problematic. The interviewed companies while completing the procedure faced different problems when interacting with all the bodies of authority involved into the procedure. The biggest share of the interviewed BIS companies (33%) pointed out *Municipal Administration* as the most problematic authority, as well as 14% ARCS and 25% BIS mentioned it to waste the most time. Inconvenient work schedule, Demand for more documentation than required by the law, Not providing the information necessary for carrying out procedures, Need to use personal relations for resolving an issue was mentioned by the respondent as the most typical problems in the work of the official bodies.

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 are defined only for stages 1 and 3, and the maximum timeline for stage 2 remains unspecified (See Chart 2.1). 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.
- In accordance with the survey estimates, the period of time required to complete the procedure was 76 days in average for BIS companies, and 46 days in average for ARCS companies. Official payments amounted to 25,307 rubles in average for BIS companies and 25,526 rubles in average for ARCS companies.
- Unofficial payments when completing the procedure *State registration of ownership rights on real estate and real estate transactions* were reported only by respondents which mounting the purchase-sale bargains. The largest share of the respondents (25%) reported making unofficial payments when obtaining *Cadastral survey*. The largest reported amount of unofficial payments was spent by the respondents to obtain *Certificate of State Registration*.
- Judging by the criteria of the largest duration of the stage, largest sum of the official payments, largest share of the respondents who made unofficial payments when obtaining the document, as well as the share of the respondents who mentioned the document as the problematic one, *Cadastral survey* can be pointed out. This document was problematic for the companies, which mounted the property right.
- *Registration Chamber* can be considered as the most problematic authority if to judge the criteria of the largest share of the respondents who mentioned the authority as the problematic one, and the criteria of the largest share of the respondents who mentioned the waste of time. Among the negative occurrences in the functioning of the official bodies the respondents most often mentioned *Inconvenient work schedule (14%)*, *Bureaucratic arbitrariness of some officials (14%)*, *Need of redundant agreements (approvals) (14%)*. Besides, the survey revealed that the respondents who completed the procedure were forced to cooperate with more (more than three) official bodies to obtain three documents. This occurrence can be referred to as the source of complaint for *Need of redundant agreements (approvals)*.

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 regarding the official cost - for 1 out of 8 stages legislation does not stipulate whether an official fee is or is not payable, and for 3 out of 8 stages the amount of the official fees is either unspecified or depends on characteristics of a certain object.
- In accordance with the survey estimates, the period of time required to complete the procedure for BIS companies was 245 days in average. Official payments of BIS companies amounted to not less than 5,600 rubles. No sufficient data was received from ARCS companies on either timeframes, or official payments.
- At various stages of the procedure, unofficial payments were reported by more than half of interviewed BIS companies. Most respondents said they had made unofficial payments in connection with the receipt by them of a copy of the *Land Detail Record* from the State Land Register and the *Resolution as to Compensations for Agricultural and Forestry Damages and Losses*. The largest amount of unofficial payments was reported in connection with the receipt of a *Statement of the State Environmental Expert Review Agency*. The largest frequency of unofficial payments in usual practice of obtaining documents, according to the opinion of the respondents, is registered in connection with the receipt of the aforesaid *Resolution as to Compensations for Agricultural and Forestry Damages and Losses*.
- According to the respondents, the two aforesaid documents, the *Land Detail Record* from the State Land Register and the *Resolution as to Compensation for Agricultural and Forestry Damages and Losses* as well as the *Application for the Transfer of Federal and/or Municipal Land* were the most problem-causing. As to the most time and money-consuming document, the most problem-causing, they said, was the *Certificate of the Transfer of Land*.
- The respondent companies that had gone through the procedure named various authorities as equally problem-causing. This and the small number of interviewed companies, who completed *Procedure no.8* in 2004, made naming the most problem-causing authority difficult. The most wide-spread problems arising in relation to state agencies were their inconvenient work schedules (18%), the need for exceedingly numerous approvals (18%) and the lack of information needed for dealing with the procedure (14%).

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 9 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. 3 - not more than 91 days. For methods no.1, no.2 и no.4 for two stages the laws establish no maximum timelines (See Chart 2.1). The amount of the official fees doesn't depend on the procedure passing method and is not expected to exceed 7500 rubles for legal entities and 500 rubles for individual persons.
- In accordance with the survey estimates, the period of time required to complete the procedure for BIS companies was from 21 to 90 days. No data was received from BIS companies on official payments. No sufficient data was received from ARCS companies on either timeframes, or official payments.
- None of the interviewed companies reported occurrence of unofficial payments or any burdens and payments into non-governmental funds while completing this procedure.
- The results of the survey do not allow unambiguous considering any document as problematic. The respondent companies have encountered various difficulties when applying for different documents. Moreover, the number of respondents that have undergone the respective procedure is not very big. Taking into account the fact that the procedure can be undergone in 4 ways, as well as the peculiarities of temporary financial expenses of the respondent companies, the documents, such as *the Certificate of State Registration* and *Purchase contract* can be considered as problematic.
- The respondents pointed out that they had encountered problems when contacting different authorities which were participants of the procedure. In view of the above, it is difficult to single out any particular government agency as the most problem-ridden one. Among the most widespread negative phenomena in the work of administrative authorities, the following ones were mentioned: *the need to use personal relations for resolving an issue, bureaucratic arbitrariness of some officials, and incompetence of officials*, which according to the opinion of respondents could be attributed to the majority of government authorities involved in the procedure.

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 Perm Oblast, average, days	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	296	272	466	283
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	280	150	No less than 95	No less than 90
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	239	178	n/a	From 60 to 300
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	226	233	From 104 to 270	From 60 to 720
3B. Leasing land plots with buildings (structures, installations) owned by the company	209	189	365	219
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	117	77	From 120 to 270	54
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	77	107	Insufficient data	From 30 to 60
6. Transferring a premise (building) from the residential use to non-residential one	206	244	192	No less than 60
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	86	88	74	51
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	74	101	From 70 to 100	From 5 to 60
8. Transferring a land plot from one category to another, changing the designated use of a land plot	215	From 90 to 540	245	Insufficient data
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	110	137	From 21 to 90	Insufficient data

- As we can see from the table (Table 5.1), the comparison of time costs for undergoing the procedures in Perm Oblast with the average time costs for all the 15 studied regions is possible only for part of surveyed procedures. The duration of *Procedures nos.6 and 7A* for BIS companies, and *Procedures nos.1 and 3B* for ARCS companies is the closest to an average duration of such procedures in 15 regions in average. *Procedures nos.1 and 3B* for BIS companies in Perm Oblast turned out to be more time consuming than in all 15 regions in average. *Procedures nos.1 and 3B* (for ARCS companies) in Perm

Oblast turned out to be slightly less time consuming than in the country in average.

Table 5.2 Cost comparison over all procedures

	Total cost 15 region average, rubles		Total cost Perm 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	108 583	No less than 22 000
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 50 000	Insufficient data
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	253 143	51 850	n/a	From 30 000 to 300 000
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 22 500	From 20 000 to 100 000
3B. Leasing land plots with buildings (structures, installations) owned by the company	72 327	70 130	From 30 000 to 90 000	From 25 500 to 100 000
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	48 566	22 720	From 17 000 to 70 000	6 683
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	80 338	34 067	n/a	No less than 5 000
6. Transferring a premise (building) from the residential use to non-residential one	103 746	51 319	140 222	No less than 10 000
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	54 950	18 398	35 864	28357
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	25 405	27 257	From 15 000 to 28 000	From 8 000 to 50 000
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	355 000	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	55 951	31 250	No less than 10 000	Insufficient data

- As we can see from the table (Table 5.2), the comparison of the overall financial costs for undergoing the procedures in Perm Oblast with the average financial costs for all the 15 studied regions is possible only for part of surveyed procedures. For those trends susceptible to comparison, there is no observable uniform trend: one can not definitely state that procedures that in Perm Oblast turned out to be more time consuming, were also expressly more or less cost

intensive in comparison with the 15 surveyed regions in average. For example, *Procedures Nos.1 and 7A* for BIS companies, and the *Procedure No.4* for ARCS companies in Perm Oblast turned out to be more time consuming and cost intensive in comparison with the 15 surveyed regions in average.

- The analysis of time and cost expenses demonstrated that only the *Procedure No.4* for BIS companies turned out to be expressly more time consuming and cost intensive. This phenomenon could be explained by substantial diversity in terms of financial and time costs of objects under processing in Perm Oblast (exclusion from the analysis of the object that was characterized by the highest costs changes the rating of Perm Oblast in comparison with the 15 surveyed regions in average).

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 lower in Perm 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 33% of BIS respondents and 21% of ARCS respondents on average. For all the regions, this value comprises 53% for the BIS companies, and 45% for the ARCS companies on average. The range of the amounts stated is rather wide for Perm Oblast (100 to 45,000 rubles). The largest of the stated payments was performed when undergoing *Procedure No. 2B*. Most of the stated amounts do not exceed 10,000 rubles (85% of the stated values). It should be noted that among those respondents that reported unofficial payments, half of respondents found it difficult or refused to quote any amounts.
- In addition to unofficial payments, respondents in Perm Oblast also reported some other semiofficial practices. On the average for all the procedures, some 25% of BIS respondents and 12% of ARCS respondents reported the necessity of performing payments to certain non-governmental funds. These values correspond to average indicators for the 15 studied regions. We may point out that this practice in Perm Oblast is a bit more widespread for ARCS respondents when undergoing *Procedure No. 3A*, and *Procedure No. 8* for BIS respondents.
- The third type of semiofficial or unofficial payments is the so-called “additional burdens”. The necessity of paying additional burdens for all the procedures in average was reported by 34% of ARCS respondents and 8% of BIS respondents. Most often, such payments are encountered by ARCS respondents when undergoing *Procedure No. 3*, and by BIS respondents when completing the *Procedure No. 3B*.

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” 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 characteristics for reducing the financial costs of completion of a procedure are, according to the BIS respondents, «municipal (state) owner is interested in a quick transaction» and “administrative resource or special personal relations with officers of administrative bodies”.

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
Administrative resource or special personal relations with officers of administrative bodies	37	42	29	35	33	0	50	42	14	20
Municipal (state) owner of the property is interested in a quick transaction	28	32	14	30	17	0	25	32	29	40
Client knowledge of regulations guiding the procedure	11	16	14	15	17	0	0	16	0	0
Willingness of the client to make unofficial payment	8	5	29	5	0	100	6	0	14	20
Having former officials employed by your company	7	0	0	5	17	0	13	11	14	0
Well known company	2	5	0	5	0	0	0	0	0	0
Rich companies	2	0	0	5	17	0	0	0	0	0
Personal relations with private companies designated to evaluate specific aspects of the project	1	0	0	0	0	0	0	0	14	0
Refusal	1	0	0	0	0	0	6	0	0	0
Others	1	0	0	0	0	0	0	0	14	0
Difficult to answer	2	0	14	0	0	0	0	0	0	20

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	21	37	29	20	17	0	19	16	0	20
Administrative resource or special personal relations with officers of administrative bodies	17	26	0	15	17	0	19	11	29	20
Having former officials employed by your company	8	5	14	5	17	0	13	5	14	0
Client knowledge of regulations guiding the procedure	7	5	0	5	17	0	0	16	14	0
Personal relations with private companies designated to evaluate specific aspects of the project	2	0	0	0	17	0	0	0	14	0
Small company	1	0	0	0	0	0	0	5	0	0
Well known company	1	5	0	0	0	0	0	0	0	0
Rich companies	1	0	0	0	0	0	0	0	14	0
Refusal	1	0	0	0	0	0	6	0	0	0
Others	1	0	0	0	0	0	0	0	14	0
Difficult to answer	40	21	57	55	17	100	44	47	0	60