

Overview

Starting a business

Dealing with construction permits

Employing workers

Registering property

Getting credit

Protecting investors

Paying taxes

Trading across borders

Enforcing contracts

Closing a business

Ida, a Gambian entrepreneur, wants to sell her plot of land to expand her manufacturing business. She has found an interested buyer. But she has also learned that transferring property in The Gambia requires the consent of the Department of Lands and Surveys—and getting that takes about a year. There is another option: hire a lawyer with connections at the department and obtain the consent in a day. But Ida cannot afford the cost, about 3% of the value of her property. Ida decides to wait for the department's consent, putting on hold her plans to expand her business.

Besides The Gambia, 11 other economies still require a ministerial consent to transfer property: Lesotho, Madagascar, Malawi, Nigeria, Papua New Guinea, Senegal, Solomon Islands, Tanzania, Tonga, Uganda and Zambia. Côte d'Ivoire

TABLE 5.1

Where is registering property easy—and where not?

Easiest	RANK	Most difficult	RANK
Saudi Arabia	1	Liberia	172
Georgia	2	Angola	173
New Zealand	3	Afghanistan	174
Lithuania	4	Bangladesh	175
Armenia	5	Nigeria	176
Thailand	6	Brunei	177
Slovakia	7	Maldives	178
Norway	8	Marshall Islands	179
Azerbaijan	9	Micronesia	180
Sweden	10	Timor-Leste	181

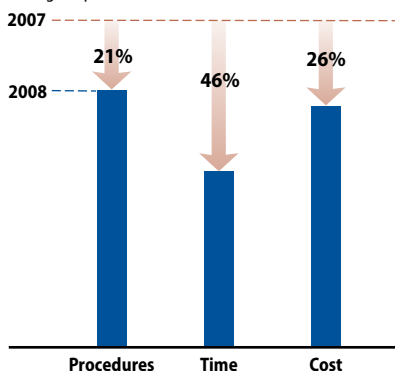
Note: Rankings are the average of the economy rankings on the procedures, time and cost to register property. See Data notes for details.

Source: Doing Business database.

FIGURE 5.1

Top 10 reformers in registering property

Average improvement



1. Belarus
2. Rwanda
3. Azerbaijan
4. Kazakhstan
5. Hungary
6. Zambia
7. Mauritius
8. Burkina Faso
9. Madagascar
10. Egypt

Source: Doing Business database.

used to be another. But in 2005 it eliminated the requirement for approval by the Ministry of Urban Planning. That slashed the time required to register property from 397 days to 62—and the number of property transfers in Abidjan almost quadrupled, from 500 in 2005 to 1,968 in 2007.¹

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets.² But a large share of property in developing countries is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Economies that score well on the ease of registering property tend to have simple procedures, low transfer taxes, fixed registration fees, online registries and time limits for administrative procedures. They also make the use of notaries and lawyers optional. Saudi Arabia computerized procedures in 2007, making it possible to register property in 2 proce-

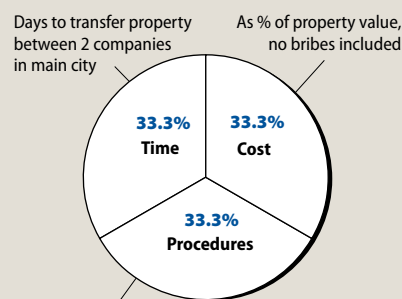
dures and 2 days. In Georgia and Lithuania, which recently simplified procedures, it takes 3 days to register property. In New Zealand, number 3 on the ease of registering property, online registration is straightforward. In Slovakia, which replaced a percentage-based fee with a fixed fee, the cost to register property is only 0.05% of the property value.

WHO REFORMED IN 2007/08?

Twenty-four economies made it easier to register property in 2007/08 (table 5.2). The most popular reform feature: lowering the cost of registration by reducing the property transfer tax, registration fees or stamp duty. Five economies—Burkina Faso, the Dominican Republic, Jamaica, Serbia and Thailand—reduced the transfer tax. The Republic of Congo

FIGURE 5.2

Rankings on registering property are based on 3 subindicators



Steps for encumbrance checking, deed and title transfer until property can be sold again or used as collateral

Note: See Data notes for details.

TABLE 5.2

Reducing the cost to register property—the most popular reform feature in 2007/08

Reduced taxes or fees	Burkina Faso, Republic of Congo, Dominican Republic, Jamaica, Madagascar, Rwanda, Serbia, Thailand
Combined and reduced procedures	Azerbaijan, Belarus, Georgia, Kazakhstan, Latvia, Lithuania, Mauritius
Computerized procedures	Belarus, Bosnia and Herzegovina, Georgia, Madagascar, Saudi Arabia, Zambia
Sped procedures in the registry	Bangladesh, Egypt, former Yugoslav Republic of Macedonia, Madagascar, Sierra Leone
Introduced time limits	Belarus, Egypt, Senegal
Introduced fast-track procedures	Azerbaijan, Hungary
Allowed private valuers to complete valuations	Republic of Congo

Source: Doing Business database.

and Rwanda reduced registration fees. Madagascar eliminated the stamp duty.

Belarus was the top reformer in property registration. The government had initiated the creation of a one-stop shop in March 2004. In early 2006 the legal changes necessary for the one-stop shop to become operational took effect. To complete its implementation and to address remaining bottlenecks at the Land Registry, the government launched a broad administrative simplification program in November 2007. The program introduced strict time limits, computerized the registry and digitized property records. The government's ambitious reform agenda paid off: the time to register property in Minsk fell from 231 days to 21. Belarus now ranks among the top 25 economies on the ease of registering property.

"Comparing the registry a few years

back and today is like night and day. From waiting in long lines taking up to a few months, we went to a modern, efficient one-stop shop. They even have a webcam in the one-stop shop to check the waiting line," says Alexander, a seasoned entrepreneur in Minsk.

Rwanda was the runner-up reformer. A presidential decree in January 2008 replaced a 6% registration fee with a flat rate of 20,000 Rwanda francs (about \$34), regardless of the property value. Before, the 6% registration fee applied to every property transaction, and the Rwanda Revenue Authority had to value the property, which took 35 days on average. Registering property in Kigali now requires only 4 procedures and less than 1% of the property value (figure 5.3). Yet with the process still taking almost a year on average, there is room for improvement.

Eastern Europe and Central Asia

had the most reforms in property registration. Azerbaijan introduced a one-stop shop and gave the State Registry of Real Estate sole responsibility for all property registrations in the country. That required amending the civil code in April 2006. Before, entrepreneurs had to register land and buildings separately. This meant going through 7 lengthy procedures, including getting clearances from 2 agencies and an updated inventory file from the Bureau of Technical Inventory listing the property's boundaries and technical features. Those requirements are gone. With the new option of expediting 2 of the 4 remaining procedures, it is now possible to register property in only 11 days.

Kazakhstan followed a similar path. By launching public service centers—local one-stop shops—Kazakhstan simplified property registration in its major cities. Georgia, a repeat reformer for 4 years in a row, launched an electronic database. Registrars can now obtain a business registry extract, noncumbrance certificate and cadastral sketch online. Before, these documents could be obtained only by visiting several different agencies.

Bosnia and Herzegovina was another notable reformer. The time needed to register a title in Sarajevo fell by 203 days, from 331 to 128. Once the registry is fully computerized (80% of its files were as of mid-2008), the time is expected to drop even more. The former Yugoslav Republic of Macedonia sped

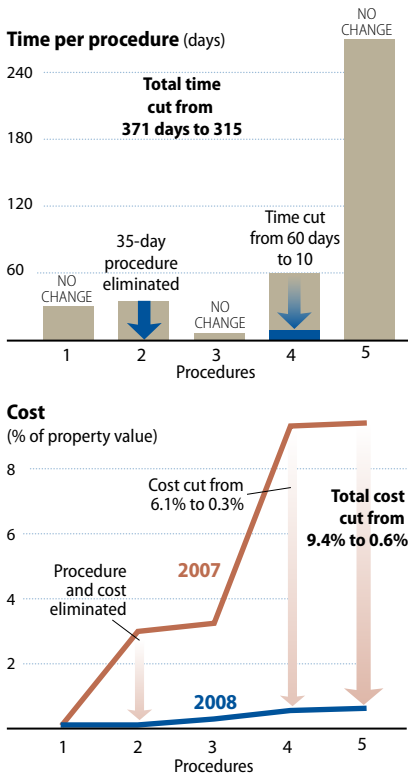
TABLE 5.3

Who regulates property registration the least—and who the most?

Procedures (number)				Time (days)				Cost (% of property value)			
Fewest		Most		Fastest		Slowest		Least		Most	
Norway	1	Greece	11	New Zealand	2	Bangladesh	245	Saudi Arabia	0.00	Congo, Rep.	16.48
Sweden	1	Swaziland	11	Saudi Arabia	2	Afghanistan	250	Bhutan	0.01	Cameroon	17.79
Bahrain	2	Eritrea	12	Sweden	2	Togo	295	Georgia	0.03	Central African Republic	18.55
Georgia	2	Uzbekistan	12	Thailand	2	Solomon Islands	297	Belarus	0.04	Mali	20.31
Lithuania	2	Ethiopia	13	Georgia	3	Rwanda	315	Slovakia	0.05	Senegal	20.61
Netherlands	2	Liberia	13	Lithuania	3	Angola	334	Kiribati	0.06	Comoros	20.82
New Zealand	2	Uganda	13	Norway	3	Gambia, The	371	Kazakhstan	0.08	Nigeria	21.93
Oman	2	Algeria	14	Armenia	4	Slovenia	391	New Zealand	0.09	Chad	22.72
Saudi Arabia	2	Brazil	14	Iceland	4	Haiti	405	Russian Federation	0.20	Zimbabwe	25.01
Thailand	2	Nigeria	14	Australia	5	Kiribati	513	Qatar	0.25	Syria	28.05

Source: Doing Business database.

FIGURE 5.3
Easing property registration in Rwanda
 Reduction in time and cost, 2007–08



Source: Doing Business database.

the process at the cadastre by adding staff. Lithuania cut a procedure by introducing special software that allows notaries to obtain the real estate transaction certificate from their office. Before, the buyer had to pick up this certificate at the registry.

Africa saw the second largest number of reforms. The Republic of Congo adopted a new law on May 11, 2007, that cut the registration fee by 10 percentage points. Transferring property used to take 137 days and cost 27% of the property value. Now it takes 116 days and costs about 17% of the property value. Senegal introduced time limits at the Land Registry to speed the delivery of certificates and the registration of property transactions. That reduced the time to register property from 145 days to 124.

Zambia computerized its land registry and set up a customer service center to eliminate the backlog of registration requests. The time to register property fell from 70 days to 39.

Madagascar was another reformer in the region. A new financial law abolished the mandatory stamp duty and 2 taxes, reducing the cost of transferring property from 11.6% of the property value to 7.5%. Madagascar did not stop there. It reorganized its registry by expanding the number of offices, purchasing new computers and hiring more staff. Transferring property in Antananarivo now takes 8 weeks less than it did a year before. Burkina Faso abolished the requirement to obtain the municipality's approval for property transactions, cutting the time by 46 days, from 182 to 136.

In the Middle East and North Africa, Egypt and Saudi Arabia reformed. Egypt simplified administrative procedures and introduced time limits. That cut the time to register property by 4 months, from 193 days to 72. Saudi Arabia introduced a comprehensive electronic system to register title deeds at the First Notary Public Department in Riyadh, making it possible to transfer property in 2 procedures and 2 days.

Here is how the process works: A notary public at the First Notary Public Department, in the presence of the legal representatives of the buyer and seller, first verifies that all documents are complete. The notary public then transfers them electronically to the Records Department, which prepares a new title deed showing the buyer as the owner of the property. The new title deed is immediately added to the electronic records of all title deeds in Riyadh. After a few hours the representatives of the buyer and seller appear a second time before the notary public, who prints a copy of the new title deed and asks the representatives and 2 witnesses to sign the sale agreement, which is a standard form. The signed sale agreement is scanned and saved in the electronic records, while the original is kept in the notary public's files.

In South Asia, Bangladesh halved the time to apply for registration at the Municipal Deed Registry Office, from 360 days to 180. The total time to register property dropped from 425 days to 245.

In Latin America and the Carib-

bean, Jamaica introduced a new law in May 2008 reducing the transfer tax from 7.5% of the property value to 6%, and the stamp duty from 5.5% to 4.5%. The cost to transfer property dropped from 13.5% of the property value to 11%. The Dominican Republic reduced the transfer tax from 4.3% to 3%. Transferring property now costs 3.8% of the property value, down from 5.1%.

In East Asia and Pacific, Thailand reduced the transfer fee from 2% to 0.01% and the specific business tax from 3.3% to 0.11%, cutting the overall cost to transfer property from 6.3% of the property value to 1.13%. Thailand now ranks among the top 10 economies on the ease of registering property. The cost reductions are provisional and valid for one year from March 2008, to allow the Thai government to assess the results of the reform in April 2009.

WHAT ARE THE REFORM TRENDS?

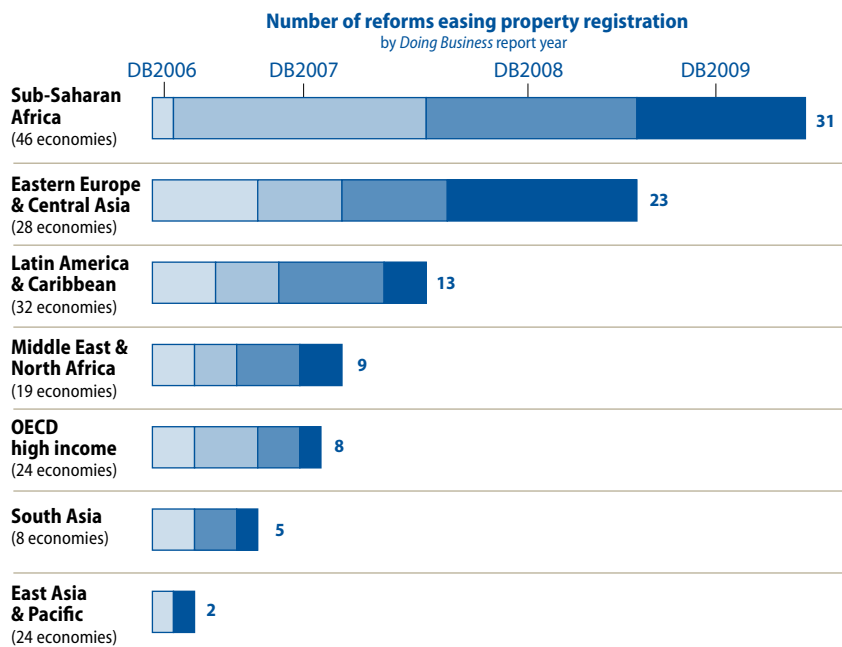
Almost 60% of all property registration reforms recorded by *Doing Business* in the past 4 years took place in 2 regions: Africa and Eastern Europe and Central Asia (figure 5.4). In 2005 Eastern Europe and Central Asia had the most reforms. In 2006 and 2007 Africa took the lead. In 2007/08 Eastern Europe and Central Asia led with 9 reforms, closely followed by Africa with 8.

LOWERING COSTS

Across regions, the most popular reform feature has been reducing property transfer taxes and fees—registration fees, notary fees and stamp duties (figure 5.5). In 2005 and 2006 such reductions were made by 7 of 10 reforming economies. Big cuts were made in Africa. In 2004 the region had the highest average cost for property transfer, at around 13% of the property value. Today the average cost is 10.5% of the property value—much lower, though still higher than the 6% in Latin America, the region with the second highest cost.

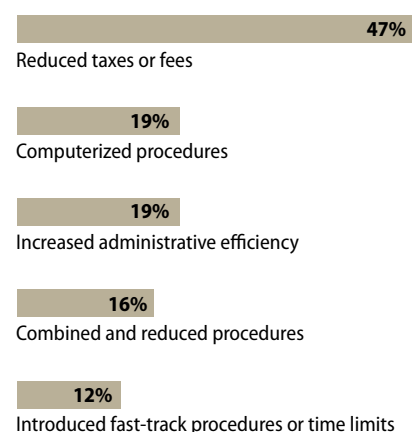
Many economies have reduced the cost of property registration by estab-

FIGURE 5.4
Africa has reformed the most



Note: A reform is counted as 1 reform per reforming economy per year.
Source: Doing Business database.

FIGURE 5.5
Top 5 reform features in registering property
Reforms including feature since DB2006 (%)



Note: A reform may include several reform features.
Source: Doing Business database.

lishing a low fixed registration fee rather than charging entrepreneurs a percentage of their property value. In 2005 Slovakia abolished its 3% real estate transfer tax and set a low fixed fee for expedited registration at 8,000 koruny (\$286). In 2007 Egypt and Poland adopted similar reforms. And in 2007/08 Rwanda followed suit. This reform tends to reduce fraud in reporting the market value of property and increase tax revenue. Six months after Egypt replaced its 3% registration fee with a fixed fee of 2,000 Egyptian pounds (\$323), revenues rose by 39%.³

COMPUTERIZING THE REGISTRY

One of the most popular reform features has been computerizing the registry and introducing online procedures that aid interaction between the notary and the registry. Computerization can be costly, so it is not surprising that more than half of such reforms have been in Eastern Europe and Central Asia and OECD high-income economies.

Computerizing registries has proved to be highly effective. The economies that have done so since 2005 have seen the

time to register property drop by 45% on average. In El Salvador, which computerized its registry in 2006, the time to register property fell from 52 days to 33. Portugal computerized the Lisbon real estate registries in 2007, reducing the time from 81 days to 42. Computerizing records not only facilitates registration but also improves the preservation of the records and, as a result, the security of titles.

Digitizing the property registry's records and facilitating electronic access can improve things, but this alone is often not enough. In 2005 Honduras launched a reform aimed at allowing every entrepreneur online access to the registry's information. But online access did not resolve the many inconsistencies in information between the registry and the cadastre. To do this, the 2 agencies must be coordinated, and the cadastre updated regularly.⁴ Comayagua, 80 kilometers northwest of Tegucigalpa, is the only city in Honduras that has completely digitized its property registry's records, thanks to an updated digital cadastre.

HOW TO REFORM

Some reforms to ease property registration, such as eliminating unnecessary procedures or reducing the number of approvals required, can be done quickly—once everyone is convinced of the benefits. Such reforms usually require no drastic changes in the legislation and can be executed administratively. In previous years such economies as Côte d'Ivoire, Georgia and Ghana have reduced the time required to register property by eliminating long and unnecessary procedures.

Inspiration can sometimes be found at home. *Doing Business* subnational studies have shown that local authorities, federal and municipal, learn from one another to improve registration processes, even if they share the same legal and regulatory framework. This process was at work in Mexico, where Aguascalientes followed Yucatán's experience in simplifying the registration process and reducing fees at the land registry. In 2007/08 San Luis Potosí and Chiapas followed Aguascalientes's example of introducing a bar code to allow computerized tracking of property records.⁵

Other reforms, such as overhauls of the entire property registration system, can take years. Consider the top reformer in property registration for 2007/08. Belarus passed the law establishing its one-stop shop in March 2004. Making the one-stop shop operational took another 3.5 years and several presidential decrees. The previous year's top reformer, Ghana, has been working for more than 4 years to complete the transition from a deeds registration to a title registration system. Entrepreneurs in Accra can now register a title in 34 days. In other parts of the country the same process still takes months.⁶

Shifting from a deeds system to a title system is also taking time in Hong Kong (China), which launched this reform in July 2004. The reform is still under way as the government continues to work on such legal issues as how it will indemnify users for errors and how the system will deal with third-party claims.

NOTES

1. Data on property transfers in Abidjan are from Côte d'Ivoire, Direction du Domaine, de la Conservation Foncière, de l'Enregistrement et du Timbre.
2. Miceli and Kieyah (2003).
3. Haidar (2008).
4. Coma-Cunill and Delion (2008).
5. Cruz-Osorio and Enrigue (2008).
6. Hacibeyoglu (2008).