

Starting a business

Dealing with construction permits

Registering property

Getting credit

Protecting investors

Paying taxes

Trading across borders

Enforcing contracts

Closing a business

In the early 1990s people wanting to register property in Minsk needed to arrive outside the land registry by 5 a.m. and, if it was winter, keep a fire going to stay warm during the long wait.¹ Newly independent Belarus had a complicated registration process with many layers of duplication, leading to delays of up to 231 days. The system could not keep up with the growing real estate market. That changed after 2004 (table 5.1). A new one-stop shop cut unnecessary procedures by centralizing the registration process and hired 10 times as many registrars. Today registering property takes 15 days, and the system covers 5 million property units and manages 760,000 sales and first-time registrations a year.

Property is often requested by banks as collateral for loans. But where

TABLE 5.1

Where is registering property easy—and where not?

Easiest	RANK	Most difficult	RANK
Saudi Arabia	1	Angola	174
Georgia	2	Guinea-Bissau	175
New Zealand	3	Liberia	176
United Arab Emirates	4	Belgium	177
Armenia	5	Eritrea	178
Belarus	6	Nigeria	179
Lithuania	7	Timor-Leste	180
Norway	8	Micronesia, Fed. Sts.	181
Slovak Republic	9	Marshall Islands	182
Azerbaijan	10	Brunei Darussalam	183

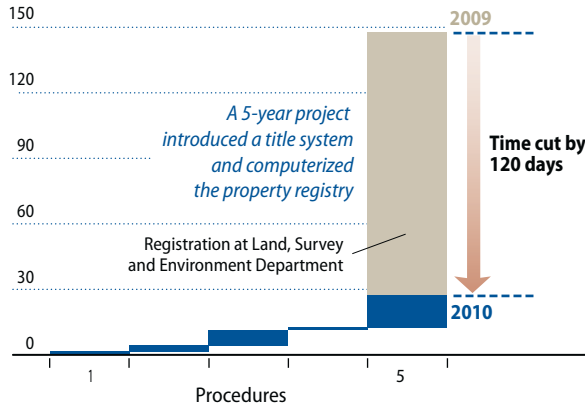
Note: Rankings are the average of the economy's rankings on the procedures, time and cost to register property. See Data notes for details.

Source: Doing Business database.

FIGURE 5.1

Samoa increased the efficiency of property registration

Time to register property (days)



Who improved the most in registering property?

1. Samoa
2. Maldives
3. Cape Verde
4. Malaysia
5. Grenada
6. Malawi
7. Portugal
8. Hungary
9. Jamaica
10. Denmark

Source: Doing Business database.

property is informal or poorly administered, it has little chance of being used as a guarantee. Hernando de Soto calls such assets “dead capital.”² The result is limited access to finance, which can limit economic growth.³ Women can be particularly affected. “I tried many times to apply for a loan but didn’t get even a quarter. They tell me to bring collateral that I can’t provide... One time they asked for land and I don’t even have land. Sometimes they ask for buildings as collateral as well,” says Antonia, a detergent manufacturer in Ghana. Her experience is not uncommon. In 9 of 128 economies, including Cameroon and Chile, women’s ownership rights over movable and immovable property are not equal to men’s, and in even more economies women have less right than men to mortgage it.⁴

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated,

formal titles might go informal again. Even if titles remain formal, property markets will not function effectively if regulations keep investment from being channeled to its most productive use. And titles won’t lead to more credit if collateral laws make mortgaging property expensive and inefficient courts prevent banks from enforcing collateral when a debtor defaults. Some studies report cases where titling failed to bring significant increases in credit or income.⁵

Doing Business records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer’s name. The transaction is considered complete when it is opposable to third parties and the purchasing company can use the property, use it as collateral in taking new loans or, if necessary, sell it to another business (figure 5.2).

In 2009/10, 21 economies made it

FIGURE 5.2

What are the time, cost and number of procedures required to transfer a property between 2 local companies?

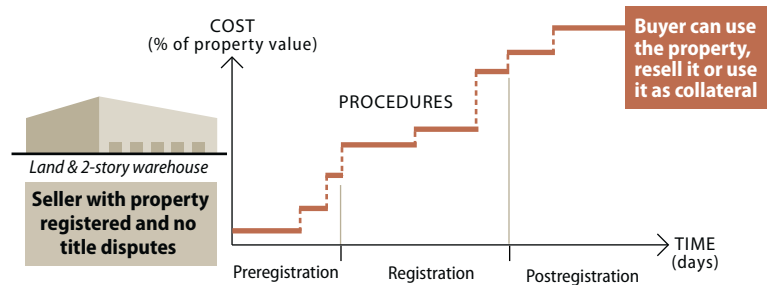


TABLE 5.2
Who made registering property easier in 2009/10—and what did they do?

Feature	Economies	Some highlights
Reduced taxes or fees	Bangladesh, Cape Verde, Democratic Republic of Congo, Hungary, Jamaica, Mali	<i>Average cost reduction: 3.6% of the property value</i> Changes ranged from 2% of the property value in Jamaica to 6% in Hungary (which halved the transfer tax). Cape Verde introduced a fixed registration fee, going from 2% of the property value to \$256.
Increased administrative efficiency	Bosnia and Herzegovina, Grenada, Malawi, Maldives, Samoa, Sierra Leone	<i>Average time saved: 66 days</i> Sierra Leone cut 150 days by removing restrictions on private land transfers. Grenada's registrar now focuses only on property matters. Malawi decentralized government consents for property transfers, saving 39 days.
Computerized procedures	Denmark, Malaysia, Poland, Samoa, Slovenia	<i>Average time saved: 4 months</i> Time savings were greatest in Slovenia (9 months) and Samoa (4 months). Malaysia digitized property registration, saving more than 2 months.
Introduced online procedures	Austria, Denmark, Jamaica, Malaysia, Poland	<i>Average time saved: 4 days</i> Malaysia introduced online procedures to assess and pay stamp duties, cutting 6 days. Jamaica provided online access to the company registry. Austria introduced electronic communication between notaries and the registry.
Combined and streamlined procedures	Denmark, Portugal, Sweden, Uruguay	<i>Average reduction: 4 days and 2 procedures</i> New one-stop shops merged 3 procedures in Denmark and 4 in Portugal. Municipalities in Sweden and Uruguay abolished the requirement for clearance of preemption rights.
Introduced fast-track procedures	Jamaica, Peru	Registration for simple property sales is possible in 2 days in Jamaica (down from 7) and Peru (down from 9).

Source: *Doing Business* database.

easier to register property, 7 of them in the OECD high-income group and 4 in Latin America and the Caribbean. Samoa improved the ease of registering property the most. It completed a 5-year project to move to a title system and computerized the property registry, saving 4 months from the time to register property. Six economies lowered the cost, and 6 (including Samoa) increased administrative efficiency at their registries (table 5.2). Five others raised the cost to transfer property (compared with 2 on average in previous years). Bahrain, Greece, Pakistan, Panama and Thailand raised the transfer tax by an average of 4.2% of the property value—with Greece reversing previous cuts and Thailand reversing a temporary cut. Antigua and Barbuda and Belgium added new procedures.

WHAT ARE THE TRENDS?

In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property (figure 5.3). Globally, the time to transfer property fell by 38% and the cost by 10%.

GLOBAL TRENDS

The most popular feature of property registration reform in those 6 years, implemented in 52 economies, was lowering transfer taxes and government fees. This reduced the cost by 3.1% of the property value on average. Sub-Saharan Africa was the most active, with 22 economies lowering costs. Two gradually reduced high transfer costs, Burundi by 10% of the property value and Burkina Faso by 7%. Two others made big cuts all at once, Rwanda by 8.8% of the property value and Mozambique by 7.5%.

The second most popular feature, implemented in 32 economies, was streamlining procedures and linking or improving agencies' systems to simplify registration. These measures reduced interactions between entrepreneurs and agencies—saving 2 procedures on average—while maintaining security and controls.

Thirteen such reforms took place in Eastern Europe and Central Asia. Besides Belarus, Azerbaijan and Kazakhstan also created one-stop shops for property transfers. In Latvia the land registry can now check municipal tax databases directly, saving entrepreneurs a step. FYR Macedonia centralized property encum-

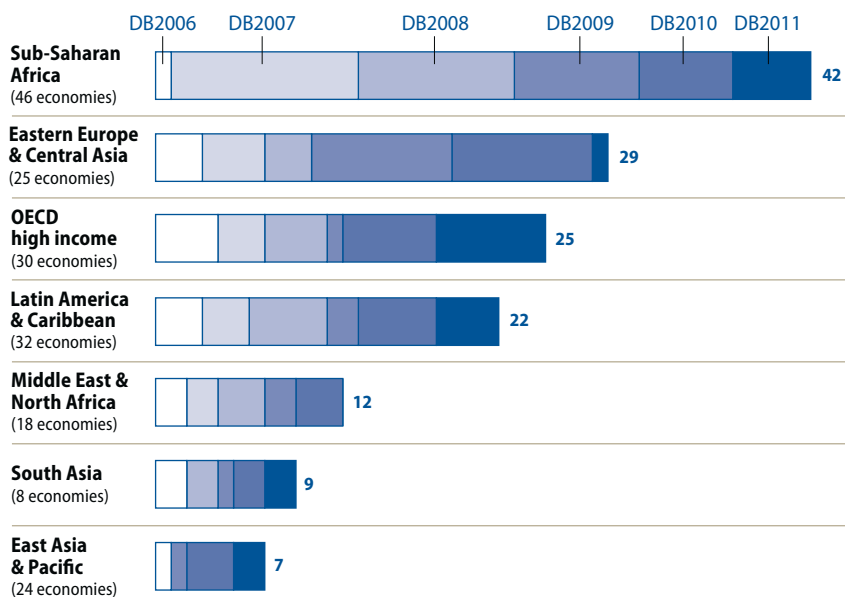
brance and cadastre information. The 2 certificates are now issued together.

Eight economies in Sub-Saharan Africa undertook similar measures. Ethiopia and Rwanda decentralized their land registries to eliminate bottlenecks, creating new branches responsible for properties in their jurisdiction. Ethiopia's 10 new branches and Rwanda's 5 coordinate the work with municipalities and tax agencies. And Ethiopia's registry now assesses property's market value using predetermined tables, eliminating the need for physical inspections.

Twenty-eight economies, 9 in Sub-Saharan Africa, increased administrative efficiency. Botswana and Madagascar reorganized their land registries, hired more staff and added more computers and branches. Botswana also linked staff salary increases to the achievement of targets set by the land department's 3-year plan. Mali and Niger reorganized their land registries by reassigning workloads and enhancing supervision.

With 7 similar reforms, Latin America and the Caribbean was also active. Grenada recently nominated 2 new registrars, 1 dedicated to property transactions. This reduced the court registrar's

FIGURE 5.3

Fast pace in property registration reforms in Sub-Saharan Africa over the yearsNumber of *Doing Business* reforms making it easier to register property by *Doing Business* report year

Note: A *Doing Business* reform is counted as 1 reform per reforming economy per year. The data sample for DB2006 (2005) includes 174 economies. The sample for DB2011 (2010) also includes The Bahamas, Bahrain, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar, for a total of 183 economies.

Source: *Doing Business* database.

workload, cutting the time to register property by half. Guatemala's registry improved customer service by installing delegates in major banks, providing text message notifications and offering a special service for frequent users such as notaries. Another new service blocks sales as extra security for customers not expecting to sell property for a while. Employees benefit from an incentive system that accounts for the speed and quality of their work. Combined with computerization, these efforts halved the time to transfer property in Guatemala.

COMPUTERIZATION IN OECD HIGH-INCOME ECONOMIES...

OECD high-income economies, along with the Middle East and North Africa, have the fastest property registration, taking 33 days on average (figure 5.4). Compare that with the slowest—around 3 months on average in South Asia and East Asia and the Pacific.

Twenty-nine of 30 OECD high-income economies have electronic registries, and 85% allow online access to information on encumbrances, either for all or for such professionals as notaries.

Eleven, including France, the Netherlands and New Zealand, offer electronic registration. Portugal's new customer service center, Casa pronto, has processed 109,000 transactions since its 2007 launch and now covers 30% of sales. It allows users not only to register property transfers but also to complete all due diligence—including checking tax payments, ownership and encumbrances—in one step.

...AND IN EASTERN EUROPE AND CENTRAL ASIA

In Eastern Europe and Central Asia most property registration systems have undergone a complete overhaul. Land and building databases have been unified, then computerized. Today the region accounts for 5 of the top 10 economies on the ease of registering property. Transferring property takes on average 6 procedures and costs 2.4% of the property value, less than in any other region.

COST HIGHEST IN AFRICA

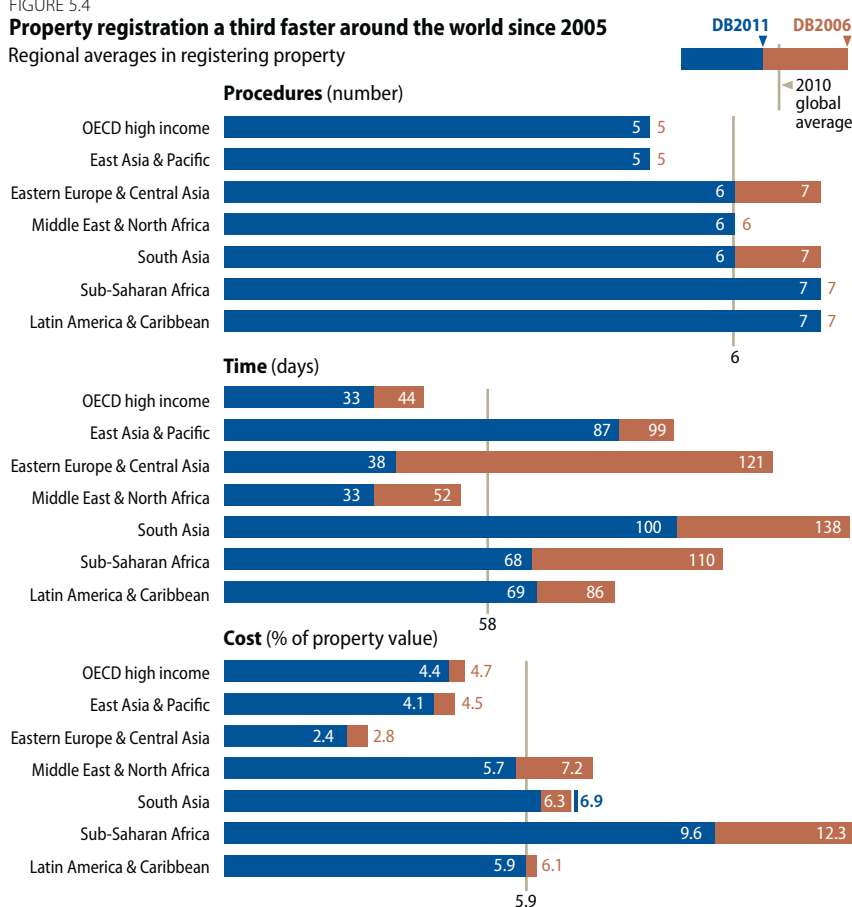
In Sub-Saharan Africa, despite improvements, transferring property still costs the most, 9.6% of the property value on

average. The reason? High transfer taxes (averaging 7% of the property value) and high professional fees, such as for lawyers and notaries. In Brazzaville, in the Republic of Congo, notary fees amount to 4% of the property value. The transfer process is also complicated, requiring 7 procedures on average. Nineteen economies require an assessment of taxes to be paid. This can add up to 3 procedures in such economies as Kenya and Uganda, where physical inspections are required.

A cumbersome system can create opportunities for corruption. In Kenya in 2010 a raid uncovered thousands of land files blocked in the drawers of public officials hoping to collect bribes.⁶ The need for ministerial consents can also add delays, up to 60–75 days in such economies as The Gambia, Lesotho, Malawi and Nigeria. The good news: Ghana eliminated this consent in 2006. In 2005 Côte d'Ivoire limited its use to properties not included in the zoning plan, and property sales doubled. Across the region, land registries are still mostly paper based. This partly explains registration delays such as the 113 days in Benin and 270 in Togo. The average time to transfer property in the region is 68 days; the world average, 58.

But efforts to improve property registration have been picking up. Economies such as Botswana, Burkina Faso, Madagascar, Mali and Mauritius have made agencies and systems more efficient through incentives, reorganization and better management tools. Despite being paper based, the land registry in Bamako, Mali, can complete registration in 2–3 weeks. Through broad property reforms implemented since 2007, Mauritius has reduced the transfer tax by 5% of the property value, eliminated separate clearances by utilities and set strict time limits for notaries and the land registry. Like most African economies, Mauritius lacks a cadastre, and it still requires a physical valuation for each property sale. But a new computerized property registry linking the valuation office with a new cadastre that will use aerial maps is expected to change this.

FIGURE 5.4
Property registration a third faster around the world since 2005
 Regional averages in registering property



Note: The data sample for DB2006 (2005) includes 174 economies. The sample for DB2011 (2010) also includes The Bahamas, Bahrain, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar, for a total of 183 economies.
 Source: Doing Business database.

COMPLEXITY IN LATIN AMERICA

Registering property in Latin America and the Caribbean tends to be complex, taking 7 procedures and 69 days on average. Numerous visits to different agencies are often the reason. Seven economies require a separate certificate from the commercial registry. Seven others mandate registrations beyond the land registry, such as with the municipality, the tax agency or the cadastre. Sixteen of 32

economies require a tax clearance. While this generally takes 1 or 2 days, it can take up to 20 in Paraguay and 42 in Trinidad and Tobago. Linking all agencies through a common database could help.

Remarkably, 20 of the region's economies have an electronic database for encumbrances and ownership. But only 6 of them make their electronic database available online for all. So paper certificates are still widely used, increasing

delays. Checking for encumbrances still takes 5 days on average, compared with only 1 in OECD high-income economies.

SPEEDY PROCESS IN THE MIDDLE EAST AND NORTH AFRICA

Transferring property in the Middle East and North Africa is as fast as in OECD high-income economies at 33 days on average. In the United Arab Emirates it is just 2 days. Eleven of 18 economies have electronic databases for encumbrances and ownership verification, though Bahrain is the only one offering online registration. The average cost in the region remains fairly high, at 5.7% of the property value. But in 5 economies, including Kuwait and Qatar, the cost is less than 1% of the property value. In 9 others the cost exceeds 5%—and it ranges up to 28% in the Syrian Arab Republic, with the world's highest transfer taxes.

SOME LONG DELAYS IN SOUTH AND EAST ASIA

Transferring property can take time in South Asia, 100 days on average. The cost is also high, averaging 6.9% of the property value and ranging from almost 0 in Bhutan to 17% in Maldives. The process takes 6 procedures on average.

East Asia and the Pacific has the second lowest average transfer cost, 4.1% of the property value. While the average time to transfer property is 87 days, several economies, mostly small island states, stand out for the longest delays globally. In Kiribati transferring property takes 513 days, mostly for court verification. In the Solomon Islands, where one registry handles property, companies, movable property and intellectual property rights, registration takes 240 days. And as in Sub-Saharan Africa, transferring property can require high-level government consents. These take time, ranging from 25 days in the Solomon Islands to 105 in Tonga.

Some economies are moving forward with online services. In Hong Kong SAR (China) and Malaysia taxes can be paid online. In Singapore all due diligence can be done online, through one portal.

TABLE 5.3
Good practices around the world in making it easy to register property

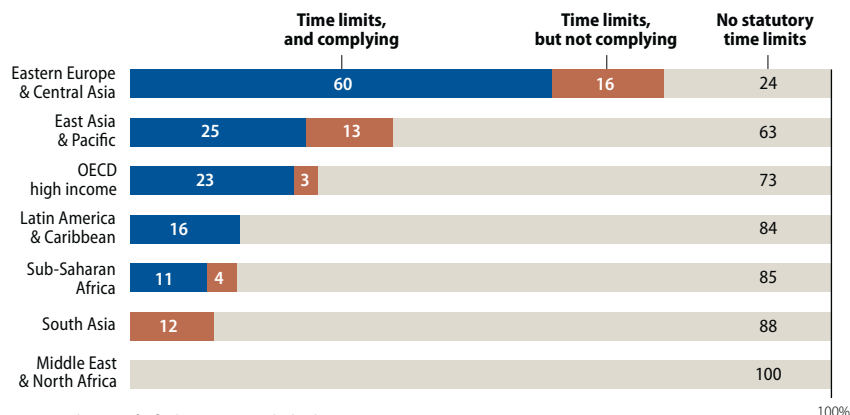
Practice	Economies ^a	Examples
Using an electronic database for encumbrances	108	Jamaica, Sweden, United Kingdom
Setting time limits for registration	49	Botswana, Guatemala, Indonesia
Setting fixed transfer costs	17	Arab Republic of Egypt, Estonia, New Zealand
Offering expedited procedures	16	Azerbaijan, Bulgaria, Georgia

a. Among 177 economies surveyed.
 Source: Doing Business database.

FIGURE 5.5

Most economies in Eastern Europe and Central Asia have time limits for property registration

Share of economies in region (%)



Note: Time limits are for final registration at the land registry.

Source: Doing Business database.

WHAT HAS WORKED?

Governments worldwide have been making it easier for entrepreneurs to register and transfer property. Some good practices can help in achieving that goal (table 5.3).

GOING ELECTRONIC

Worldwide, 61% of economies have an electronic database for encumbrances, including almost all OECD high-income and Eastern European and Central Asian economies. But in Sub-Saharan Africa and South Asia more than 80% still have paper-based systems. This makes a difference. In economies with computerized registries, transferring property takes about half as much time. Properly backed up, electronic databases can also help ensure property security. In Haiti after the 2010 earthquake, damaged records in the paper-based land registry make reconstruction even harder.⁷

Twenty-four economies as diverse as Belarus, Portugal and Zambia computerized their registries in the past 6 years. Full implementation can take time, ranging from 3 to 10 years. Gradual implementation or a pilot approach can facilitate the process. The cost can reach \$2 million or more if surveying and cadastre work is involved. But the impact is substantial. These 24 economies cut their average time to transfer a property in half, by about 3 months on average.

COMPLYING WITH TIME LIMITS

Forty-nine economies worldwide have legal time limits for registration procedures, and 13 of them have expedited procedures. Globally, 77% of economies comply with statutory time limits. Eastern Europe and Central Asia, OECD high-income economies and Latin America and the Caribbean stand out for the highest compliance (figure 5.5).

In Eastern Europe and Central Asia 19 of 25 economies have time limits. Most are a success. In only 4 economies—Bulgaria, FYR Macedonia, Serbia and Ukraine—is compliance a problem. In Latin America and the Caribbean only 5 of 32 economies have statutory time limits, ranging from 2 days in Peru to 30 in Brazil. All 5 have good compliance. Spain has an innovative way to ensure compliance: the registry's fees are cut by 30% if registration takes more than 15 days.

In the past 6 years 14 economies introduced time limits. But most went further. Twelve, including Belarus, Burkina Faso, Egypt, FYR Macedonia, Mauritius and Rwanda, did so as part of broader reforms that included merging procedures through computerization, reorganization of the land registry or creation of one-stop shops.

OFFERING FAST-TRACK PROCEDURES

Sixteen economies offer expedited registration procedures at a premium of 2–5 times the basic fee. Time savings range

from 1 day to 32 and fees from \$14 to \$450. "I often get calls from friends who need to expedite a transfer," says a land registrar in Central America. But if expedited service is available to all, it doesn't matter whom you know in the registry.

Expedited procedures are most popular in Eastern Europe and Central Asia, where 9 economies offer them. In Moldova property can be registered in 10 days (for \$38), 3 days (\$111) or 1 day (\$185). In Georgia in 2009 nearly 13% of transactions at the registry were expedited. Azerbaijan, Bulgaria and Romania all introduced this option in the past 6 years. Expedited procedures can also apply to certificates. They save 6 days for nonencumbrance certificates in Argentina and 4 days for tax clearance by Asmara Municipality in Eritrea.

SETTING LOW FIXED FEES

Seventeen economies have low fixed taxes and fees for property transfer, ranging from around \$20 to \$300, regardless of the property value. Nine economies in Eastern Europe and Central Asia apply fixed transfer taxes and fees, including Estonia, the Kyrgyz Republic and Russia. Egypt and New Zealand also do so. Twelve others, including Finland, the Republic of Korea and Malawi, have fixed fees for registration but charge other taxes and stamp duties in proportion to the property value.

Governments' administrative cost for registration is independent of the property value, so registration fees can be fixed and low. Combined with low transfer taxes, this may encourage formal registration and prevent under-reporting of property values. Four economies switched to fixed registration fees in the past 6 years: Egypt and Poland in 2006, Rwanda in 2008 and Cape Verde in 2009. Rwanda made a radical change, reducing fees from 6% of the property value to \$33.

Among the 154 economies with transfer costs that vary with the property value, at least 21 have sliding scales for fees or taxes. In 16 economies tax rates increase with the property value. In Angola

TABLE 5.4

Who makes registering property easy—and who does not?

Procedures (number)			
Fewest		Most	
Georgia	1	Ethiopia	10
Norway	1	Liberia	10
Portugal	1	Qatar	10
Sweden	1	Algeria	11
United Arab Emirates	1	Eritrea	11
Bahrain	2	Greece	11
New Zealand	2	Uzbekistan	12
Oman	2	Nigeria	13
Saudi Arabia	2	Uganda	13
Thailand	2	Brazil	14
Time (days)			
Fastest		Slowest	
Portugal	1	Vanuatu	188
Georgia	2	Puerto Rico	194
New Zealand	2	Suriname	197
Saudi Arabia	2	Guinea-Bissau	211
Thailand	2	Bangladesh	245
United Arab Emirates	2	Afghanistan	250
Lithuania	3	Togo	295
Norway	3	Solomon Islands	297
Iceland	4	Haiti	405
Australia	5	Kiribati	513
Cost (% of property value)			
Least		Most	
Bhutan	0.00	Côte d'Ivoire	13.9
Saudi Arabia	0.00	Guinea	14.0
Belarus	0.03	Maldives	16.9
Kiribati	0.04	Chad	18.2
Slovak Republic	0.05	Central African Republic	18.5
Kazakhstan	0.06	Cameroon	19.3
New Zealand	0.08	Senegal	20.6
Georgia	0.10	Comoros	20.8
Russian Federation	0.14	Nigeria	20.9
Azerbaijan	0.23	Syrian Arab Republic	27.9

Source: Doing Business database.

and Lithuania rates initially increase and then decrease as the property value rises.

WHAT ARE SOME RESULTS?

Formal titles can help facilitate access to credit. A study in Peru, where a large land titling program was implemented, suggests that when requested by lenders, property titles are associated with approval rates on public sector loans as much as 12% higher. And regardless of whether collateral is requested, interest rates are significantly lower for applicants with title.⁸ A study in Nicaragua

found that receipt of a title increased land values by 30% as well as the propensity to invest.⁹ In Argentina property owners with formal title invested up to 47% more in their property.¹⁰ Security in property ownership can also reduce the need to defend land rights: a study in Peru showed that property titles allowed people to work more away from the home.¹¹

In surveys in 99 economies, an average of 21% of firms considered access to land a major constraint to business.¹² For some, formalizing title might simply be too costly. When Egypt reduced the cost


of registration from 5.9% of the property value to 1% in 2006, new property registrations jumped by 39% in the following year. After Burkina Faso halved registration taxes to 8%, the stock of properties registered increased by 63% in the country as a whole—and by 93% in the capital city, Ouagadougou. But with less than 10% of properties formally registered, there is still a long way to go.

Increasing the efficiency of property registration systems benefits users as well as administrators. FYR Macedonia cut the time to register property by 40 days. For the 177,000 people buying property in 2009, that meant being able to use or mortgage their property 40 days earlier. Many benefited: twice as many properties were sold in 2009 as in 2007, despite the financial crisis. New delays to register property sales cut the other way. In Denmark in 2009 practitioners reported losing thousands of kroner in interest because transaction money was blocked in escrow accounts for more than a month while the new online registry was being implemented.¹³ But new systems may be worth the wait. Electronic interactions are more transparent. A survey in India found that fewer users paid bribes to accelerate e-government services.¹⁴

Guatemala halved the time to transfer property, saving 45 days for each of the about 100,000 people selling property each year.¹⁵ The land registry, digitized over the past 5 years, offers cadastral certificates as well as electronic access to data on encumbrances and ownership. People choose to use electronic services: in 2005, 66% of certificates were requested electronically; now 80% are. Buyers save the time and cost of going to the registry, standing in line and waiting 3 days for the paper certificate. And they can get instant information about encumbrances just before closing a property sale, increasing security.

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007.

Efficient systems also prepare economies for the development of vibrant property markets. Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009. Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003. FYR Macedonia's electronic registry now covers almost all the country, twice as much as in 2006.

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